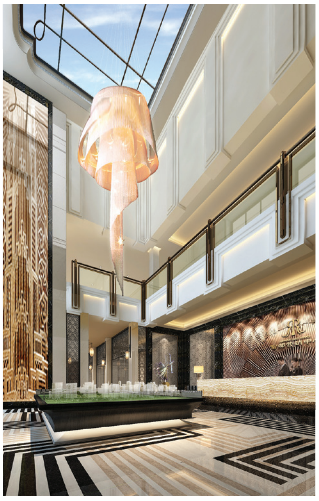
2014
ANNUAL REPORT










四海國際集團有限公司
Cosmopolitan International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 120)

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Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Jimmy Lo Chun To
(Vice Chairman and Managing Director)
Lo Po Man (Vice Chairman)
Kenneth Wong Po Man (Chief Operating Officer)
Kelvin Leung So Po (Chief Financial Officer)
Daniel Bong Shu Yin
Kenneth Ng Kwai Kai

Non-Executive Director

Francis Bong Shu Ying, OBE, JP

Independent Non-Executive Directors

Judy Chen Qing, JP
Alice Kan Lai Kuen
Lee Choy Sang
David Li Ka Fai
Abraham Shek Lai Him, GBS, JP

AUDIT COMMITTEE

David Li Ka Fai (Chairman)
Judy Chen Qing, JP
Alice Kan Lai Kuen
Lee Choy Sang
Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Alice Kan Lai Kuen (Chairman)
Lo Yuk Sui
Daniel Bong Shu Yin
Lee Choy Sang
David Li Ka Fai

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)
Daniel Bong Shu Yin
Alice Kan Lai Kuen
Lee Choy Sang
David Li Ka Fai
Abraham Shek Lai Him, GBS, JP

SECRETARY

Eliza Lam Sau Fun

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Australia and New Zealand Banking Group Limited
Deutsche Bank A.G.
Bank of Communications Co., Ltd., Hong Kong Branch

SHARE REGISTRAR IN THE CAYMAN ISLANDS

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

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street
Causeway Bay, Hong Kong
Tel: 2894 7888
Fax: 2890 1697
Website: www.cosmoholdings.com

Directors' Profile

Mr. Lo Yuk Sui, *aged 70; Chairman and Chief Executive Officer* — Appointed to the Board as an Executive Director in December 2013. Mr. Lo also acts as the Chairman and the Chief Executive Officer of the Company since December 2013. Mr. Lo has been the managing director and the chairman of the respective predecessor listed companies of Century City International Holdings Limited ("CCIHL") (the ultimate listed holding company of the Company), Paliburg Holdings Limited ("PHL") (the immediate listed holding company of the Company) and Regal Hotels International Holdings Limited ("RHIHL") (a listed subsidiary of CCIHL and PHL and of which the Company is a listed associate) since 1980s. He is also an executive director, the chairman and the chief executive officer of CCIHL, PHL and RHIHL and a non-executive director and the chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Jimmy Lo Chun To, *aged 41; Vice Chairman and Managing Director* — Appointed to the Board as an Executive Director in December 2013. Mr. Jimmy Lo also acts as a Vice Chairman and the Managing Director of the Company since December 2013. He is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director of RHIHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. He joined the Century City Group in 1998. Mr. Jimmy Lo is primarily involved in overseeing the property projects of the PHL group in the People's Republic of China ("PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, *aged 35; Vice Chairman and Executive Director* — Appointed to the Board as an Executive Director in December 2013. Miss Lo also acts as a Vice Chairman of the Company since December 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director, a vice chairman and the managing director of RHIHL, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. Miss Lo joined the RHIHL group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the RHIHL group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Wong Po Man, *aged 49; Executive Director and Chief Operating Officer* — Appointed to the Board in 2010 as a Non-Executive Director until re-designated as an Executive Director and the Chief Operating Officer in December 2013. Mr. Wong is a qualified architect. He graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. Mr. Wong has over 20 years of experience in architectural design and project management in respect of property development projects. Mr. Wong is also an executive director of PHL and a Technical Director of an engineering company which is registered under the Buildings Ordinance of Hong Kong.

Mr. Kelvin Leung So Po, *aged 42; Executive Director and Chief Financial Officer* — Appointed to the Board in 2008 as a Non-Executive Director until re-designated as an Executive Director and the Chief Financial Officer in December 2013. Mr. Leung is also an executive director of CCIHL. He has been with the Century City Group since 1997 and is involved in the corporate finance function as well as in the China business division of the Century City Group. Mr. Leung holds a Bachelor's Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. He has over 19 years of experience in accounting and corporate finance field.

Mr. Daniel Bong Shu Yin, *aged 75; Executive Director* — Appointed to the Board in 2006. Mr. Daniel Bong had also acted as the Chairman of the Company since 2006 until his resigning from this role when the Board was reconstituted in December 2013. He is a qualified architect and has extensive experience in the property and hotel fields, both in Hong Kong and overseas. Mr. Daniel Bong had been involved in the management of several public listed companies in Hong Kong, including CCIHL, PHL and RHIHL and their respective predecessor listed companies. Mr. Daniel Bong was also the deputy chairman of RHIHL until 1999 when he retired from his executive role to pursue his personal interests and investments. He is the brother of Mr. Francis Bong Shu Ying.

Mr. Kenneth Ng Kwai Kai, *aged 60; Executive Director* — Appointed to the Board in 2008 as a Non-Executive Director until re-designated as an Executive Director in December 2013. Mr. Ng is a Chartered Secretary. He is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and RHIHL, and a non-executive director of RPML.

Mr. Francis Bong Shu Ying, OBE, JP, *aged 73; Non-Executive Director* — Appointed to the Board in 2006. Mr. Francis Bong was a director of AECOM Technology Corporation, a company incorporated in the United States and listed on the New York Stock Exchange. Mr. Francis Bong holds a Bachelor's Degree of Science in Engineering from The University of Hong Kong and is a former Chairman of the Hong Kong University Engineering Advisory Committee. He is a former president of the Hong Kong Institution of Engineers, a former president of the Hong Kong Academy of Engineering Sciences and a fellow member of the Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom. Mr. Francis Bong is also an independent non-executive director of China Merchants Holdings (International) Company Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is the brother of Mr. Daniel Bong Shu Yin.

Ms. Judy Chen Qing, JP, *aged 43; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in December 2013. Ms. Chen serves as the Chairman of the Hong Kong Committee for United Nations Children's Fund ("UNICEF HK") and the Foundation Chair of Ocean Park Conservation Foundation Hong Kong ("OPCF HK"). She received her higher education from China and the United States. She has also been appointed by the Under-Secretary-General of the United Nations to serve as Standing Member of the Development Cooperation Forum. Before joining UNICEF HK and OPCF HK, Ms. Chen held senior positions in multinational companies. Besides chairing UNICEF HK and OPCF HK, Ms. Chen is also actively working in the social service areas in Mainland China and Hong Kong.

Ms. Alice Kan Lai Kuen, *aged 60; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in December 2013. She is also an independent non-executive director of RHIHL. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services and Asia Investment Research Limited involving in research work in Hong Kong and China based companies. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong and a responsible officer of Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited. She will cease to be a responsible officer of Lotus Asset Management Limited with effect from 1st April, 2015. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Energine International (Holdings) Limited, Shimao Property Holdings Limited and Shougang Concord International Enterprises Company Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on Singapore Exchange Securities Trading Limited.

Mr. Lee Choy Sang, *aged 78; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. Lee has been involved in the construction industry for over 40 years. He obtained his Bachelor of Architecture Degree in The University of Hong Kong. Mr. Lee was a member of the Royal Institute of British Architects, the Royal Australian Institute of Architects and The Hong Kong Institute of Architects. He was also a registered architect in Hong Kong. He is a member of the Hong Kong Housing Society. Mr. Lee is currently a director of Silver Force (Consultants) Limited and Brilliant Force International China Heating Supply Holdings Company Limited, and is in charge of various projects in respect of the provision of services relating to energy supply and management in different regions, including Hong Kong and the PRC.

Mr. David Li Ka Fai, *aged 60; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. Li is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, UK, The Institute of Chartered Secretaries and Administrators, UK as well as The Institute of Chartered Accountants in England and Wales. He is an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of Goldlion Holdings Limited, an independent non-executive director, a member of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of China Merchants Holdings (International) Company Limited and an independent non-executive director, a member of the audit committee and the remuneration committee of AVIC International Holding (HK) Limited, and an independent non-executive director and the chairman of the audit committee of China-Hongkong Photo Products Holdings Limited, Shanghai Industrial Urban Development Group Limited and Wai Yuen Tong Medicine Holdings Limited, all of which companies are listed on the main board of the Stock Exchange.

Hon Abraham Shek Lai Him, GBS, JP, *aged 69; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in December 2013. He is also an independent non-executive director of PHL and RPML. Mr. Shek holds a Bachelor's Degree of Arts. He is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong, a director of The Hong Kong Mortgage Corporation Limited and a non-executive director of the Mandatory Provident Fund Scheme Authority. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, Dorsett Hospitality International Limited, ITC Corporation Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

Chairman's Statement

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2014.

FINANCIAL RESULTS

For the year ended 31st December, 2014, the Company recorded a consolidated loss attributable to shareholders of HK$127.4 million, as compared to a loss of HK$88.2 million for the nine months ended 31st December, 2013.

The loss incurred for the year under review was principally attributable to the finance costs arising from the interest accruing on the balance consideration payable for the acquisition of the Chengdu Project and the increased administrative and other overhead costs associated with the development of the Chengdu Project as well as the Tianjin Project, both acquired in September 2013.

BUSINESS OVERVIEW

As reported in the 2014 Interim Report, the Company first announced an open offer of shares in conjunction with a share consolidation in April 2014. The open offer was very well received, with applications from qualifying shareholders accounting for approximately 89.8% of the shares available for subscription and with applications for excess shares exceeding 24 times of the total shares available for subscription under excess application. The open offer was closed in August 2014 and new equity funds of approximately HK$439.8 million have thus been raised, which have been applied for the injection of additional capital in a subsidiary of the Group incorporated in the People's Republic of China and for general working capital as previously mentioned.

Contemporaneously upon the closing of the open offer, P&R Holdings Limited completed the Subscription Agreement entered into with the Company in April 2014 to subscribe for convertible bonds of the Group in the principal amount of HK$500 million and was granted an option to subscribe for optional convertible bonds up to an aggregate principal amount of HK$500 million. The issue of the convertible bonds could potentially further enhance the capital base of the Company, while the funds received have been used to repay some of the Group's indebtedness bearing higher interest rates, thereby reducing the interest expenses in the meantime. Detailed information regarding the terms and conditions of the convertible bonds and the optional convertible bonds was contained in the circular of the Company dated 20th June, 2014.

The Group's principal businesses are now focused on property development and investments in the PRC. During the year under review, the property market as well as the overall economy in the PRC has generally slowed down. Adapting to this changing market environment, the Group has made some adjustments to the development programme of some of its development projects. Detailed information regarding the Group's ongoing development projects in Chengdu and Tianjin and the reforestation project in Xinjiang as well as the latest status on the two proposed projects in Wuxi and in Tongzhou, Beijing is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

OUTLOOK

The central government of China has projected that the gross domestic product in the PRC for 2015 will grow by 7%, as compared to 7.4% in 2014, despite the prevailing uncertainties in some overseas economies and the geopolitical tensions in some regions like the Middle East and Eastern Europe. Although the forecast growth rate in the GDP of the PRC for 2015 is the lowest as compared to recent years, it is still much more favourable than those projected for most of the major economies.

The Group is optimistic that the economic development in the PRC in the long term will continue to be strong and is confident that the ongoing development projects undertaken by the Group will generate substantial cash flow and satisfactory profits when they are gradually completed.

DIRECTORS AND STAFF

On behalf of the Board, I would like to express our gratitude to Mr. Cheng Sui Sang, who had served as an Executive Director since 2006 and retired at the Annual General Meeting of the Company held on 3rd June, 2014, for his contribution during his tenure of office with the Company. Taking this opportunity, I would also like to thank my fellow members on the Board for their advice and support and all management and staff members for their hard work over the past year.

LO YUK SUI
Chairman

Hong Kong
24th March, 2015

COMPOSITE DEVELOPMENT

CHENGDU • MAINLAND CHINA

■ Commercial towers in the first stage of the composite development in Xindu District, Chengdu, Sichuan (*)

* Artist impression

■ Lobby of Regal Xindu Hotel (*)

■ Lobby of Regal Xindu Hotel (*)

■ Regal Xindu Hotel, a five-star hotel in the first stage of the composite development - superstructure works in progress

Residential towers of the composite development in Chengdu (*)

* Artist impression

Club house facilities of the residential portion of the composite development in Chengdu (*)

Three residential towers in the first stage of the composite development in Chengdu - superstructure works in progress

TIANJIN • MAINLAND CHINA

■ A composite commercial / office / residential development in a prime district in Tianjin (*)

■ Lobby of the residential block in the composite development (*)

■ The interior of a residential apartment in the composite development (*)

* Artist impression

■ Piling works for the composite development in Tianjin already completed

BUSINESS REVIEW

The Group is principally engaged in property development and investment, investment in financial assets and other investments.

The performance of the Group's property and other investment businesses during the year under review, their operating performance and future prospects are contained in the preceding Chairman's Statement.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in this section.

A brief review on the property projects currently undertaken by the Group in the PRC is set out below.

Property Development

Chengdu Project

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of hotel, commercial, office, service apartments and residential components, with an overall total gross floor area of approximately 497,000 square metres. The first stage of the development includes a hotel with 306 hotel rooms and extensive facilities and three residential towers with about 340 residential units with car parking spaces and ancillary commercial accommodation. The construction works for these three residential towers are expected to be completed in the third quarter of 2016 and units presale is anticipated to be launched in the third quarter of 2015. Having considered the local market environment, the hotel portion included in the first stage is now planned to be completed in phases from 2016. The other components comprised within the overall development will continue to be developed in stages.

Tianjin Project

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres. The development plans have been revised to include only commercial, office and residential components with total gross floor area of about 145,000 square metres and such plans have been approved by the local government authority. The piling works for the project have already been completed and the entire development is now anticipated to be completed in stages within 2018.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site will be available for commercial development after the requisite inspection, land grant listing and tender procedures are completed. The inspection and measurement of the reforested area by the relevant government authorities is still ongoing and some remedial re-forestation works will be undertaken soon to meet the requirements of the government authorities. In the meantime, the Group is working on the design of the master plan to prepare for the land grant procedures. It is hoped that the final procedures leading to the land grant listing and tender of the development land would be concluded as soon as practicable. Should the Group successfully secure the development land and depending on the permitted land use, the Group preliminarily plans to develop on the land, in stages, a large scale mixed use development comprising residential, hotel, recreational and commercial properties.

Wuxi Project

The Group entered into in October 2013 a Co-operation Agreement for Business and Investment Encouragement with Wuxi Huishan District People's Government and Wuxi Metro Xizhang Area Commission for a parcel of land of about 937 mu (equivalent to approximately 624,700 square metres) located in Huishan District, Wuxi, Jiangsu Province, which was subject to certain terms to be agreed by the parties within six months of the date of the agreement. The Group has not been able to reach agreement with the relevant parties in respect of those certain terms and further negotiations with respect to the Co-operation Agreement have been discontinued for the time being.

