ANNUAL REPORT

2014

Madex International (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00231)

This report, in both English and Chinese versions, is available on the Company's website at http://www.madex.com.hk (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Company's Hong Kong Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Zhang Guodong
Ms. Liang Huixin

Non-executive Director:

Mr. Marco Theodorus Nijssen

Independent Non-executive Directors:

Dr. Dong Ansheng
Mr. Hung Hing Man
Mr. Hong Sze Lung

AUDIT COMMITTEE

Mr. Hung Hing Man *(Committee Chairman)*
Dr. Dong Ansheng
Mr. Hong Sze Lung

REMUNERATION COMMITTEE

Dr. Dong Ansheng *(Committee Chairman)*
Mr. Hung Hing Man
Mr. Hong Sze Lung
Ms. Liang Huixin

NOMINATION COMMITTEE

Dr. Dong Ansheng *(Committee Chairman)*
Mr. Hung Hing Man
Mr. Hong Sze Lung
Ms. Liang Huixin

AUTHORISED REPRESENTATIVES

Mr. Zhang Guodong
Mr. Chan Kwan Pak

COMPANY SECRETARY

Mr. Chan Kwan Pak

AUDITORS

Pan-China (HK) CPA Limited
11/F, Hong Kong Trade Centre,
161-167 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd. (Hong Kong Branch)
Bank of East Asia Limited

PRINCIPAL REGISTRARS AND TRANSFER OFFICES

MUFG Fund Services Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 3005, 30/F, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

WEBSITE

www.madex.com.hk

STOCK CODE

00231

On behalf of the board of directors ("the Directors") of Madex International (Holdings) Limited ("the Company") and its subsidiaries (together "the Group"), I am pleased to present to the shareholders of the Company the annual report of the Group for the year ended 31 December 2014.

RESULTS

For the year ended 31 December 2014, the Group recorded an audited consolidated turnover of approximately HK$33,107,000, representing an increase of approximately 4% as compared to HK$31,881,000 for the year ended 31 December 2013; and a net loss of approximately HK$609,856,000, as against the net loss of approximately HK$304,086,000 for the year ended 31 December 2013. The loss was mainly attributable to the effect on fair value change on investment properties and contingent consideration.

The change in fair value of contingent consideration resulting to a loss of HK$115,353,000 is based on the valuation on contingent consideration performed by the valuer. The main reason for the loss is the change in the closing share price of the Company as compared to that of the previous year.

BUSINESS REVIEW

In the year, the Group's main income included approximately HK$20,499,000, being rental income from Shenghui Plaza and approximately HK$9,111,000, being royalty fee income from the Xiangquan Hotel project in 2014.

Shenghui Plaza, the Group's flagship arcade which is strategically located in Chongqing, underwent a transformation in 2014. Eyeing the advantage of the status of a bonded import goods exhibition and trading business centre, the Company has applied and successfully obtained a licence for this purpose.

A placing of convertible bonds was conducted during the year, and an aggregate principal amount of HK$261,500,000 had been successfully placed. The net proceeds from the placing were approximately HK$254,300,000. The funding exercise was to pave way for the Group's new investment and as general working capital.

PROSPECTS AND OUTLOOK

2015 is a proactive year for the Group. The newly transformed Shenghui Plaza, now a bonded import goods exhibition and trading business centre, will broaden its income source from the booming electronic commerce. With its strategic location, Chongqing will be benefitted from the "One Belt, One Road" initiative as propounded by President Xi Jinping. The management is confident that Shenghui Plaza will be benefitted in turn.

Following the completion of the disposal of our Harbin Mall in February 2014 and the completion of placing of convertible bonds in October 2014, the Company's financial strength and cash flow has been improved and it is actively seeking new investment opportunities. In November 2014, the Company entered into an agreement with Mr. Liang Wenguan, the controlling shareholder of the Company, for the acquisition of a land use right of a piece of land (the "Land") from him. The Land is located in the hub of Xiqiao Town, Nanhai District, Foshan City, Guangdong Province with a site area of 86,938 square metres. Strategically located in the hinterland of the Pearl River Delta, Xiqiao Town has high development potential. In terms of infrastructure, with the inception of Guangfo Metro in 2010, the metro connection between Foshan City and Guangzhou has improved the population mobility of two cities. Furthermore, according to the 12th five-year plan, the PRC government intends to develop Nanhai District into a hub of back office for financial services, and would strive to promote the local tourism industry at the same time. In this regard, Nanhai District provides continued support to its Financial Hi-tech Zone (金融高新區); and Xiqiao Mountain has been categorized as a five-A tourist attraction in 2013, the only tourist attraction being awarded with this rating in Guangdong Province.

EXECUTIVE DIRECTOR'S STATEMENT

The Company intends to develop on the Land a plaza consists of shops, offices and hotel, taking into account the lack of competitors and the absence of similar type of development model in the vicinity. Under the current development plan, the gross floor area of approximately 94,400 square metres, 92,000 square metres and 8,800 square metres will be allocated for shops, offices and hotel development respectively. This connected transaction is conditional upon, among others, the independent shareholders' approval to be obtained in a special general meeting. It is expected that the construction works will be completed two and a half years later, and thereafter the project will have rental contribution towards the Group.