Property Investment

Beijing Tongzhou Project

A wholly-owned subsidiary of the Company established in Beijing has entered into a co-operation agreement with a PRC independent third party in February 2014 to subscribe for 82.5% equity interest in a company which is involved in a primary development project located in Tongzhou District, Beijing, subject to the fulfilment of certain prescribed conditions. The principal purpose of the project is to develop buildings for the purposes of housing resettlement under PRC government policies. As certain conditions have not been fulfilled by the independent third party, the co-operation agreement has lapsed. The relevant third party is considering various remedial proposals for the Group's Beijing subsidiary to participate in the investment project as previously contemplated. The Beijing subsidiary has recently obtained the approval from the relevant PRC authority for (1) an increase of its registered capital from RMB298 million to RMB500 million and (2) a change of its business nature to an investment company, which will strengthen its capital base and facilitate potential investments in other property development and investment projects in the PRC.

FINANCIAL REVIEW

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits, and treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

The acquisition of the two ongoing development projects in the PRC has been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. Construction and related costs for the property projects for the time being are principally financed by internal resources. Project financing may be arranged on appropriate terms and will normally be in the local currency to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

Cash Flow

Net cash flows used in operating activities during the year under review amounted to HK$280.7 million (nine months ended 31st December, 2013 - HK$72.1 million). Net interest payment for the year amounted to approximately HK$156.7 million (nine months ended 31st December, 2013 - net interest receipt of HK$4.6 million).

Borrowings and Gearing

As at 31st December, 2014, the Group had cash and bank balances and deposits, net of bank borrowings and convertible bonds, of HK$180.3 million (31st December, 2013 - HK$389.1 million).

As at 31st December, 2014, excluding the considerations payable to the vendors for acquisition of the property development projects, the Group had net cash balance of HK$180.3 million and therefore no gearing (31st December, 2013 - no gearing).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2014 are shown in note 22 to the financial statements.

Pledge of Assets

As at 31st December, 2014, certain of the Group's bank deposits and financial assets at fair value through profit or loss in the amount of HK$13.8 million were pledged to secure general banking facilities granted to the Group.

As at 31st December, 2013, certain of the Group's bank deposits, financial assets at fair value through profit or loss and held-to-maturity investments in the amount of HK$37.5 million were pledged to secure general banking facilities granted to the Group.

In addition, the Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the other payables under non-current liabilities and the related interest payables under current liabilities in respect of the acquisition of property development projects in the prior year.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2014 are shown in note 34 to the financial statements.

Contingent Liabilities

The Group had no contingent liability as at 31st December, 2014.

Share Capital

During the year under review, every ten (10) issued and unissued ordinary shares of par value HK$0.0002 each in the share capital of the Company were consolidated into one (1) ordinary share of par value HK$0.002 ("Consolidated Share(s)") in the share capital of the Company with effect from 15th July, 2014 (the "Share Consolidation"), pursuant to an ordinary resolution passed by the shareholders of the Company at its extraordinary general meeting held on 14th July, 2014 (the "EGM").

Pursuant to a special resolution passed by the shareholders of the Company at the EGM, 4,397,609,522 unissued Consolidated Shares have been re-designated as 4,397,609,522 unissued non-voting non-redeemable convertible preference shares of par value HK$0.002 each ("Convertible Preference Shares") subject to the relevant rights and terms incorporated in the articles of association of the Company by virtue of such special resolution with effect from 15th July, 2014.

As a result, the authorised share capital of the Company has since then been changed to HK$250,000,000 divided into 120,602,390,478 Consolidated Shares and 4,397,609,522 Convertible Preference Shares.

On 18th August, 2014, a total of 2,051,282,571 new Consolidated Shares and 2,346,326,951 new Convertible Preference Shares were allotted and issued to those entitled under the Open Offer (as referred to below).

Details of the Share Consolidation, the creation of the Convertible Preference Shares, and the proposals relating to the open offer of new Consolidated Shares and Convertible Preference Shares (the "Open Offer") and the issue of the convertible bonds and the optional convertible bonds as reported in the preceding Chairman's Statement were set out in the circular and/or the prospectus of the Company dated 20th June, 2014 and 24th July, 2014, respectively.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the year under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 100 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property development and investment, investment in financial assets and other investments. There have been no significant changes in these activities during the year.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 118.

DIVIDENDS

No interim dividend was paid to the holders of ordinary shares during the year.

The Directors have resolved not to recommend the payment of a final dividend for the year ended 31st December, 2014 (nine months ended 31st December, 2013 – Nil).

ANNUAL GENERAL MEETING

The 2015 Annual General Meeting of the Company will be convened to be held on Wednesday, 3rd June, 2015. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with this Annual Report.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders of the Company will be closed from Monday, 1st June, 2015 to Wednesday, 3rd June, 2015, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2015 Annual General Meeting, and no transfers of ordinary shares will be effected during such period. In order to be entitled to attend and vote at the 2015 Annual General Meeting, all transfers of ordinary shares and/or conversions of the convertible securities, duly accompanied by the relevant share certificates and/or the certificates of the convertible securities, together with, where appropriate, the relevant conversion notices, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 29th May, 2015.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Wong Po Man
Mr. Kelvin Leung So Po
Mr. Daniel Bong Shu Yin
Mr. Kenneth Ng Kwai Kai
Mr. Francis Bong Shu Ying
Ms. Judy Chen Qing, JP
Ms. Alice Kan Lai Kuen
Mr. Lee Choy Sang
Mr. David Li Ka Fai
Hon Abraham Shek Lai Him, GBS, JP

During the year, Mr. Cheng Sui Sang retired as an Executive Director at the annual general meeting of the Company held on 3rd June, 2014.

In accordance with Article 116 of the Articles of Association of the Company, Mr. Kenneth Wong Po Man, an Executive Director and the Chief Operating Officer, Mr. Kelvin Leung So Po, an Executive Director and the Chief Financial Officer, Mr. Lee Choy Sang and Mr. David Li Ka Fai, both Independent Non-Executive Directors, and Mr. Kenneth Ng Kwai Kai, an Executive Director, will retire from office by rotation at the 2015 Annual General Meeting.

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2015 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

The Company has received from each of the five incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries, was a party at the end of the reporting period or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the share option scheme of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, named as "The Century City International Holdings Limited Share Option Scheme" and the share option scheme of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company, named as "The Paliburg Holdings Limited Share Option Scheme" (together, the "Schemes").

There were no options granted or exercised under any of the Schemes during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st 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 any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2014)
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary				
			(i) (issued)	–	2,731,316,716 (Note e)	–	2,731,316,716
			(ii) (unissued)	–	4,683,461,057 (Note f)	–	4,683,461,057
						Total:	7,414,777,773 (174.45%)
			Preference (issued)	–	2,004,889,629 (Note f)	–	2,004,889,629 (85.45%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2014)
2.	CCIHL	Mr. Lo Yuk Sui	Ordinary (issued)	102,587,396	1,769,164,691 (Note a)	380,683	1,872,132,770 (58.43%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
3.	PHL	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,376,803 (Note b)	15,000	830,469,817 (74.51%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	304,185	–	–	304,185 (0.03%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
		Mr. Daniel Bong Shu Yin	Ordinary (issued)	–	378,000 (Note h)	–	378,000 (0.03%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2014)
4.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	600,141,261 (Note c)	260,700	600,426,161 (64.98%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Daniel Bong Shu Yin	Ordinary (issued)	–	218,600 (Note i)	–	218,600 (0.02%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (75.00%)

Notes:

(a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

(b) The interests in 693,640,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.42% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

(c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.42% shareholding interests. The interests in the other 588,173,861 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which CCIHL held 62.23% shareholding interests. The other interests in 11,546,000 issued ordinary shares of RHIHL were held through a wholly-owned subsidiary of the Company, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by PHL and RHIHL through their respective wholly-owned subsidiaries) held 64.26% shareholding interests. PHL held 64.90% shareholding interests in RHIHL.

(d) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.

(e) The interests in 2,731,316,716 issued ordinary shares of the Company were held through wholly-owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly-owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests, held 64.90% shareholding interests in RHIHL. Mr. Lo held 58.42% shareholding interests in CCIHL.

(f) The interests in 4,683,461,057 unissued ordinary shares of the Company were held through wholly-owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly-owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests, held 64.90% shareholding interests in RHIHL. Mr. Lo held 58.42% shareholding interests in CCIHL.

The interests in 2,004,889,629 unissued ordinary shares of the Company are derivative interests held through interests in 2,004,889,629 convertible preference shares of the Company, convertible into new ordinary shares of the Company on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of the Company are derivative interests held through interests in the convertible bonds in the principal amount of HK$500,000,000 issued by a wholly-owned subsidiary of the Company. The convertible bonds are convertible into new ordinary shares of the Company at a conversion price of HK$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued ordinary shares of the Company are derivative interests held through interests in the possible subscription for the optional convertible bonds in a principal amount of HK$500,000,000 to be issued by a wholly-owned subsidiary of the Company pursuant to the subscription agreement dated 30th April, 2014 (as supplemented by a supplemental agreement dated 19th June, 2014) entered into between the Company and P&R Holdings. The optional convertible bonds, if subscribed for and issued, will be convertible into new ordinary shares of the Company at a conversion price of HK$0.40 per ordinary share (subject to adjustments in accordance with the terms of the optional convertible bonds).

(g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly-owned subsidiary of the Company. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly-owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly-owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly-owned subsidiaries of CCIHL. The Company were held as to 64.26% shareholding interests by P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly-owned subsidiaries. PHL, in which CCIHL held 62.23% shareholding interests, held 64.90% shareholding interests in RHIHL. Mr. Lo held 58.42% shareholding interests in CCIHL.

(h) The interests in 378,000 issued ordinary shares of PHL were held through a company wholly owned by Mr. Daniel Bong Shu Yin ("Mr. Bong").

(i) The interests in 218,600 issued ordinary shares of RHIHL were held through a company wholly owned by Mr. Bong.

Save as disclosed herein, as at 31st December, 2014, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2014, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying (unissued) ordinary shares held	Total number of ordinary shares (issued and underlying (unissued)) held	Approximate percentage of issued ordinary shares as at 31st December, 2014
CCIHL (Note i)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
PHL (Note iii)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
Paliburg Development BVI Holdings Limited (Note iv)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
Capital Merit Investments Limited (Note iv)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
RHIHL (Note v)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
Regal International (BVI) Holdings Limited (Note vi)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
Regal Hotels Investments Limited (Note vi)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
P&R Holdings (Note vii)	2,731,316,716	4,683,461,057	7,414,777,773	174.45%
Interzone Investments Limited (Note viii)	–	1,428,571,428	1,428,571,428	33.61%
Valuegood International Limited (Note viii)	953,625,000	179,031,239	1,132,656,239	26.65%
Lendas Investments Limited (Note viii)	294,107,609	647,915,205	942,022,814	22.16%
Space Capital Investments Limited (Note ix)	333,750,000	340,597,727	674,347,727	15.87%
Giant Sino Group Limited (Note ix)	333,750,000	340,597,727	674,347,727	15.87%
Jumbo Pearl Investments Limited (Note viii)	266,666,666	267,164,481	533,831,147	12.56%
Sun Joyous Investments Limited (Note viii)	266,666,666	267,164,481	533,831,147	12.56%
Time Crest Investments Limited (Note viii)	266,666,666	267,164,481	533,831,147	12.56%
Well Mount Investments Limited (Note viii)	266,666,666	267,164,481	533,831,147	12.56%
Winart Investments Limited (Note viii)	270,000,000	4,643,905	274,643,905	6.46%

Notes:

(i) The interests in the ordinary shares of the Company held by CCIHL were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

(ii) CCBVI is a wholly-owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.

(iii) PHL is a listed subsidiary of CCIHL, which held 62.23% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.

(iv) These companies are wholly-owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

(v) RHIHL is a listed subsidiary of PHL, which held 64.90% shareholding interests in RHIHL, and RHIHL's interests in the ordinary shares of the Company were included in the interests held by PHL.

(vi) These companies are wholly-owned subsidiaries of RHIHL and their interests in the ordinary shares of the Company were included in the interests held by RHIHL.

(vii) P&R Holdings is owned as to 50% each by PHL and RHIHL, through their respective wholly-owned subsidiaries, and P&R Holdings' interests in the ordinary shares of the Company were included in the interests held by PHL and RHIHL.

(viii) These companies are wholly-owned subsidiaries of P&R Holdings and their interests in the ordinary shares of the Company were included in the interests held by P&R Holdings.

(ix) Giant Sino Group Limited is a wholly-owned subsidiary of Space Capital Investments Limited, which in turn is owned as to 28% by Mr. Daniel Bong Shu Yin (an Executive Director of the Company).

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2014, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

(1) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kelvin Leung So Po and Mr. Kenneth Ng Kwai Kai are directors of CCIHL and CCBVI.

(2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man, Mr. Kenneth Ng Kwai Kai and Hon Abraham SHEK Lai Him, GBS, JP are directors of PHL.

(3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly-owned subsidiaries of PHL which are substantial shareholders as named above, P&R Holdings and the wholly-owned subsidiaries of P&R Holdings which are substantial shareholders as named above.

(4) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Ms. Alice Kan Lai Kuen and Mr. Kenneth Ng Kwai Kai are directors of RHIHL.

(5) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly-owned subsidiaries of RHIHL which are substantial shareholders as named above.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30th June, 2014 is set out below:

Name of Director	Details of changes
Executive Directors:	
Mr. Lo Suk Sui	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$72,300 commencing from January 2015. (Notes)
Mr. Jimmy Lo Chun To	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$37,800 commencing from January 2015. (Note (i))
Miss Lo Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$28,350 commencing from January 2015. (Note (i))
Mr. Kenneth Wong Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$33,200 commencing from January 2015. (Note (i))
Mr. Kelvin Leung So Po	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$29,000 commencing from January 2015. (Note (i))
Mr. Daniel Bong Shu Yin	• Entitled to a monthly salary, based on services rendered to the Group, in an amount of HK$191,300 commencing from January 2015. (Notes)
Mr. Kenneth Ng Kwai Kai	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$32,700 commencing from January 2015. (Note (i))
Independent Non-Executive Directors:	
Mr. David Li Ka Fai	• Appointed as an independent non-executive director and the chairman of the audit committee of Wai Yuen Tong Medicine Holdings Limited, a company listed on the Stock Exchange, with effect from 17th March, 2015.
Hon Abraham Shek Lai Him, GBS, JP	• Retired as the Vice Chairman of Independent Police Complaints Council with effect from 1st January, 2015.
	• Appointed as a non-executive director of the Mandatory Provident Fund Scheme Authority with effect from 17th March, 2015.

Notes:

(i) Each Executive Director is also entitled to a performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK$100,000 per annum in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2014 are disclosed in note 8 to the financial statements.

(ii) Mr. Lo Yuk Sui, Mr. Daniel Bong Shu Yin and the Independent Non-Executive Directors, who are also the chairman or members of the Nomination Committee and/or the Remuneration Committee of the Company, are entitled to normal fee of HK$30,000 per annum in acting as the chairman or a member of each of such board committees. Details of the remuneration of all Directors for the year ended 31st December, 2014 are disclosed in note 8 to the financial statements.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

CONNECTED TRANSACTIONS

ACQUISITION OF COMPANIES

On 16th June, 2014, the following two agreements were entered into relating to the acquisition by the Group of certain subsidiaries of PHL, with a view to facilitating the development and management of the Group's property projects in the PRC:

(1) Groupsource Investments Limited, a wholly-owned subsidiary of the Company, as purchaser ("Purchaser 1") entered into a sale and purchase agreement ("S&P Agreement 1") with Paliburg Development BVI Holdings Limited, a wholly-owned subsidiary of PHL, as vendor ("Vendor 1") to acquire the entire issued share capital of Best Accolade Limited ("Best Accolade") and all amounts due, owing or payable by Best Accolade and its subsidiaries (collectively, the "Best Accolade Group") to Vendor 1, at a cash consideration of approximately HK$10.0 million (equivalent to approximately RMB8.0 million) ("Acquisition 1"). The Best Accolade Group comprises Best Accolade, City Path Investments Limited ("City Path"), the direct wholly-owned subsidiary of Best Accolade, and 富宏(深圳)諮詢管理有限公司 (for identification purposes, Fuhong (Shenzhen) Consultancy Management Company Limited) ("PRC Co 1"), which is directly wholly owned by City Path; and

(2) Cosmopolitan International (Chengdu) Management Limited, a wholly-owned subsidiary of the Company, as purchaser ("Purchaser 2") entered into a sale and purchase agreement ("S&P Agreement 2") with Regal (Chongqing) Equity Investment Fund, L.P., a non wholly-owned subsidiary of PHL, as vendor ("Vendor 2") to acquire the entire paid-up registered capital of 成都富都物業管理有限公司 (for identification purposes, Chengdu Fudu Property Management Company Limited) ("PRC Co 2") at a cash consideration of RMB3.0 million (equivalent to approximately HK$3.8 million) ("Acquisition 2", together with the Acquisition 1, the "Acquisitions").

The Group is principally engaged in property development and investment as well as investment in financial assets and other investments. The Group's property business is primarily focused on the PRC market. PRC Co 1 has a team of professional staff including project managers, architect, engineers and marketing consultants experienced in property development in the PRC and has been providing property development consultancy services to the Group in relation to the Group's property development projects in Chengdu, Sichuan (the "Chengdu Project"), Tianjin (the "Tianjin Project") and Urumqi, Xinjiang Uygur Autonomous Region (the "Xinjiang Project"). PRC Co 2 is licensed and qualified to carry out property management business, and after the Acquisition 2, it is anticipated that PRC Co 2 will provide property management services to the Chengdu Project. The Acquisitions would therefore facilitate the development and management of the Group's property projects in the PRC, in particular the Chengdu Project, the Tianjin Project and the Xinjiang Project. For further details of Chengdu Project, the Tianjin Project and the Xinjiang Project, please refer to the preceding section headed "Management Discussion and Analysis" of this Annual Report.

As at the date of the S&P Agreement 1, PHL held, through its subsidiaries, approximately 67.5% of the issued share capital of the Company, and Vendor 1 was a wholly-owned subsidiary of Paliburg. As at the date of the S&P Agreement 2, Vendor 2 was owned as to 99.999% by P&R Holdings, which was owned as to 50% by each of PHL and RHIHL (a listed subsidiary of PHL) through their respective wholly-owned subsidiaries and was a non wholly-owned subsidiary of PHL, and 0.001% by CCIHL (of which PHL and RHIHL are listed subsidiaries). As Vendor 1 and Vendor 2 were subsidiaries of PHL, both of them were connected persons of the Company under the Listing Rules. The Acquisitions in aggregate constituted connected transactions for the Company subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the Acquisitions were disclosed in an announcement of the Company dated 16th June, 2014.

ISSUE OF CONVERTIBLE BONDS AND OPTIONAL CONVERTIBLE BONDS BY THE GROUP

On 30th April, 2014, a subscription agreement (the "Subscription Agreement") was entered into between the Company and P&R Holdings in respect of the subscription by a wholly-owned subsidiary of P&R Holdings for new convertible bonds due 2017 with a principal amount of HK$500 million to be issued by a wholly-owned subsidiary of the Company and guaranteed by the Company ("CB 2017"). The CB 2017 will be convertible into new ordinary shares of par value HK$0.002 each in the share capital of the Company at a conversion price of HK$0.35 per share (subject to adjustments) ("CB Conversion Price"). Based on the initial CB Conversion Price, the CB 2017 will be convertible into a maximum of approximately 1,428.6 million new ordinary shares of the Company. The CB 2017 bears 2.5% per annum coupon rate, payable semi-annually.

Under the Subscription Agreement, P&R Holdings would also be entitled to an option to subscribe, through its wholly-owned subsidiary, for optional convertible bonds due 2017 in the principal amount of up to HK$500 million to be issued by a wholly-owned subsidiary of the Company and guaranteed by the Company ("Optional CB 2017"). The Optional CB 2017, if subscribed for and issued, will be convertible into new ordinary shares of the Company at a conversion price of HK$0.40 per share (subject to adjustments) ("Optional CB Conversion Price"). Based on the initial Optional CB Conversion Price, the Optional CB 2017 will be convertible into a maximum of 1,250.0 million new ordinary shares of the Company. The Optional CB 2017 bears 3.5% per annum coupon rate, payable semi-annually.

As at the date of the Subscription Agreement, P&R Holdings held, through its wholly-owned subsidiaries, approximately 67.5% of the issued share capital of the Company and is therefore a connected person of the Company under the Listing Rules. The issues of the CB 2017 and the Optional CB 2017 constituted connected transactions for the Company subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 14th July, 2014, the issues of the CB 2017 and the Optional CB 2017 upon the terms and conditions of the Subscription Agreement were approved by the independent shareholders of the Company.

Following the fulfillment of the conditions of the issue of the CB 2017, on 18th August, 2014, Apex Team Limited, a wholly-owned subsidiary of the Company, issued the CB 2017 to Interzone Investments Limited, a wholly-owned subsidiary of P&R Holdings. Further details relating to the issued CB 2017 are disclosed in note 24 to the financial statements.

Details of the Subscription Agreement and the issues of the CB 2017 and Optional CB 2017 were disclosed in the joint announcements of the Company dated 30th April, 2014 and 19th June, 2014 and the circular of the Company dated 20th June, 2014.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of listed securities of the Company during the year.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands, being the jurisdiction in which the Company was incorporated, and there is no provision relating to pre-emptive rights stipulated in the Articles of Association of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's turnover during the year under review was substantially derived from trading of financial assets, and most of the trading transactions were conducted on the Stock Exchange through brokers of financial assets, and thus the disclosure of the customers and suppliers information would not be meaningful.

PROPERTY, PLANT AND EQUIPMENT

The details of movements in the Group's property, plant and equipment during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

The details of movements in the share capital and share premium account of the Company, together with the reasons therefor, during the year are set out in note 26 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 30 to the financial statements.

A JOINT VENTURE

Particulars of the Group's investment in a joint venture are set out in note 16 to the financial statements.

RESERVES

The details of movements in the reserves of the Company and the Group during the year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31st December, 2014, the Company's reserves available for distribution calculated in accordance with the laws of the Cayman Islands amounted to HK$1,531,240,000.

AUDITORS

Ernst & Young retire, and being eligible, offer themselves for re-appointment.

On behalf of the Board
LO YUK SUI
Chairman

Hong Kong
24th March, 2015

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2014.

The Company is committed to maintaining good corporate governance practices and procedures. Review of existing policies and practices in respect of the management and corporate matters of the Group has been conducted by the Company. Enhancement to the current standards for complying with new requirements, revision of the existing policies and practices and introduction of appropriate new measures have been implemented. Periodic review of the system and controls within the Group will be carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

(I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2014, except that:

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

(II) BOARD OF DIRECTORS

The Board currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*
Miss Lo Po Man *(Vice Chairman)*
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*
Mr. Kelvin Leung So Po *(Chief Financial Officer)*
Mr. Daniel Bong Shu Yin
Mr. Kenneth Ng Kwai Kai

Non-Executive Director:

Mr. Francis Bong Shu Ying

Independent Non-Executive Directors:

Ms. Judy Chen Qing, JP
Ms. Alice Kan Lai Kuen
Mr. Lee Choy Sang
Mr. David Li Ka Fai
Hon Abraham Shek Lai Him, GBS, JP

The personal and biographical details of the Directors, including the relationship among them, are disclosed in the preceding section headed "Directors' Profiles" contained in this Annual Report.

During the year ended 31st December, 2014, the Company has fully complied with Rules 3.10 and 3.10A of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

All material policies and decisions remain within the authority of the Board as a whole. The Board only delegates authorities to management to an extent that would not significantly hinder or reduce the ability of the Board to discharge its proper functions as a whole. The functions of the Board and those delegated to management of the Company are properly distinguished and clarified. Review of the formalised arrangements will be carried out on a periodic basis to ensure that they remain appropriate to the needs of the Company. The Board is also responsible for developing, reviewing and/or monitoring the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

In year 2014, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	**Attendance**	
	Board Meetings	*General Meetings*
Executive Directors		
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	16/16	2/2
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*	15/16	2/2
Miss Lo Po Man *(Vice Chairman)*	15/16	2/2
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*	15/16	2/2
Mr. Kelvin Leung So Po *(Chief Financial Officer)*	16/16	2/2
Mr. Daniel Bong Shu Yin	16/16	2/2
Mr. Cheng Sui Sang#	4/4	0/1
Mr. Kenneth Ng Kwai Kai	16/16	2/2
Non-Executive Director		
Mr. Francis Bong Shu Ying	13/16	2/2
Independent Non-Executive Directors		
Ms. Judy Chen Qing, JP	9/16	1/2
Ms. Alice Kan Lai Kuen	16/16	2/2
Mr. Lee Choy Sang	16/16	2/2
Mr. David Li Ka Fai	16/16	2/2
Hon Abraham Shek Lai Him, GBS, JP	13/16	2/2

(retired on 3rd June, 2014)

The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary. In addition, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In the year 2014, the Company arranged for Directors a seminar in relation to "Environmental, Social and Governance Reporting" in accordance with the requirements under the Listing Rules. The training received by the Directors during the year 2014 is summarised below:

Name of Directors	**Types of training**
Executive Directors	
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	A, B
Mr. Jimmy Lo *(Vice Chairman and Managing Director)*	A, B
Miss Lo Po Man *(Vice Chairman)*	B
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*	A, B
Mr. Kelvin Leung So Po *(Chief Financial Officer)*	A, B
Mr. Daniel Bong Shu Yin	B
Mr. Cheng Sui Sang#	A, B
Mr. Kenneth Ng Kwai Kai	A, B
Non-Executive Director	
Mr. Francis Bong Shu Ying	A, B
Independent Non-Executive Directors	
Ms. Judy Chen Qing, JP	B
Ms. Alice Kan Lai Kuen	A, B
Mr. Lee Choy Sang	A, B
Mr. David Li Ka Fai	A, B
Hon Abraham Shek Lai Him, GBS, JP	A, B

A - Attending briefings/seminars/conferences/forums
B - Reading/studying training or other materials

\# (retired on 3rd June, 2014)

(III) BOARD COMMITTEES

There are three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, established by the Board for overseeing certain functions delegated by the Board.

(a) Audit Committee

The Audit Committee was established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee currently comprises the following members:

Independent Non-Executive Directors:

Mr. David Li Ka Fai *(Chairman of the Committee)*
Ms. Judy Chen Qing, JP *(Member)*
Ms. Alice Kan Lai Kuen *(Member)*
Mr. Lee Choy Sang *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and final financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditors, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

In year 2014, the Audit Committee met three times and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. David Li Ka Fai *(Chairman of the Committee)*	3/3
Ms. Judy Chen Qing, JP	1/3
Ms. Alice Kan Lai Kuen	3/3
Mr. Lee Choy Sang	3/3
Hon Abraham Shek Lai Him, GBS, JP	3/3

(b) Remuneration Committee

The Remuneration Committee was established with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange. The principal responsibilities of the Remuneration Committee are to review the remuneration of individual Directors and senior management and to make recommendations to the Board on the policy and structure for the determination of the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy of the Company on such matters.

The Remuneration Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Member)*

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen *(Chairman of the Committee)*
Mr. Daniel Bong Shu Yin *(Member)*
Mr. Lee Choy Sang *(Member)*
Mr. David Li Ka Fai *(Member)*

Mr. Kenneth Ng Kwai Kai, an Executive Director of the Company, has acted as the Secretary of the Committee.

In year 2014, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	**Attendance**
Ms. Alice Kan Lai Kuen *(Chairman of the Committee)*	1/1
Mr. Lo Yuk Sui	1/1
Mr. Daniel Bong Shu Yin	1/1
Mr. Lee Choy Sang	1/1
Mr. David Li Ka Fai	1/1

Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee is delegated to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment).

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31st December, 2014 by band is set out below:

Remuneration band	Number of individuals
HK$500,001 – 1,000,000	5
HK$1,000,001 – 1,500,000	2
HK$3,000,001 – 3,500,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2014 are disclosed in note 8 to the financial statements contained in this Annual Report.

(c) Nomination Committee

The Nomination Committee was established with specific written terms of reference by the Board for the purpose of making recommendations to the Board in relation to the nomination and appointment of Directors, with a view to ensuring fairness and transparency in the nomination and selection procedures. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Chairman of the Committee)*

Independent Non-Executive Directors:

Mr. Daniel Bong Shu Yin *(Member)*
Ms. Alice Kan Lai Kuen *(Member)*
Mr. Lee Choy Sang *(Member)*
Mr. David Li Ka Fai *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*

The Company views diversity at the Board level essential for attaining the Group's strategic and business objectives as well as ensuring its sustainable development. A Board Diversity Policy has been adopted to set out policy for designing the composition of the Board with diversity in Board members having balanced skills and expertise. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional knowledge, industry experience, skills and other individual qualities. The Nomination Committee will discuss and review annually the structure, size and composition of the Board and agree on measurable objectives for achieving diversity on the Board and make relevant recommendation to the Board for adoption.

In year 2014, the Nomination Committee met once to review and assess the overall diversity of the composition of the Board with reference to the various aspects as set out in the Board Diversity Policy. The attendance rates of individual Nomination Committee members of the Company were as follows:

Name of Nomination Committee members	Attendance
Mr. Lo Yuk Sui *(Chairman of the Committee)*	1/1
Mr. Daniel Bong Shu Yin	1/1
Ms. Alice Kan Lai Kuen	1/1
Mr. Lee Choy Sang	1/1
Mr. David Li Ka Fai	1/1
Hon Abraham Shek Lai Him, GBS, JP	1/1

(IV) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensuring that appropriate accounting policies are selected and applied consistently and that the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors will also ensure that the financial statements are published in a timely manner. As a manpower policy of the Group, which is subject to regular review by the Directors and senior management, adequate resources have been allocated to the accounting and financial reporting function with staff members possessing appropriate qualifications and experience engaged in the discharge of the relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis, and a reasonable budget has been allocated for continuous professional development purposes.

The statement by the external Auditors, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditors' Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(V) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code during the year ended 31st December, 2014.

(VI) INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the system of internal controls of the Group during the year, including financial, operational and compliance controls and risk management functions with a view to safeguarding the shareholders' investment and the Company's assets.

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Accordingly, while periodic committee meetings are held with the delegated Executive Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the internal control system, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

(VII) AUDITORS' REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2014 Annual General Meeting until the conclusion of the forthcoming 2015 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditors of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2014 were HK$1,050,000 (nine months ended 31st December, 2013 - HK$1,000,000) and HK$350,000 (nine months ended 31st December, 2013 - HK$1,043,000), respectively. The significant non-audit services covered by these fees are as follows:

Nature of services	Fees paid (HK$'000)
(1) Interim review of the financial statements of the Group for the six months ended 30th June, 2014	310
(2) Compliance and other services to the Group	40

(VIII) SHAREHOLDERS' RIGHT

Extraordinary general meetings may be convened upon receipt of written request submitted by two members of the Company. Such written requisition must state the purposes of the meeting, and be signed by the requisitionists and deposited at the Head Office of the Company at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong (for the attention of the Company Secretary). If the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

Shareholders may also send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company at the abovementioned address (for the attention of the Company Secretary).

At the extraordinary general meeting of the Company held on 14th July, 2014, an ordinary resolution and a special resolution were passed by the shareholders of the Company in relation to:

(1) alterations to the Memorandum of Association of the Company to effect for the 10 into 1 consolidation of the ordinary shares of the Company and the creation of a new class of non-voting non-redeemable convertible preference shares ("Convertible Preference Shares") in the share capital of the Company; and

(2) adoption of the terms of the Convertible Preference Shares to the Articles of Association of the Company.

The said alterations to the Memorandum and Articles of Association of the Company became effective on 15th July, 2014. Relevant details of the alterations were disclosed in the circular of the Company dated 20th June, 2014.

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2014

	Notes	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
REVENUE	5	**(7,867)**	12,487
Cost of sales		**–**	(80)
Gross profit/(loss)		**(7,867)**	12,407
Other income	5	**3,263**	3,778
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		**22,672**	(6,354)
Administrative expenses		**(69,125)**	(28,808)
OPERATING LOSS BEFORE DEPRECIATION		**(51,057)**	(18,977)
Depreciation		**(1,520)**	(407)
OPERATING LOSS		**(52,577)**	(19,384)
Finance costs	7	**(104,372)**	(86,616)
Share of profit of a joint venture		**29,767**	17,338
LOSS BEFORE TAX	6	**(127,182)**	(88,662)
Income tax	10	**(179)**	451
LOSS FOR THE YEAR/PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**(127,361)**	(88,211)

Consolidated Statement of Profit or Loss (Cont'd)

For the year ended 31st December, 2014

	Notes	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
LOSS FOR THE YEAR/PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**(127,361)**	(88,211)
Attributable to:			
Equity holders of the parent	11	**(127,361)**	(88,211)
Non-controlling interests		**–**	–
		(127,361)	(88,211)
			(Restated)
LOSS PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK(2.8) cents**	HK(3.6) cents
Diluted		**HK(2.8) cents**	HK(3.6) cents

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2014

	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
LOSS FOR THE YEAR/PERIOD BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**(127,361)**	(88,211)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**(54,920)**	17,122
Share of other comprehensive loss of a joint venture	**–**	(2,232)
Other comprehensive income/(loss) for the year/period	**(54,920)**	14,890
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	**(182,281)**	(73,321)
Attributable to:		
Equity holders of the parent	**(182,281)**	(73,321)
Non-controlling interests	**–**	–
	(182,281)	(73,321)

Consolidated Statement of Financial Position

As at 31st December, 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**15,804**	3,555
Properties under development	15	**1,305,087**	1,308,632
Investment in a joint venture	16	**575,639**	575,591
Goodwill	17	**234,522**	228,310
Prepayments	18	**69,689**	58,115
Total non-current assets		**2,200,741**	2,174,203
CURRENT ASSETS			
Properties under development	15	**2,379,674**	2,204,292
Debtors, deposits and prepayments	18	**29,493**	11,366
Held-to-maturity investments	19	**–**	40,925
Financial assets at fair value through profit or loss	20	**160,279**	116,045
Tax recoverable		**–**	2,208
Pledged time deposits		**6,337**	1,721
Time deposits		**56,956**	141,567
Cash and bank balances		**567,186**	258,007
Total current assets		**3,199,925**	2,776,131
CURRENT LIABILITIES			
Creditors and accruals	21	**(158,368)**	(93,764)
Deposits received		**(3,481)**	(6,756)
Interest bearing bank borrowings	22	**(4,000)**	(12,212)
Derivative financial instruments	23	**(1,411)**	–
Tax payable		**(1,016)**	(837)
Total current liabilities		**(168,276)**	(113,569)
NET CURRENT ASSETS		**3,031,649**	2,662,562
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,232,390**	4,836,765

As at 31st December, 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Other payables	21	**(2,881,901)**	(3,229,411)
Convertible bonds	24	**(446,223)**	–
Derivative financial instruments	23	**(30,946)**	–
Deferred tax liabilities	25	**(362,536)**	(362,536)
Total non-current liabilities		**(3,721,606)**	(3,591,947)
Net assets		**1,510,784**	1,244,818
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	26	**13,193**	4,398
Reserves	27	**1,497,565**	1,240,394
		1,510,758	1,244,792
Non-controlling interests		**26**	26
Total equity		**1,510,784**	1,244,818

KELVIN LEUNG SO PO
Director

JIMMY LO CHUN TO
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2014

	Note	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Exchange equalisation reserve HK$'000	Contributed surplus# HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the parent										
At 1st April, 2013		2,357	273,817	209	1,018	2,206	26,801	(1,076)	309,698	615,030	26	615,056
Loss for the period		–	–	–	–	–	–	–	(88,211)	(88,211)	–	(88,211)
Other comprehensive income/(loss) for the period:												
Exchange differences on translating foreign operations		–	–	–	–	17,122	–	–	–	17,122	–	17,122
Share of other comprehensive loss of a joint venture		–	–	–	–	(2,232)	–	–	–	(2,232)	–	(2,232)
Total comprehensive income/(loss) for the period		–	–	–	–	14,890	–	–	(88,211)	(73,321)	–	(73,321)
Conversion of convertible bonds	26(i)	2,041	701,042	–	–	–	–	–	–	703,083	–	703,083
At 31st December, 2013		4,398	974,859*	209*	1,018*	17,096*	26,801*	(1,076)*	221,487*	1,244,792	26	1,244,818

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2014

	Notes	Attributable to equity holders of the parent										Non-controlling interests HK$'000	Total equity HK$'000
		Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Exchange equalisation reserve HK$'000	Contributed surplus# HK$'000	Equity component of convertible bonds HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000		
At 1st January, 2014		4,398	974,859	209	1,018	17,096	26,801	-	(1,076)	221,487	1,244,792	26	1,244,818
Loss for the year		-	-	-	-	-	-	-	-	(127,361)	(127,361)	-	(127,361)
Other comprehensive loss for the year:													
Exchange differences on translating foreign operations		-	-	-	-	(54,920)	-	-	-	-	(54,920)	-	(54,920)
Total comprehensive loss for the year		-	-	-	-	(54,920)	-	-	-	(127,361)	(182,281)	-	(182,281)
Issue of shares	26(iv)	8,795	430,966	-	-	-	-	-	-	-	439,761	-	439,761
Share issue expenses	26(iv)	-	(3,262)	-	-	-	-	-	-	-	(3,262)	-	(3,262)
Issue of convertible bonds	24(c)	-	-	-	-	-	-	11,748	-	-	11,748	-	11,748
At 31st December, 2014		13,193	1,402,563*	209*	1,018*	(37,824)*	26,801*	11,748*	(1,076)*	94,126*	1,510,758	26	1,510,784

* These reserve accounts comprise the consolidated reserves of HK$1,497,565,000 (2013 - HK$1,240,394,000) in the consolidated statement of financial position.

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's reorganisation in 1991, net of subsequent distributions therefor. Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

	Notes	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(127,182)**	(88,662)
Adjustments for:			
Finance costs	7	**104,372**	86,616
Share of profit of a joint venture		**(29,767)**	(17,338)
Interest income		**(7,161)**	(5,392)
Loss on disposal of items of property, plant and equipment	6	**1**	37
Depreciation	6	**1,520**	407
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		**(22,672)**	6,354
		(80,889)	(17,978)
Additions to properties under development		**(129,946)**	(28,618)
Increase in debtors, deposits and prepayments		**(32,332)**	(19,636)
Increase in financial assets at fair value through profit or loss		**(43,489)**	(10,658)
Increase in creditors and accruals		**2,489**	525
Increase/(Decrease) in deposits received		**(3,138)**	4,290
Cash generated used in operations		**(287,305)**	(72,075)
Interest received		**4,447**	–
Hong Kong profits tax refunded		**2,208**	–
Net cash flows used in operating activities		**(280,650)**	(72,075)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	28	**(8,271)**	35,129
Purchases of held-to-maturity investments		**–**	(52,067)
Proceeds from redemption of held-to-maturity investments		**40,925**	48,282
Repayments from/(Advances to) a joint venture		**13,878**	(1,137)
Interest received		**4,082**	4,702
Dividend received from unlisted investment		**15,841**	–
Purchases of items of property, plant and equipment		**(11,405)**	(1,444)
Disposal of subsidiaries	29	**–**	(118)
Decrease/(Increase) in pledged time deposits		**(4,616)**	11,246
Net cash flows from investing activities		**50,434**	44,593

	Notes	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	26	**439,761**	–
Share issue expenses	26	**(3,262)**	–
Proceeds from issue of convertible bonds	24	**500,000**	200,000
Drawdown of new bank loans		**4,000**	–
Repayment of bank loans		**(12,212)**	–
Drawdown of other borrowings		**200,000**	–
Repayment of other borrowings		**(200,000)**	–
Repayment of other payables		**(300,000)**	–
Interest paid		**(165,229)**	(121)
Net cash flows from financing activities		**463,058**	199,879
NET INCREASE IN CASH AND CASH EQUIVALENTS		**232,842**	172,397
Cash and cash equivalents at beginning of year/period		**399,574**	223,837
Effect of foreign exchange rate changes, net		**(8,274)**	3,340
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		**624,142**	399,574
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**567,186**	258,007
Non-pledged time deposits with original maturity of less than three months when acquired		**56,956**	141,567
		624,142	399,574

At the end of the reporting period, the cash and cash equivalent balances of the Group amounting to HK$469,284,000 (2013 - HK$100,422,000) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

Statement of Financial Position

As at 31st December, 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	30	**1,545,706**	1,109,614
CURRENT ASSETS			
Prepayment		**449**	–
Tax recoverable		**–**	2,208
Bank balances		**271**	124
Total current assets		**720**	2,332
CURRENT LIABILITIES			
Accruals		**(1,993)**	(200)
NET CURRENT ASSETS/(LIABILITIES)		**(1,273)**	2,132
Net assets		**1,544,433**	1,111,746
EQUITY			
Issued capital	26	**13,193**	4,398
Reserves	27	**1,531,240**	1,107,348
Total equity		**1,544,433**	1,111,746

KELVIN LEUNG SO PO
Director

JIMMY LO CHUN TO
Director

1. CORPORATE INFORMATION

Cosmopolitan International Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The head office and principal place of business in Hong Kong of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively, the "Group") were principally engaged in property development and investment, investment in financial assets and other investments. The principal activities of the principal subsidiaries are set out in note 30 to the financial statements.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited ("CCIHL"), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong 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 financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Change of financial year end date

Pursuant to a resolution of the Board of Directors passed on 21st January, 2014, the Company's financial year end date was changed from 31st March to 31st December in order to align with that of the parent companies. Accordingly, the current financial year covers the year ended 31st December, 2014. The comparative figures cover a nine-month period from 1st April, 2013 to 31st December, 2013, which may not be comparable with the amounts shown for the current year.

Basis of consolidation

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

1 Effective from 1st July, 2014

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

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

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

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

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

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

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

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

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

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

1 Effective for annual periods beginning on or after 1st July, 2014
2 Effective for annual periods beginning on or after 1st January, 2016
3 Effective for annual periods beginning on or after 1st January, 2017
4 Effective for annual periods beginning on or after 1st January, 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1st 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 31st December, 2015. The Group is in the process of making an assessment of the impact of these changes.

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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:

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

(ii) rights arising from other contractual arrangements; and

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

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

Upon the disposal of investments in subsidiaries, any gain or loss arising thereon, including the realisation of the attributable reserves, is included in the statement of profit or loss.

(b) Investment in a joint venture

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

The Group's investment in a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

(c) 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 of the acquiree.

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The carrying amount of 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 31st 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.

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 operation disposed of and the portion of the cash-generating unit retained.

(d) Fair value measurement

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

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

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

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

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

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

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

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.

(e) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), 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) 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.

(f) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, direct costs of construction, applicable 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 properties held for sale.

(g) 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 or 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:

Leasehold improvements	Over the shorter of 5 years or the remaining lease terms
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of 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 items of property, plant and equipment under construction, 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 in reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(h) Investments and other financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments, 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, except in the case of financial assets recorded at fair value through profit or loss.

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

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

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised as a separate line item in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

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

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments 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 fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in the statement of profit or loss.

(i) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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.

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is 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 the statement of profit or loss.

(j) 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 (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) 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.

(k) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or 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.

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

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

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

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

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

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

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

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

(l) 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.

(m) 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 liabilities simultaneously.

(n) Derivative financial instruments

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as foreign currency option contracts, for trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

(o) 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:

(i) rental income, on a time proportion basis over the lease terms;

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

(iii) dividend income, when the shareholders' right to receive payment has been established; and

(iv) net gain or loss from the sale of investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged. The net gain or loss represents the differences between the sale proceeds and the investment's carrying amount. Any previously recognised fair value changes are presented separately on the statement of profit or loss.

(p) Foreign currencies

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

The functional currencies of certain overseas subsidiaries and joint venture are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation 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 overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(q) Income tax

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

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

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

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

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

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

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

(r) Operating leases

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

(s) Employee benefits

Share-based payments
The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7th November, 2002 is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per ordinary share.

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. 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, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a percentage of their payroll costs to the relevant central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

(t) 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).

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which 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.

(v) 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.

(w) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction 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. 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.

3. SIGNIFICANT ACCOUNTING 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.

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31st December, 2014 was HK$234,522,000 (2013 - HK$228,310,000). Further details are given in note 17 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. 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.

Estimation of amortised cost of other payables

The Group's long term other payables are non-derivative financial liabilities and are stated at amortised cost. Amortised cost is calculated using the discounted cash flow model based on estimated future cash outflow in repayment of the payables. The determination of the value at the reporting date requires the Group to make assumptions and estimates of the expected future cash flows, including an appropriate discount rate to calculate the present value of those net cash flows.

Measurement of convertible bonds

On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The determination of the liability component requires an estimation of the market interest rate.

4. OPERATING SEGMENT INFORMATION

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

(a) the property development and investment segment comprises the development and sale of properties and the leasing of properties; and

(b) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments.

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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit or loss before tax is measured consistently with the Group's loss before tax except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

Segment assets exclude time deposits, cash and bank balances, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest bearing bank borrowings, derivative financial instruments in relation to convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the year ended 31st December, 2014 and for the nine months ended 31st December, 2013:

GROUP

	Property development and investment		Financial assets investments		Consolidated	
	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
Segment revenue:						
Sales to external customers	–	424	(7,867)	12,063	(7,867)	12,487
Segment results before depreciation	(36,807)	(15,062)	(8,116)	6,668	(44,923)	(8,394)
Depreciation	(1,213)	(376)	–	–	(1,213)	(376)
Segment results	(38,020)	(15,438)	(8,116)	6,668	(46,136)	(8,770)
Unallocated interest income and unallocated non-operating and corporate gains					26,006	2,769
Unallocated non-operating and corporate expenses					(32,447)	(13,383)
Operating loss					**(52,577)**	**(19,384)**
Finance costs	(84,871)	(27,014)	–	–	**(84,871)**	**(27,014)**
Unallocated finance costs					**(19,501)**	**(59,602)**
Share of profit of a joint venture	29,767	17,338	–	–	**29,767**	**17,338**
Loss before tax					**(127,182)**	**(88,662)**
Income tax					**(179)**	**451**
Loss for the year/period before allocation between equity holders of the parent and non-controlling interests					**(127,361)**	**(88,211)**
Attributable to:						
Equity holders of the parent					**(127,361)**	**(88,211)**
Non-controlling interests					**–**	**–**
					(127,361)	**(88,211)**

GROUP

	Property development and investment		Financial assets investments		Consolidated	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment assets	4,007,491	3,805,117	184,363	165,194	4,191,854	3,970,311
Investment in a joint venture	575,639	575,591	–	–	575,639	575,591
Cash and unallocated assets					633,173	404,432
Total assets					5,400,666	4,950,334
Segment liabilities	(3,037,021)	(3,328,789)	(3,462)	–	(3,040,483)	(3,328,789)
Interest bearing bank borrowings and unallocated liabilities					(849,399)	(376,727)
Total liabilities					(3,889,882)	(3,705,516)
Other segment information:						
Capital expenditure	240,496	122,623	–	–		
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	–	–	(22,672)	6,354		
Interest income	–	–	(4,667)	(2,893)		

Geographical information

(a) Since the Group's revenue is substantially derived from its financial assets at fair value through profit or loss in Hong Kong, no geographical information in respect of revenue from external customers is presented in accordance with HKFRS 8 *Operating Segments*.

(b) Non-current assets

	2014	**2013**
	HK$'000	**HK$'000**
Hong Kong	**1,767**	45
Mainland China	**2,198,974**	2,174,158
	2,200,741	2,174,203

The non-current assets information above is based on the locations of the assets.

Information about major customers

During the year ended 31st December, 2014 and the nine months ended 31st December, 2013, no single customer has contributed over 10% of the total revenue of the Group.

5. REVENUE AND OTHER INCOME

Revenue (which is also the Group's turnover) and other income are analysed as follows:

	GROUP	
	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
Revenue		
Rental income from investment properties	–	424
Net gain/(loss) from sale/settlement of financial assets at fair value through profit or loss	(14,564)	6,932
Dividend income from listed investments	2,625	3,247
Interest income from corporate bonds	4,072	1,884
	(7,867)	12,487
Other income		
Interest income from:		
Bank balances and time deposits	2,494	2,499
Held-to-maturity investments	595	1,009
Others	174	270
	3,263	3,778

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	GROUP	
	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
Depreciation	**1,677**	431
Less: Depreciation capitalised in properties under development	**(157)**	(24)
	1,520	407
Employee benefit expenses (exclusive of Directors' remuneration as disclosed in note 8):		
Salaries, wages and allowances	**26,884**	11,159
Staff retirement scheme contributions	**3,898**	1,100
	30,782	12,259
Less: Staff costs capitalised in respect of property development projects:		
Salaries, wages and allowances	**(10,634)**	(6,249)
Staff retirement scheme contributions	**(1,859)**	(408)
	18,289	5,602
Auditors' remuneration	**1,010**	1,000
Loss on disposal of items of property, plant and equipment	**1**	37
Minimum lease payments under operating leases in respect of land and buildings	**3,253**	1,684
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
– held for trading	**(745)**	12,059
– derivative instruments - transactions not qualifying as hedges	**(21,927)**	(5,705)
	(22,672)	6,354
Gross rental income	**–**	(424)
Less: Outgoings	**–**	80
Net rental income	**–**	(344)
Foreign exchange differences, net	**2,606**	(3,138)

7. FINANCE COSTS

	GROUP	
	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
Interest expenses on convertible bonds	**12,255**	59,481
Interest on bank loans wholly repayable within five years	**323**	121
Interest on other borrowings wholly repayable within five years	**6,923**	–
Interest on other payables wholly repayable within five years	**153,506**	47,511
	173,007	107,113
Less: Finance costs capitalised	**(68,635)**	(20,497)
	104,372	86,616

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year/period, 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:

	GROUP	
	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
Fees	**1,980**	715
Other emoluments:		
Salaries, allowances and benefits in kind	**6,127**	2,384
Performance related/discretionary bonuses	**1,308**	–
Staff retirement scheme contributions	**282**	22
	9,697	3,121

(a) Non-executive directors and independent non-executive directors

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

	GROUP	
	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
Non-executive directors:		
Mr. Francis Bong Shu Ying	**100**	77
Mr. Kelvin Leung So Po*	**–**	77
Mr. Kenneth Ng Kwai Kai*	**–**	77
Mr. Kenneth Wong Po Man*	**–**	77
Independent non-executive directors:		
Ms. Judy Chen Qing, JP**	**150**	–
Ms. Alice Kan Lai Kuen**	**210**	–
Mr. Lee Choy Sang	**210**	77
Mr. David Li Ka Fai	**260**	99
Hon Abraham Shek Lai Him, GBS, JP**	**180**	–
Ms. Ka Kit#	**–**	77
	1,110	561

* Mr. Kelvin Leung So Po, Mr. Kenneth Ng Kwai Kai and Mr. Kenneth Wong Po Man were re-designated as executive directors of the Company on 18th December, 2013.

** Ms. Judy Chen Qing, JP, Ms. Alice Kan Lai Kuen and Hon Abraham Shek Lai Him, GBS, JP were appointed as independent non-executive directors of the Company on 18th December, 2013.

\# Ms. Ka Kit resigned as an independent non-executive director of the Company with effect from 18th December, 2013.

– For the year ended 31st December, 2014, Directors' fees entitled by the non-executive director and the independent non-executive directors of the Company also included, where applicable, a fee for serving as members of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company amounted to HK$1,110,000 (nine months ended 31st December, 2013 - HK$561,000).

There were no other emoluments payable to the non-executive directors and independent non-executive directors during the year (nine months ended 31st December, 2013 - Nil).

(b) Executive directors

	Fees HK$'000 (Note)	Salaries, allowances and benefits in kind HK$'000	Performance related/ discretionary bonuses HK$'000	Staff retirement scheme contributions HK$'000	Total remuneration HK$'000
For the year ended 31st December, 2014					
Mr. Lo Yuk Sui***	160	826	172	82	1,240
Mr. Jimmy Lo Chun To***	100	828	90	43	1,061
Ms. Lo Po Man***	100	324	68	32	524
Mr. Kenneth Wong Po Man	100	370	88	37	595
Mr. Kelvin Leung So Po	100	324	81	33	538
Mr. Daniel Bong Shu Yin	160	2,295	583^	17	3,055
Mr. Cheng Sui Sang##	50	780	147^	7	984
Mr. Kenneth Ng Kwai Kai	100	380	79	31	590
	870	6,127	1,308	282	8,587
For the nine months ended 31st December, 2013					
Mr. Daniel Bong Shu Yin	77	1,722	–	11	1,810
Mr. Cheng Sui Sang	77	662	–	11	750
	154	2,384	–	22	2,560

*** Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man were appointed as executive directors of the Company on 18th December, 2013.

Mr. Cheng Sui Sang retired as an executive director at the 2014 Annual General Meeting of the Company held on 3rd June, 2014.

^ The sums included the amounts of HK$383,000 and HK$147,000 paid to Mr. Daniel Bong Shu Yin and Mr. Cheng Sui Sang respectively in 2014 in respect of their bonuses for the nine months ended 31st December, 2013.

Note:

– For the year ended 31st December, 2014, the fees entitled by Mr. Lo Yuk Sui and Mr. Daniel Bong Shu Yin also included a fee of HK$30,000 per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year/period.

The fees of the directors and for serving as the chairman or a member of the board committees (comprising the Audit Committee, the Nomination Committee and the Remuneration Committee) of the Company were revised effective from 18th December, 2013, as follows:

(i) the fee as a director at HK$100,000 per annum;

(ii) the fee as the chairman of the Audit Committee at HK$100,000 per annum;

(iii) the fee as member of the Audit Committee at HK$50,000 per annum;

(iv) the fee as the chairman or a member of the Nomination Committee at HK$30,000 per annum; and

(v) the fee as the chairman or a member of the Remuneration Committee at HK$30,000 per annum.

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included four (nine months ended 31st December, 2013 - two) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. Details of the remuneration for the year of the remaining one (nine months ended 31st December, 2013 - three) individual, who was not a Director, were as follows:

	GROUP	
	Year ended 31st December, 2014 HK$'000	**Nine months ended 31st December, 2013 HK$'000**
Salaries and other emoluments	**940**	987
Performance related/discretionary bonuses	**79**	–
Staff retirement scheme contributions	**70**	23
	1,089	1,010

The emoluments of the remaining one (nine months ended 31st December, 2013 - three) individual fell within the band of HK$1,000,001 to HK$1,500,000 (nine months ended 31st December, 2013 - less than HK$1,000,000).

10. INCOME TAX

	GROUP	
	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
Group:		
Current – Hong Kong		
Overprovision in prior years	**–**	(451)
Current – Overseas		
Charge for the year	**179**	–
Tax charge/(credit) for the year/period	**179**	(451)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31st December, 2014.

No provision for Hong Kong profits tax had been made during the nine months ended 31st December, 2013 as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during that period.

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

A reconciliation of the tax amount applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax charge/(credit) at the effective tax rate is as follows:

	GROUP	
	Year ended 31st December, 2014 HK$'000	**Nine months ended 31st December, 2013 HK$'000**
Loss before tax	**(127,182)**	(88,662)
Tax at the Hong Kong statutory tax rate of 16.5% (nine months ended 31st December, 2013 - 16.5%)	**(20,985)**	(14,629)
Adjustment in respect of current tax of previous years	**–**	(451)
Profits attributable to a joint venture	**(4,912)**	(2,861)
Higher tax rate of other jurisdiction	**(2,847)**	(1,260)
Income not subject to tax	**(5,034)**	(3,725)
Expenses not deductible for tax	**28,497**	22,086
Tax losses utilised from previous years	**–**	(101)
Tax losses not recognised during the year/period	**5,460**	498
Others	**–**	(8)
Tax charge/(credit) at the Group's effective rate of 0.1% (nine months ended 31st December, 2013 - 0.5%)	**179**	(451)

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the year ended 31st December, 2014. For the nine months ended 31st December, 2013, the share of tax attributable to a joint venture amounting to approximately HK$20,316,000 was included in "Share of profit of a joint venture" in the consolidated statement of profit or loss.

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent for the year ended 31st December, 2014 includes a loss of HK$3,812,000 (nine months ended 31st December, 2013 - HK$13,709,000) which has been dealt with in the financial statements of the Company (note 27(b)).

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31st December, 2014, nor has any dividend been proposed since the end of the reporting period (nine months ended 31st December, 2013 - Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the year ended 31st December, 2014 attributable to equity holders of the parent of HK$127,361,000 (nine months ended 31st December, 2013 – HK$88,211,000) and on the weighted average of 4,625,666,000 shares of the Company in issue during the year ended 31st December, 2014 (including ordinary shares and convertible preference shares), as adjusted to reflect the effect of the consolidation of ordinary shares of the Company on the basis that every ten existing issued and unissued ordinary shares of HK$0.0002 each were consolidated into one ordinary share of HK$0.002 each effective on 15th July, 2014 (the "Share Consolidation") and the open offer completed on 18th August, 2014 on the basis that holders of each consolidated share of the Company would be entitled to subscribe for two consolidated shares and/or convertible preference shares of the Company (the "Open Offer") (nine months ended 31st December, 2013 – 2,475,785,000, as adjusted to reflect the Share Consolidation and the Open Offer). The basic loss per share amount for the nine months ended 31st December, 2013 has also been adjusted to reflect the Share Consolidation and the Open Offer.

(b) Diluted loss per share

No adjustment has been made to the loss per share amount presented for the year ended 31st December, 2014 in respect of a dilution, as the impact of the convertible bonds issued during the year had an anti-dilutive effect on the loss per share amount presented.

No adjustment had been made to the loss per share amount presented for the nine months ended 31st December, 2013 in respect of the convertible bonds that were fully converted during that period, as the impact of the convertible bonds had an anti-dilutive effect on the loss per share amount presented.

14. PROPERTY, PLANT AND EQUIPMENT

	GROUP				
	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31st December, 2014					
At 31st December, 2013 and at 1st January, 2014:					
Cost	523	1,772	1,785	247	4,327
Accumulated depreciation	(163)	(524)	(85)	–	(772)
Net carrying amount	360	1,248	1,700	247	3,555
At 1st January, 2014, net of accumulated depreciation	360	1,248	1,700	247	3,555
Acquisition of subsidiaries (note 28(a))	1,995	673	–	–	2,668
Additions	2,075	194	6	9,130	11,405
Depreciation provided during the year	(878)	(437)	(362)	–	(1,677)
Disposals	(1)	–	–	–	(1)
Exchange realignment	6	(24)	(38)	(90)	(146)
At 31st December, 2014, net of accumulated depreciation	3,557	1,654	1,306	9,287	15,804
At 31st December, 2014:					
Cost	4,538	2,601	1,744	9,287	18,170
Accumulated depreciation	(981)	(947)	(438)	–	(2,366)
Net carrying amount	3,557	1,654	1,306	9,287	15,804

	GROUP				
	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31st December, 2013					
At 1st April, 2013:					
Cost	51	731	1,044	–	1,826
Accumulated depreciation	(37)	(459)	(159)	–	(655)
Net carrying amount	14	272	885	–	1,171
At 1st April, 2013, net of accumulated depreciation	14	272	885	–	1,171
Acquisition of subsidiaries (notes 28(b) and 28(c))	126	518	527	177	1,348
Additions	338	593	446	67	1,444
Depreciation provided during the period	(122)	(142)	(167)	–	(431)
Disposals	–	(10)	(27)	–	(37)
Exchange realignment	4	17	36	3	60
At 31st December, 2013, net of accumulated depreciation	360	1,248	1,700	247	3,555
At 31st December, 2013:					
Cost	523	1,772	1,785	247	4,327
Accumulated depreciation	(163)	(524)	(85)	–	(772)
Net carrying amount	360	1,248	1,700	247	3,555

15. PROPERTIES UNDER DEVELOPMENT

	GROUP 2014 HK$'000	GROUP 2013 HK$'000
Balance at beginning of the year/period	**3,512,924**	–
Acquisition of subsidiaries (notes 28(b) and 28(c))	**–**	3,393,828
Additions	**219,548**	105,890
Exchange realignment	**(47,711)**	13,206
Balance at 31st December	**3,684,761**	3,512,924
Portion included in current assets	**(2,379,674)**	(2,204,292)
Non-current portion	**1,305,087**	1,308,632

Properties under development included under current assets are expected to be completed within normal operating cycle and recovered after one year.

	2014 HK$'000	2013 HK$'000
The Group's properties under development are situated in Mainland China and are held under the following lease terms:		
Long term lease	**2,574,389**	2,417,580
Medium term lease	**1,110,372**	1,095,344
	3,684,761	3,512,924

16. INVESTMENT IN A JOINT VENTURE

	GROUP 2014 HK$'000	GROUP 2013 HK$'000
Unlisted company:		
Share of net assets	**575,639**	561,713
Loan to a joint venture	**–**	13,878
	575,639	575,591

The loan to the joint venture was unsecured, interest-free and had no fixed terms of repayment. In the opinion of the Directors, this loan was considered as part of the Group's investment in the joint venture.

Particulars of the Group's joint venture as at the end of the reporting period were as follows:

Name	Place of incorporation/ business	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2014	Percentage of equity interest attributable to the Group 2013	Principal activity
Faith Crown Holdings Limited ("Faith Crown")	British Virgin Islands	Ordinary shares of US$1 each	**50**	50	Investment holding

The joint venture is indirectly held by the Company.

Faith Crown is considered a material joint venture of the Group and is accounted for using the equity method.

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

	2014 HK$'000	2013 HK$'000
Non-current assets	**1,174,132**	1,191,914
Current assets	**17,782**	–
Current liabilities	**(40,637)**	(40,732)
Non-current liabilities	**–**	(27,755)
Net assets	**1,151,277**	1,123,427
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**575,639**	561,713
Loan to a joint venture	**–**	13,878
Carrying amount of the investment	**575,639**	575,591

	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
Interest income	**59,543**	76,869
Income tax	**–**	(40,632)
Profit for the year/period	**59,535**	34,676
Other comprehensive loss for the period	**–**	(4,464)
Total comprehensive income for the year/period	**59,535**	30,212
Dividend received by the Group from Faith Crown	**15,841**	–

17. GOODWILL

	GROUP	
	2014	2013
	HK$'000	HK$'000
Cost and carrying amount at beginning of the year/period	**228,310**	–
Acquisition of subsidiaries (note 28)	**6,212**	228,310
Cost and carrying amount at 31st December	**234,522**	228,310

No impairment was made on the goodwill as at 31st December, 2014 and 2013.

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the property development cash-generating unit. The recoverable amount of the property development cash-generating unit as at 31st December, 2014 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been prepared to reflect the development plan of the property projects, comprising residential, commercial and hotel buildings. The discount rate applied to the cash flow projections is 21.6% (2013 - 22.8%).

Assumptions were used in the value in use calculation of the property development cash-generating unit for 31st December, 2014 and 31st December, 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate - Discount rate used is before tax and represents the current market assessment of the risks specific to the property development cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Construction materials price inflation - The basis used to determine the construction materials price inflation is the forecast price indices during the budget year for Mainland China where the raw materials are sourced.

The values assigned to the key assumptions on property development, discount rates and construction materials price inflation are consistent with external information sources.

18. DEBTORS, DEPOSITS AND PREPAYMENTS

	Note	GROUP 2014 HK$'000	GROUP 2013 HK$'000
Non-current asset			
Prepayments	(a)	**69,689**	58,115
Current assets			
Prepayments		**1,628**	443
Deposits		**3,226**	2,078
Other receivables		**24,639**	8,845
		29,493	11,366

None of the above assets is either past due or impaired. The financial assets included in the above balances related to deposits and other receivables for which there was no recent history of default.

Note:

(a) The amount related to the costs incurred in relation to a re-forestation project in Urumqi, Xinjiang Uygur Autonomous Region, the People's Republic of China (the "PRC"). In accordance with the prevailing relevant policies and regulations, upon the agreed completion (and had been certified by the relevant government authorities) of re-forestation works in respect of that land, as well as the completion of the land listing and tender procedures in accordance with the relevant rules and regulations, the Group shall be either entitled to the land use right of 30% of the overall project area of such land for development purposes or reimbursed for all the costs incurred in the re-forestation project.

In the prior years, the Group completed the milestones required by the relevant PRC government authorities and obtained affirmations to confirm the fulfillments of the conditions agreed with the relevant policies and regulations. As such, based on the legal opinion obtained, the Directors of the Company are of the opinion that costs incurred for the re-forestation works should be fully recoverable in future in accordance with the applicable policies and regulations.

19. HELD-TO-MATURITY INVESTMENTS

The amount in the prior period represented unlisted certificates of deposits with fixed maturity dates. All unlisted certificates of deposits were denominated in RMB with fixed annual interest rates ranging from 2.75% to 3.20% per annum. In the prior period, the Group's held-to-maturity investments of approximately HK$19,184,000 were pledged to a bank to secure banking facilities provided to the Group (note 22).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2014	**2013**
	HK$'000	**HK$'000**
Hong Kong listed equity investments, at market value	**130,004**	67,269
Hong Kong listed debt investment, at market value	**23,012**	22,537
Overseas listed debt investments, at market value	**7,263**	18,428
Foreign currency option contracts, at fair value	**–**	7,811
	160,279	116,045

The above listed equity investments, listed debt investments and foreign currency option contracts at the reporting dates were classified as held for trading.

The Group's financial assets at fair value through profit or loss of approximately HK$7,444,000 (2013 - HK$16,635,000) were pledged to a bank to secure bank facilities provided to the Group (note 22).

21. CREDITORS AND ACCRUALS AND OTHER PAYABLES

	GROUP 2014 HK$'000	GROUP 2013 HK$'000
Current liabilities		
Creditors	**72,978**	56,845
Accruals	**9,671**	4,780
Due to an intermediate holding company	**4,753**	–
Due to fellow subsidiaries	**53,185**	32,139
Due to a joint venture	**17,781**	–
	158,368	93,764
Non-current liabilities		
Other payables:		
Due to an intermediate holding company	**318,318**	627,551
Due to a fellow subsidiary	**1,372,711**	1,393,207
Due to a joint venture	**1,190,872**	1,208,653
	2,881,901	3,229,411

Other payables under non-current liabilities are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects, bear interest at 5% (2013 - 5%) per annum and are repayable on or before 13th September, 2016.

Except for an aggregate amount of HK$32,688,000 included in the amounts due to fellow subsidiaries which is unsecured, interest free and has no fixed terms of repayment, the amounts due to an intermediate holding company, a fellow subsidiary and a joint venture in an aggregate amount of HK$43,031,000 included under current liabilities represent the accrued interest on the other payables included under non-current liabilities, and are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and repayable within one year.

22. INTEREST BEARING BANK BORROWINGS

GROUP	2014 Contractual interest rate (%) per annum	2014 Maturity	2014 HK$'000	2013 Contractual interest rate (%) per annum	2013 Maturity	2013 HK$'000
Current						
Bank loans – secured	**1.82**	**2015**	**4,000**	1.31	2014	12,212
Analysed into:						
Bank loans repayable within one year or on demand			**4,000**			12,212

The Group's facilities amounting to HK$73,271,000, of which HK$4,000,000 has been utilised at 31st December, 2014, are secured by the pledge of certain of the Group's time deposits and financial assets at fair value through profit or loss amounting to HK$13,781,000 in aggregate.

The Group's facilities amounting to HK$73,400,000, of which HK$12,212,000 had been utilised at 31 December, 2013, were secured by the pledge of certain of the Group's time deposits, financial assets at fair value through profit or loss and held-to-maturity investments amounting to HK$37,540,000 in aggregate.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES 2014 HK$'000	LIABILITIES 2013 HK$'000
Current		
Foreign currency option contracts	**1,411**	–
Non-current		
Derivative financial instruments in relation to convertible bonds (note 24)	**30,946**	–

The Group has entered into foreign currency option contracts which are not designated for hedging purposes and are measured at fair value through profit or loss. A fair value loss on non-hedging foreign currency option contracts of HK$1,411,000 was charged to the consolidated statement of profit or loss during the year (nine months ended 31st December, 2013 – gain of HK$5,705,000).

24. CONVERTIBLE BONDS

Details of the convertible bonds during the year/period are set out as follows:

(a) CB 2010

On 17th May, 2007, the Company's wholly-owned subsidiary, Fancy Gold Limited, issued convertible bonds in the principal amount of HK$205,000,000 ("CB 2010") with a maturity date on 16th May, 2010.

Conversion rights were exercisable at any time from 16th July, 2007 to 2nd May, 2010.

CB 2010 bore no coupon interest and was unsecured.

The effective interest rate of the liability component were changed from 11.4% to 5.3% as the maturity of CB 2010 was further extended from 16th May, 2011 to 14th February, 2013 as detailed below.

The holders of CB 2010 were entitled to convert CB 2010 into ordinary shares of the Company at an initial conversion price of HK$0.205 per share (subject to adjustment). The conversion price was adjusted to HK$0.20 per share (subject to adjustment) due to the issue of new convertible bonds on 25th February, 2009.

If any of CB 2010 had not been converted, it would be redeemed on the original maturity date of 6th May, 2010 at 115.97% of its outstanding principal amount.

On 30th October, 2007, an aggregate principal amount of HK$61,500,000 of CB 2010 was converted into 300,000,000 ordinary shares at a conversion price of HK$0.205 per share.

On 26th April, 2010, the Group entered into a deed of variation with a holder of CB 2010 to extend the maturity date of CB 2010 with a principal amount of HK$141,450,000 from 16th May, 2010 to 16th May, 2011. The conversion price remained at HK$0.20 per share (subject to adjustment) and if any of CB 2010 has not been converted subsequently, it should be redeemed on the extended maturity date on 16th May, 2011 at 121.84% of the outstanding principal amount of CB 2010. Details were set out in the Company's announcement on 26th April, 2010. Such extension of the maturity date of CB 2010 was approved by independent shareholders of the Company on 7th June, 2010.

On 27th April, 2010, an aggregate principal amount of HK$2,050,000 of CB 2010 was converted into 10,250,000 ordinary shares at a conversion price of HK$0.20 per share.

Pursuant to a share subdivision effective on 30th August, 2010 (the "Share Subdivision"), the conversion price of CB 2010 was further adjusted from HK$0.20 per share to HK$0.04 per share.

On 27th April, 2011 and 16th November, 2012, the Group entered into another deed of variation to further extend the maturity date of CB 2010 in the principal amount of HK$141,450,000 from 16th May, 2011 to 14th February, 2013 and from 14th February, 2013 to 30th September, 2013, respectively. All the remaining CB 2010 would be redeemed by the Group at 132.84% of the outstanding principal amount of CB 2010 on 14th February, 2013 and 137.03% on 30th September, 2013, respectively. Details were set out in the Company's announcement on 27th April, 2011 and 16th November, 2012, respectively. Such extensions of CB 2010 were approved by independent shareholders of the Company on 9th June, 2011 and 11th January, 2013, respectively.

On 16th September, 2013, CB 2010 with an aggregate principal amount of HK$141,450,000 was fully converted into 3,536,250,000 new ordinary shares at a conversion price of HK$0.04 per share. As at 31st December, 2013, there was no outstanding principal amount of CB 2010.

The conversion right embedded in CB 2010 was recognised as derivative financial liabilities and was measured at fair value on initial recognition and remeasured at each subsequent reporting date. The respective excess of proceeds over the amounts initially recognised as the derivative component of CB 2010 was recognised as the liability component which was subsequently measured at amortised cost, using the effective interest rate method.

(b) CB 2013

On 15th February, 2008, the Company's wholly-owned subsidiary, Apex Team Limited, issued convertible bonds with the principal amount of HK$200,000,000 ("CB 2013") with a maturity date on 14th February, 2013.

CB 2013 bore no coupon interest and was unsecured.

The effective interest rate of the liability component was 12.19%.

Conversion rights were exercisable at any time from 29th February, 2008 to 31st January, 2013.

The holders of CB 2013 were entitled to convert CB 2013 into ordinary shares of the Company at an initial conversion price of HK$0.60 per share (subject to adjustment). The conversion price was adjusted to HK$0.30 per share (subject to adjustment) due to the new convertible bonds issued on 25th February, 2009.

If any of CB 2013 had not been converted, it would be redeemed on the maturity date at 128.01% of its outstanding principal amount.

Options were granted by the Group to subscribe for another convertible bonds in an additional principal amount of up to HK$200,000,000 ("Optional Bonds 2013") with the expiry date of 16th November, 2012.

CB 2013 contained three components: liability component, derivative instruments and embedded derivative financial liabilities in respect of the subscription option for Optional Bonds 2013.

Pursuant to the Share Subdivision effective on 30th August, 2010, the conversion price of CB 2013 was further adjusted from HK$0.30 per share to HK$0.06 per share.

On 16th November, 2012, the Group entered into a deed of variation to extend the maturity date of CB 2013 in the aggregate principal amount of HK$200,000,000 from 14th February, 2013 to 30th September, 2013. All the remaining CB 2013 would be redeemed by the Group at 132.05% of the outstanding principal amount of CB 2013 on 30th September, 2013. Details were set out in the Company's announcement on 16th November, 2012. Such extension of the maturity date of CB 2013 was approved by independent shareholders of the Company on 11th January, 2013.

On 16th November, 2012, the Group also entered into extension agreements to extend the expiry date of the options from 16th November, 2012 to 2nd July, 2013 and the maturity date of Optional Bonds 2013 from 14th February, 2013 to 30th September, 2013. Details were set out in the Company's announcement on 16th November, 2012. Such extensions of the expiry date of the options and the maturity date of Optional Bonds 2013 were approved by the independent shareholders of the Company on 11th January, 2013.

On 2nd July, 2013, Optional Bonds 2013 with the principal amount of HK$200,000,000 were subscribed by the holders of CB 2013. On 16th September, 2013, CB 2013 and Optional Bonds 2013 of respective principal amounts of HK$200,000,000 and HK$200,000,000 were converted into 3,333,333,332 and 3,333,333,332 new ordinary shares, both at a conversion price of HK$0.06 per share. As at 31st December, 2013, there were no outstanding principal amounts of CB 2013 and Optional Bonds 2013.

The conversion right embedded in CB 2013 was recognised as derivative financial liabilities and was measured at fair value on initial recognition and remeasured at each subsequent reporting dates. The respective excess of proceeds over the amounts initially recognised as the derivative component of CB 2013 was recognised as liability component which was subsequently measured at amortised cost, using the effective interest rate method.

(c) CB 2017

On 18th August, 2014, Apex Team Limited issued another convertible bonds with the principal amount of HK$500,000,000 ("CB 2017") with a maturity date on 17th August, 2017.

CB 2017 bears coupon interest of 2.5% per annum and is unsecured.

The effective interest rate of the liability component is 7.58%.

Conversion rights are exercisable at any time from 25th August, 2014 to 10th August, 2017.

The holders of CB 2017 are entitled to convert CB 2017 into ordinary shares of the Company at an initial conversion price of HK$0.35 per share (subject to adjustment).

If any of CB 2017 has not been converted, it will be redeemed on the maturity date at 100% of its outstanding principal amount.

Options were granted by the Group to subscribe for another convertible bonds in an additional principal amount of up to HK$500,000,000 ("Optional Bonds 2017") with an expiry date of 90 days prior to the maturity date of Optional Bonds 2017 on 17th August, 2017.

CB 2017 contains three components: equity component, liability component and embedded derivative financial liabilities in respect of the subscription option for Optional Bonds 2017.

For CB 2017, the fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The subscription options embedded in CB 2017 were also recognised as a derivative financial liability and was measured at fair value on initial recognition and remeasured at each subsequent reporting date.

The movements of the equity component, liability component and derivative financial instruments of the convertible bonds are as follows:

	Equity component HK$'000	Liability component HK$'000	Derivative financial instruments HK$'000	Total HK$'000
At 1st April, 2013	–	418,647	21,160	439,807
Issue of Optional Bonds 2013	–	175,228	24,772	200,000
Conversion during the period	–	(653,356)	(49,727)	(703,083)
Fair value change	–	–	3,795	3,795
Interest expense	–	59,481	–	59,481
At 31st December, 2013 and at 1st January, 2014	–	–	–	–
Issue of CB 2017	11,748	433,968	54,284	500,000
Fair value change	–	–	(23,338)	(23,338)
Interest expense	–	12,255	–	12,255
At 31st December, 2014	11,748	446,223	30,946	488,917

25. DEFERRED TAX LIABILITIES

The movement in deferred tax liabilities during the year is as follows:

	GROUP
	Fair value adjustments arising from acquisition of subsidiaries HK$'000
Acquisition of subsidiaries (note 28(b)) and at 31st December, 2013, 1st January, 2014 and 31st December, 2014	362,536

The Group has unrecognised tax losses arising in Hong Kong amounting to HK$107,247,000 (2013 - HK$74,157,000) at the end of the reporting period. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets in respect of the above tax losses amounting to HK$17,696,000 (2013 - HK$12,236,000) have not been recognised as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses 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 1st January, 2008 and applies to earnings after 31st 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 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1st January, 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China as these subsidiaries reported accumulative losses at 31st December, 2014 and 2013.

26. SHARE CAPITAL AND SHARE PREMIUM

	Note	COMPANY 2014 HK$'000	COMPANY 2013 HK$'000
Shares			
Authorised:			
120,602,390,478 (2013 - 1,250,000,000,000) ordinary shares of HK$0.002 (2013 - HK$0.0002) each		**241,205**	250,000
4,397,609,522 (2013 - Nil) convertible preference shares of HK$0.002 each	(a)	**8,795**	–
		250,000	250,000
Issued and fully paid:			
4,250,455,846 (2013 - 21,988,047,615) ordinary shares of HK$0.002 (2013 - HK$0.0002) each		**8,501**	4,398
2,345,958,437 (2013 - Nil) convertible preference shares of HK$0.002 each	(a)	**4,692**	–
		13,193	4,398

	2014 HK$'000	2013 HK$'000
Share premium		
Ordinary shares	**1,172,623**	974,859
Convertible preference shares	**229,940**	–
	1,402,563	974,859

Note:

(a) Each convertible preference share ("CPS") is convertible into one ordinary share of the Company, subject to adjustment upon the occurrence of consolidation or subdivision of the ordinary shares, at any time after issuance, provided that holders of a CPS may not exercise the conversion rights to the extent that would result in the Company failing to comply with the minimum public float requirement under the Listing Rules.

Each CPS shall confer on its holder the right to receive any dividend pari passu with holders of ordinary shares on the basis of the number of ordinary shares into which each CPS may be converted and on an as-if converted basis.

The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, except on a resolution for the winding-up of the Company.

A summary of the movements of the Company's share capital and share premium account during the year ended 31st December, 2014 and the nine months ended 31st December, 2013 is as follows:

		Authorised		Issued and fully paid		Share premium account
	Notes	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000	Amount HK$'000
Ordinary shares						
At 1st April, 2013		1,250,000,000	250,000	11,785,131	2,357	273,817
Conversion of convertible bonds	(i)	–	–	10,202,917	2,041	701,042
At 31st December, 2013 and at 1st January, 2014		1,250,000,000	250,000	21,988,048	4,398	974,859
Share Consolidation	(ii)	(1,125,000,000)	–	(19,789,243)	–	–
Capital reorganisation	(iii)	(4,397,610)	(8,795)	–	–	–
Issue of new shares	(iv)	–	–	2,051,283	4,102	201,026
Share issue expenses	(iv)	–	–	–	–	(3,262)
Conversion of convertible preference shares	(v)	–	–	369	1	–
At 31st December, 2014		120,602,390	241,205	4,250,457	8,501	1,172,623
Non-voting non-redeemable convertible preference shares of HK$0.002 each						
At 1st April, 2013, 31st December, 2013 and at 1st January, 2014		–	–	–	–	–
Capital reorganisation	(iii)	4,397,610	8,795	–	–	–
Issue of new shares	(iv)	–	–	2,346,327	4,693	229,940
Conversion of convertible preference shares	(v)	–	–	(369)	(1)	–
At 31st December, 2014		4,397,610	8,795	2,345,958	4,692	229,940
Total share capital						
At 31st December, 2014			**250,000**		**13,193**	**1,402,563**
At 31st December, 2013			250,000		4,398	974,859

Notes:

(i) CB 2010 and CB 2013 with respective aggregate principal amounts of HK$141,450,000 and HK$400,000,000 were converted into 3,536,250,000 and 6,666,666,664 new ordinary shares of the Company at conversion prices of HK$0.04 and HK$0.06 per share, respectively.

(ii) As announced on 30th April, 2014, the Company proposed to, among others, (i) implement the Share Consolidation; (ii) make the Open Offer; and (iii) issue convertible bonds or optional convertible bonds. Details of the above proposed transactions are contained in the joint announcements of the Company dated 30th April, 2014 and 19th June, 2014, the circular of the Company dated 20th June, 2014 and/or the prospectus of the Company dated 24th July, 2014.

The above proposed transactions were approved by the shareholders or the independent shareholders of the Company at its extraordinary general meeting held on 14th July, 2014 and became effective on 15th July, 2014.

(iii) Pursuant to a special resolution, effective on 15th July, 2014, 4,397,609,522 unissued consolidated ordinary shares of par value of HK$0.002 each were redesignated as 4,397,609,522 non-voting non-redeemable convertible preference shares of par value of HK$0.002 each.

(iv) On 18th August, 2014, the Company allotted and issued 2,051,282,571 ordinary shares of HK$0.002 each and 2,346,326,951 convertible preference shares of HK$0.002 each, both at a subscription price of HK$0.1 per share. The Company raised HK$439,761,000 with expenses of HK$3,262,000 with the intention at the time of the Open Offer to finance the property investments and serve as general working capital of the Group.

(v) During the period from 18th August, 2014 to 31st December, 2014, 368,514 convertible preference shares were converted into the same number of ordinary shares.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current year and the prior period are presented in the consolidated statement of changes in equity of the financial statements on pages 44 and 45.

(b) Company

	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1st April, 2013		273,817	209	26,801	119,188	420,015
Loss for the period		–	–	–	(13,709)	(13,709)
Conversion of convertible bonds	26(i)	701,042	–	–	–	701,042
At 31st December, 2013 and at 1st January, 2014		974,859	209	26,801	105,479	1,107,348
Issue of shares	26(iv)	430,966	–	–	–	430,966
Share issue expense	26(iv)	(3,262)	–	–	–	(3,262)
Loss for the year		–	–	–	(3,812)	(3,812)
At 31st December, 2014		1,402,563	209	26,801	101,667	1,531,240

The contributed surplus represents reserves arising from the Group's reorganisation in 1991, originally representing the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then subsidiaries' shares acquired at the date of acquisition, net of subsequent distributions therefor.

Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

28. ACQUISITION OF SUBSIDIARIES

(a) Business combination - Acquisition of the Best Accolade Group

On 16th June, 2014, the Group entered into sale and purchase agreements with Paliburg Development BVI Holdings Limited, in relation to the acquisition of the entire equity interests in Best Accolade Limited and its subsidiaries (the "Best Accolade Group") and also the assignment of the loan due to a former shareholder to the Group. The Best Accolade Group is principally engaged in the provision of the property development consultancy services in the PRC.

The aggregate fair values of the identifiable assets and liabilities of the Best Accolade Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment (note 14)	2,668
Cash and bank balances	1,722
Debtors, deposits and prepayments	391
Creditors and accruals	(1,000)
Amount due to a former shareholder	(11,994)
Net liabilities	(8,213)
Add: amount due to the former shareholder assigned to the Group	11,994
Total identifiable net assets at fair value	3,781
Goodwill on acquisition (note 17)	6,212
Cash consideration	9,993

The goodwill of HK$6,212,000 recognised is primarily attributed to the expected synergies from combining the assets and activities of the Best Accolade Group with those of the Group. The goodwill is not deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of the Best Accolade Group is as follows:

	HK$'000
Cash consideration	(9,993)
Cash and bank balances acquired	1,722
Outflow of cash and cash equivalents included in cash flows from investing activities	(8,271)

The acquisition of the Best Accolade Group did not contribute any revenue to the Group as they did not generate any revenue since incorporation. Aggregate losses of HK$7,540,000 of the Best Accolade Group were included in the consolidated statement of profit or loss of the Group for the year ended 31st December, 2014.

Had the combination taken place at the beginning of the year, the consolidated loss of the Group for the year would have been HK$132,340,000.

(b) Business combination - Acquisition of the Excel Crown Group and the Joyous Unity Group

On 27th June, 2013, the Group entered into sale and purchase agreements with Faith Crown and P&R Holdings Limited ("P&R Holdings"), in relation to the acquisition of the entire equity interests in Excel Crown Investments Limited ("Excel Crown") and its subsidiaries (the "Excel Crown Group") and Joyous Unity Investments Limited ("Joyous Unity") and its subsidiaries (the "Joyous Unity Group") and also the assignments of the loans due to former shareholders to the Group. The Excel Crown Group and the Joyous Unity Group are principally engaged in property development in Chengdu, the PRC. Details of the above transactions were contained in the circular of the Company dated 28th August, 2013. The transactions were approved by the independent shareholders of the Company as set out in the announcement of the Company dated 13th September, 2013, the date on which controls of the Excel Crown Group and the Joyous Unity Group were transferred to the Group. In the opinion of the Directors, with the completion of the above acquisition, the property portfolio of the Group is significantly enriched and enables the Group to focus on property development and investment in the PRC.

Prior to the acquisition of the entire equity interests in Excel Crown and Joyous Unity by the Group, the shareholders of Excel Crown and Joyous Unity were P&R Holdings and Faith Crown, which held 70% and 30% equity interests in each of Excel Crown and Joyous Unity, respectively.

The aggregate fair values of the identifiable assets and liabilities of the Excel Crown Group and the Joyous Unity Group as at the date of acquisition were as follows:

	Fair value recognised on acquisitions HK$'000
Property, plant and equipment (note 14)	844
Properties under development (note 15)	1,976,832
Cash and bank balances	23,957
Debtors, deposits and prepayments	2,024
Creditors and accruals	(60,241)
Amounts due to former shareholders	(493,542)
Deferred tax liabilities (note 25)	(362,536)
Net assets	1,087,338
Add: Amounts due to former shareholders assigned to the Group	493,542
Total identifiable net assets at fair value	1,580,880
Goodwill on acquisition (note 17)	228,310
Cash consideration payable	1,809,190

The fair values and gross contracted amounts of other debtors as at the date of acquisition amounted to HK$1,671,000. The goodwill of HK$228,310,000 arose mainly from the recognition of deferred tax liabilities of the Excel Crown Group and the Joyous Unity Group in relation of the fair value adjustments of the properties under development. The goodwill is not deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of the Excel Crown Group and the Joyous Unity Group is as follows:

	HK$'000
Cash consideration*	–
Cash and bank balances acquired	23,957
Inflow of cash and cash equivalents included in cash flows from investing activities	23,957

* Pursuant to the sale and purchase agreement with the vendors, the purchase consideration on acquisition of the Excel Crown Group and the Joyous Unity Group together with the interest accrued thereon which was charged at 5% per annum would be settled by the Group within 3 years after the completion of the acquisition. No cash consideration was paid up to the end of the reporting period and hence there was no cash outflow on the date of completion in relation to such acquisition of subsidiaries.

Since the acquisitions the Excel Crown Group and the Joyous Unity Group did not contribute any revenue to the Group as they did not generate any revenue since incorporation. Aggregate losses of HK$2,582,000 of the Excel Crown Group and the Joyous Unity Group were included in the consolidated statement of profit or loss of the Group for the nine months ended 31st December, 2013.

Had the combination taken place at the beginning of the nine months ended 31st December, 2013, the consolidated loss of the Group for the nine months ended 31st December, 2013 would have been HK$93,077,000.

(c) Acquisition of property interests

On 27th June, 2013, the Group also entered into sale and purchase agreements with Regal International (BVI) Holdings Limited ("Regal BVI"), a wholly-owned subsidiary of Regal Hotels International Holdings Limited ("RHIHL"), a listed company which became the Group's fellow subsidiary on 16th September 2013, in relation to the acquisition of the entire equity interest in Grand Praise Investments Limited ("Grand Praise") and its subsidiaries (the "Tianjin Group"). Details of the above transaction were contained in the circular of the Company dated 28th August, 2013. The transaction was approved by the independent shareholders of the Company as set out in the announcement of the Company dated 13th September, 2013, the date on which control of the Tianjin Group was transferred to the Group.

The Tianjin Group is principally engaged in property development in Tianjin, the PRC.

Since the principal asset of the Tianjin Group comprises only a parcel of land located in Tianjin City in the PRC and cash and bank balances, in the opinion of the Directors, the acquisition of the Tianjin Group was not considered as an acquisition of business under HKFRS 3 (Revised) *Business Combinations*, hence the acquisition of Tianjin Group was accounted for as acquisition of assets and liabilities.

The fair values of the identifiable assets and liabilities of the Tianjin Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment (note 14)	504
Properties under development (note 15)	1,416,996
Deposits and other receivables	38,436
Cash and bank balances	11,172
Accruals and other payables	(6,397)
Amounts due to former shareholders	(1,306,689)
Net assets	154,022
Add: Amounts due to former shareholders assigned to the Group	1,306,689
Assets acquired and liabilities assumed and consideration payable	1,460,711

An analysis of the cash flows in respect of the acquisition of the Tianjin Group is as follows:

	HK$'000
Cash consideration*	–
Cash and bank balances acquired	11,172
Inflow of cash and cash equivalents included in cash flows from investing activities	11,172

* Pursuant to the sale and purchase agreement with the vendor, the purchase consideration on acquisition of the Tianjin Group together with the interest accrued thereon which was charged at 5% per annum would be settled by the Group within 3 years after the completion of the acquisition. No cash consideration was paid up to 31st December, 2013 and hence there was no cash outflow in relation to such acquisition of assets and liabilities.

29. DISPOSAL OF SUBSIDIARIES

On 27th June, 2013, the Group entered into a sale and purchase agreement with P&R Holdings in relation to the disposal of the entire equity interest in Kola Glory Limited and its subsidiary and assumption of the amount due by Kola Glory Limited to the Group at a consideration of HK$87,965,000. The disposal was completed on 13th September, 2013.

	HK$'000
Carrying amounts of the net assets disposed of:	
Investment properties	88,000
Debtors, deposits and prepayments	237
Cash and bank balances	118
Creditors and accruals	(390)
Amount due to the Group	(95,147)
	(7,182)
Add: Assignment of the amount due to the Group to the purchaser	95,147
Consideration receivable*	87,965

* Pursuant to the sale and purchase agreement with P&R Holdings, the consideration receivable would be set-off against the consideration payable due to Regal BVI in respect of the acquisition of the Tianjin Group. Accordingly, there was no cash inflow on the date of completion in relation to such disposal of subsidiaries.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$'000
Cash and bank balances disposed of, and outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(118)

30. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	**1,545,706**	1,109,614
	1,545,706	1,109,614

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, these amounts are considered as part of the Company's investments in the subsidiaries.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2014	2013	
Apex Team Limited	Hong Kong	HK$1	100	100	Financing
Cosmopolitan International Finance Limited*	Hong Kong	HK$1	100	100	Financing and financial assets investment
Cosmopolitan International Management Services Limited*	Hong Kong	HK$1	100	100	Management services
Evercharm Investments Limited	British Virgin Islands	US$1	100	100	Financial assets investment
Fancy Gold Limited	Hong Kong	HK$1	100	100	Financing
新疆麗寶生態開發有限公司**	PRC/ Mainland China	US$16,800,000	100	100	Property development
成都富博房地產開發有限公司**	PRC/ Mainland China	HK$175,000,000	100	100	Property development
天津市富都房地產開發有限公司**	PRC/ Mainland China	RMB1,200,000,000	100	100	Property development
置富投資開發(成都)有限公司**	PRC/ Mainland China	HK$336,000,960	100	100	Property development
北京富利企業管理有限公司**	PRC/ Mainland China	RMB298,000,000	100	–	Investment holding
富宏(深圳)諮詢管理有限公司**	PRC/ Mainland China	RMB10,000,000	100	–	Development consultancy

* Direct subsidiaries of the Company

** These subsidiaries are registered as wholly foreign owned enterprises under the PRC laws

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

31. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year/period:

	Notes	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
A wholly-owned subsidiary of CCIHL:			
Management fees	(i)	**7,960**	–
Subsidiaries of Paliburg Holdings Limited ("PHL")*:			
Building management expense	(ii)	**–**	235
Rental income	(iii)	**166**	270
Interest income from listed debt investments	(iv)	**988**	743
Interest expenses on other payables	(v)	**153,506**	47,511
Interest expenses on other borrowings	(vi)	**6,923**	–

* These parties were considered as related companies prior to 16th September, 2013 as two directors of the Company were also directors and key management personnel of these related companies. Subsequent to the acquisition of the Group by P&R Holdings on 16th September, 2013, these related companies became fellow subsidiaries of the Group.

Notes:

(i) The management fees included rentals and other overheads allocated from a wholly-owned subsidiary of CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL, RHIHL and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups.

(ii) The building management expense was paid to Paliburg Estate Management Limited acting as building manager of the Group's investment property for receiving building management services. The fee was paid in accordance with the terms of the relevant deed of mutual covenants.

(iii) The rental income was received from Regal Hotels International Limited in connection with the use of the Group's office premises. The fee was mutually agreed between the Group and the fellow subsidiary/related company.

(iv) The interest income was charged at a coupon rate of 4.25% per annum.

(v) The interest expenses were paid to P&R Holdings, Faith Crown and Regal BVI for consideration payables in relation to the acquisition of the Excel Crown Group, the Joyous Unity Group and the Tianjin Group, which bear interest at 5% per annum.

(vi) The interest expenses were paid to Paliburg Finance Limited for other borrowings under the HK$200 million facility granted to the Group charged at interest rate at the higher of 7% per annum or the Hong Kong Dollar Prime Lending Rate plus 2% per annum.

(b) Compensation of key management personnel of the Group:

	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000
Short term employee benefits	**8,583**	2,538
Staff retirement scheme contributions	**306**	22
Total compensation paid to key management personnel	**8,889**	2,560

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transaction set out in note 31(a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company, but is exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements") pursuant to rule 14A.33(2)/14A.98 of the Listing Rules.

The related party transactions set out in notes 31(a)(ii) and (iii) above also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules to the Company, but are exempted from the Relevant Requirements pursuant to rule 14A.33(3)(a)/14A.76(1)(a) of the Listing Rules.

The related party transaction set out in note 31(a)(iv) above did not constitute a connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company.

The related party transactions set out in notes 31(a)(v) and (vi) above were contemplated under respective relevant transactions (the "Transactions") which constituted connected transactions to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transactions had been complied with.

32. PLEDGE OF ASSETS

The Group's bank borrowings were secured by the following assets:

	GROUP	
	2014 HK$'000	2013 HK$'000
Pledged time deposits	**6,337**	1,721
Financial assets at fair value through profit or loss	**7,444**	16,635
Held-to-maturity investments	**–**	19,184
	13,781	37,540

33. OPERATING LEASE ARRANGEMENTS

The Group leases certain office premises under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 2 years.

At 31st December, 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	GROUP	
	2014	**2013**
	HK$'000	**HK$'000**
Within one year	**1,732**	1,695
In the second to fifth years, inclusive	**2,338**	456
	4,070	2,151

At the end of the reporting period, the Company had no outstanding operating lease commitments.

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following outstanding commitments at the end of the reporting period:

	GROUP	
	2014	**2013**
	HK$'000	**HK$'000**
Authorised, but not contracted for:		
Property development projects	**61,691**	–
Contracted, but not provided for:		
Property development projects	**1,659,119**	638,262
	1,720,810	638,262

At the end of the reporting period, the Company had no significant commitments.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

2014 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss - held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Other financial assets included in debtors, deposits and prepayments	–	26,391	26,391
Financial assets at fair value through profit or loss (note 20)	160,279	–	160,279
Pledged time deposits	–	6,337	6,337
Time deposits	–	56,956	56,956
Cash and bank balances	–	567,186	567,186
	160,279	656,870	817,149

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Other financial liabilities included in creditors and accruals	–	153,253	153,253
Deposits received	–	3,481	3,481
Other payables (note 21)	–	2,881,901	2,881,901
Derivative financial instruments (note 23)	32,357	–	32,357
Convertible bonds (note 24)	–	446,223	446,223
Interest bearing bank borrowings (note 22)	–	4,000	4,000
	32,357	3,488,858	3,521,215

2013 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss - held for trading HK$'000	Loans and receivables HK$'000	Held-to-maturity investments HK$'000	Total HK$'000
Other financial assets included in debtors, deposits and prepayments	–	10,923	–	10,923
Held-to-maturity investments (note 19)	–	–	40,925	40,925
Financial assets at fair value through profit or loss (note 20)	116,045	–	–	116,045
Pledged time deposits and bank balances	–	1,721	–	1,721
Time deposits	–	141,567	–	141,567
Cash and bank balances	–	258,007	–	258,007
	116,045	412,218	40,925	569,188

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Other financial liabilities included in creditors and accruals	93,764
Other payables (note 21)	3,229,411
Interest bearing bank borrowings (note 22)	12,212
	3,335,387

Financial assets

	COMPANY	
	2014	**2013**
	HK$'000	**HK$'000**
Loans and receivables – bank balances	**271**	124

Financial liabilities

	COMPANY	
	2014	**2013**
	HK$'000	**HK$'000**
Financial liabilities at amortised cost:		
Accruals	**1,993**	200

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated to their fair values.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the non-current financial liabilities included in other 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 the other payables was assessed to be insignificant.

The fair values of listed equity and debt investments are based on quoted market prices.

The Group enters into foreign currency option contracts with a financial institution. The foreign currency option contracts are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of the financial institution, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of foreign currency option contracts are the same as their fair values.

The fair value of the embedded derivative in convertible bonds is determined by valuation techniques and based on assumptions on market conditions existing at the issue date and the end of the reporting period. The valuation model requires the input of subjective assumptions, including the stock price, expected volatility and risk free rate.

Fair value hierarchy

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

Assets measured at fair value:

GROUP

As at 31st December, 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Listed equity investments	**130,004**	**–**	**–**	**130,004**
Listed debt investments	**–**	**30,275**	**–**	**30,275**
	130,004	**30,275**	**–**	**160,279**

As at 31st December, 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss:				
Listed equity investments	67,269	–	–	67,269
Listed debt investments	–	40,965	–	40,965
Foreign currency option contracts	–	7,811	–	7,811
	67,269	48,776	–	116,045

Liabilities measured at fair value:

GROUP

As at 31st December, 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	**–**	**32,357**	**–**	**32,357**

The Group did not have any financial liabilities measured at fair value as at 31st December, 2013.

The Company did not have any financial assets or financial liabilities measured at fair value as at 31st December, 2014 and 31st December, 2013.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (nine months ended 31st December, 2013 - Nil).

Fair value of liabilities as at 31st December, 2014 was:

GROUP	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Other payables	**–**	**2,881,901**	**–**	**2,881,901**

Fair value of liabilities as at 31st December, 2013 was:

GROUP	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Other payables	–	3,229,411	–	3,229,411

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise interest bearing bank borrowings, other long term payables, cash and bank balances and time deposits. 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 financial assets at fair value through profit or loss, held-to-maturity investments, other financial assets included in debtors, deposits and prepayments, and other financial liabilities included in creditors and accruals, 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, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts prudent strategies on its risk management. The Directors review and agree 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 interest bearing bank borrowings with floating interest rates.

For the Hong Kong dollar borrowing, assuming the amount of bank borrowing outstanding at the end of the reporting period was outstanding for the whole year, a 100 basis point increase in interest rates would have increased the Group's loss before tax for the current year by HK$40,000 (nine months ended 31st December, 2013 - HK$121,000).

Foreign currency risk

The Group's operations are mainly in Hong Kong and Mainland China. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in currencies that are not the entities' functional currencies.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and entering into foreign currency option contracts to reduce the exposure should the need arises.

Credit risk

The Group's major exposure to the credit risk arises from its held-to-maturity investments and debt investments, with a maximum exposure equal to their carrying amounts in the consolidated statement of financial position. The Group only invests in held-to-maturity investments and debt investments after performing credit risk assessments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group will raise funds from different sources, including through the financial market or realisation of its assets, if required.

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

	GROUP		
	2014		
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
Other financial liabilities included in creditors and accruals and other payables	**254,316**	**2,982,965**	**3,237,281**
Derivative financial instruments	**1,411**	**30,946**	**32,357**
Convertible bonds	**12,500**	**521,404**	**533,904**
Interest bearing bank borrowings	**4,006**	**–**	**4,006**
	272,233	**3,535,315**	**3,807,548**

	GROUP		
	2013		
	Within 1 year or on demand HK$'000	1 to 5 years HK$'000	Total HK$'000
Other financial liabilities included in creditors and accruals and other payables	93,764	3,390,882	3,484,646
Interest bearing bank borrowings	12,373	–	12,373
	106,137	3,390,882	3,497,019

	COMPANY	
	Within 3 months or no fixed terms of repayment	
	2014 HK$'000	2013 HK$'000
Accruals	**1,993**	200

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments classified as financial assets at fair value through profit or loss (note 20) as at the end of the reporting period.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$'000	Change in loss before tax HK$'000
2014		
Hong Kong listed investments	**130,004**	**6,500**
2013		
Hong Kong listed investments	67,269	3,363

There is no impact on the Group's equity except on the retained profits.

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 enhance shareholders' 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. Capital represents equity attributable to equity holders of the parent. 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 for managing capital during the year ended 31st December, 2014 and the nine months ended 31st December, 2013.

The Group monitors capital using a debt to total assets ratio, which is net debt divided by the total assets. Net debt includes interest bearing bank borrowings and convertible bonds less cash and bank balances and time deposits. The debt to total assets ratios as at the end of the reporting periods were as follows:

	GROUP	
	2014 **HK$'000**	**2013** **HK$'000**
Interest bearing bank borrowings and convertible bonds	**450,223**	12,212
Less: Cash and bank balances and time deposits	**(630,479)**	(401,295)
Net cash	**(180,256)**	(389,083)
Total assets	**5,400,666**	4,950,334
Debt to total assets ratio	**N/A**	N/A

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24th March, 2015.

Independent Auditors' Report

EY 安永

To the shareholders of Cosmopolitan International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Cosmopolitan International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 118, which comprise the consolidated and company statements of financial position as at 31st 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.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

24th March, 2015

Schedule of Principal Properties

As at 31st December, 2014

PROPERTIES FOR DEVELOPMENT

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(1)	Development site at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel and commercial complex/ residential	Site area for the whole development - approx. 111,869 sq. m. (1,204,148 sq. ft.) Total gross floor area - approx. 497,000 sq. m. (5,349,700 sq. ft.) First stage • a 306-room hotel • 3 residential towers having 340 apartment units with car parks and ancillary commercial accommodation (Total gross floor area - approx. 45,500 sq. m. (490,000 sq. ft.)) Stage two • residential development with total gross floor area of approx. 176,516 sq. m. (1,900,000 sq. ft.) Stage three • commercial and office accommodations with total gross floor area of approx. 139,355 sq. m. (1,500,000 sq. ft.)	First stage • Construction works for 3 residential towers expected to be completed in 3rd quarter of 2016 • Presale of the residential units anticipated to be launched in 3rd quarter of 2015 • Hotel portion planned to be completed in phases from 2016	100

As at 31st December, 2014

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(2)	Development site at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC	Commercial/ office/ residential	Site area for the whole development – approx. 31,700 sq. m. (341,216 sq. ft.) Total gross floor area – approx. 145,000 sq.m. (1,560,780 sq. ft.)	Piling works completed; development plans approved (expected to be completed in stages within 2018)	100

Published Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

RESULTS

	Year ended 31st December, 2014 HK$'000	Nine months ended 31st December, 2013 HK$'000	Year ended 31st March, 2013 HK$'000	Year ended 31st March, 2012 HK$'000	Year ended 31st March, 2011 HK$'000
Revenue	**(7,867)**	12,487	24,091	9,908	9,901
Operating profit/(loss) before depreciation	**(51,057)**	(18,977)	104,943	361,994	1,209,242
Depreciation	**(1,520)**	(407)	(128)	(87)	(84)
Finance costs	**(104,372)**	(86,616)	(75,684)	(72,732)	(51,157)
Share of profit/(loss) of a joint venture	**29,767**	17,338	23,640	527,678	(1,794)
Profit/(loss) before tax	**(127,182)**	(88,662)	52,771	816,853	1,156,207
Income tax credit/(expense)	**(179)**	451	–	21,048	(385)
Profit/(loss) for the year/period before allocation between equity holders of the parent and non-controlling interests	**(127,361)**	(88,211)	52,771	837,901	1,155,822
Attributable to:					
Equity holders of the parent	**(127,361)**	(88,211)	52,813	837,952	1,156,163
Non-controlling interests	**–**	–	(42)	(51)	(341)
	(127,361)	(88,211)	52,771	837,901	1,155,822

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31st December, 2014 HK$'000	31st December, 2013 HK$'000	31st March, 2013 HK$'000	31st March, 2012 HK$'000	31st March, 2011 HK$'000
Property, plant and equipment	**15,804**	3,555	1,171	355	277
Investment properties	**–**	–	88,000	80,000	80,000
Properties under development	**1,305,087**	1,308,632	–	–	–
Investment in a joint venture	**575,639**	575,591	559,348	628,531	181,151
Goodwill	**234,522**	228,310	–	–	–
Prepayments	**69,689**	58,115	42,823	–	–
Current assets	**3,199,925**	2,776,131	386,025	368,047	400,384
Total assets	**5,400,666**	4,950,334	1,077,367	1,076,933	661,812
Current liabilities	**(168,276)**	(113,569)	(462,311)	(515,597)	(834,241)
Other payables	**(2,881,901)**	(3,229,411)	–	–	–
Convertible bonds	**(446,223)**	–	–	–	(99,808)
Derivative financial instruments	**(30,946)**	–	–	–	–
Deferred tax liabilities	**(362,536)**	(362,536)	–	–	–
Total liabilities	**(3,889,882)**	(3,705,516)	(462,311)	(515,597)	(934,049)
Non-controlling interests	**26**	26	26	388	337

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