Benefitted from the global quantitative easing and the heated securities market in mainland China, the investment atmosphere in Hong Kong is warming up. In a bid to diversify into the financial services sector, the Company has recently entered into an agreement for the acquisition of Ping An Securities Limited. Ping An is one of the well-established securities brokerage and financial advisory houses in Hong Kong providing a wide range of financial services which include, the provision of securities brokerage, securities underwriting and placements and financial advisory services. The Board believes that the acquisition will enable the Group to make a meaningful step in its strategic direction towards diversification of businesses. Lastly, the Board believes that the resulted diversification of the Group's business portfolio will also enhance the Group's resilience to fluctuations in the business environment.

APPRECIATION

The Directors would like to express our sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as our shareholders, business partners, bankers and auditors for their support to the Group throughout the year.

Zhang Guodong
Executive Director

Hong Kong, 8 April 2015

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

As at 31 December 2014, the Group's current assets and current liabilities were HK$740,837,000 and HK$825,501,000 respectively. The total secured bank and other loans amounted to HK$688,475,000 and HK$137,157,000 respectively.

As at 31 December 2014, main charges on assets of the Group included pledged bank balances of HK$157,731,000, investment properties with fair value of HK$2,090,000,000 and leasehold land and buildings with carrying amount of approximately HK$28,340,000.

The Group's gearing ratio as at 31 December 2014 was 67%, which is calculated on the Group's total liabilities divided by its total assets.

CAPITAL COMMITMENTS

Pursuant to the Company's announcement and circular dated 13 November 2014 and 9 March 2015, respectively, on 13 November 2014, Wealth Billows Limited ("Wealth Billows"), a wholly-owned subsidiary of the Company entered into the an acquisition agreement (the "Acquisition Agreement") with Mr. Liang, the controlling shareholder of the Company, pursuant to which Wealth Billows has agreed to acquire the entire share capital of Full Boom Global Limited ("Full Boom" and together with its subsidiaries, the "Full Boom Group") from Mr. Liang at a consideration of HK$535,000,000. Full Boom is a private limited liability company incorporated in the Republic of Seychelles. Full Boom Group holds a commercial land lot with an area of 86,938 square metres and a building with a gross floor area of 2,576.14 square metres erected thereon at Xiqiao Town of Guangdong Province, the PRC. Pursuant to the Acquisition Agreement, the consideration of HK$535,000,000 shall be settled in the following manner:

(i) A refundable deposit in the sum of HK$107,000,000 was paid upon signing of the Acquisition Agreement; and

(ii) The remaining HK$428,000,000 shall be settled by the issue of the promissory notes by the Company to Mr. Liang.

The above acquisition was approved by the shareholders of the Company at its Special General Meeting on 1 April 2015 and details of which are set out in the Company's announcement and circular dated 13 November 2014 and 9 March 2015, respectively.

CONTINGENT LIABILITIES

During the period from 1 January 2004 to 31 December 2006, certain units and shops of the investment properties located in Chongqing had been sold to the independent third parties (the "Buyers") under the Sale and Purchase Agreements (the "SP Agreements"). The leasing agency contracts and the mortgage contracts were signed together with SP Agreements among the Buyers, Chongqing Kings Mall Business Management Company Limited ("Kings Mall Management") and Chongqing Xin Jia Jun Construction and Decoration Engineering Co. Ltd. (重慶新佳俊建築裝飾工程有限公司) ("Xin Jia Jun"). Pursuant to the terms of the leasing agency contracts, Xin Jia Jun would pay the Buyers an annual rental income equivalent to ten percent of the purchase price of the properties over twenty years.

Based on the legal advice from the legal adviser to the Group, the Directors considered that they have strong and valid ground of defence in relation to the probable litigations, if any in respect of the Buyers without entering into the cancellation agreements ("Problematic Properties") and the Directors considered that Kings Mall Management would not suffer material financial losses arising from such litigations, if any and has the right to occupy and lease the Problematic Properties to other tenants to generate rental income.

On 27 February 2011, pursuant to a deed of indemnity being executed by Profit China Investments Development Limited ("Profit China") and Mr. Liang Wenguan ("Mr. Liang") in favour of the Group at the date of acquisition completion, Profit China and Mr. Liang will indemnify the Group against all costs that the Group may suffer in relation to the investment properties acquired on the acquisition of Kings Mall Management and its subsidiary and holding companies (the "Acquired Group") and any disputes and litigation (whether commencing before or after the acquisition completion) against the Group arising or accruing in relation to the operation of the Acquired Group on or before the date of acquisition completion (the "Indemnified Liabilities").

In addition, on 19 May 2011, Zhu Hai Port Plaza Development Company Limited entered into an undertaking to pay the aforesaid Indemnified Liabilities to the extent that such losses, liabilities and expenses have not been settled by Mr. Liang pursuant to his obligations under the indemnity agreement executed by him in favour of Kings Mall Management that Kings Mall Management may suffer.

CHANGE IN OTHER RECEIVABLE

Pursuant to an entrusted loan agreement entered into between a subsidiary of the Company and Xin Jia Jun, which is the long-term property management company of a shopping mall of a subsidiary of the Company in Chongqing during the year ended 31 December 2014, Xin Jia Jun raised a loan of RMB110,000,000 from a PRC financial institution on behalf of a subsidiary of the Company. An amount of RMB120,000,000 (equivalent to approximately HK$150,000,000) (covering the principal and interest) was transferred to Xin Jia Jun for the purpose of early repayment to the bank; and an amount of approximately RMB34,000,000 (equivalent to approximately HK$42,000,000) was advanced to Xin Jia Jun as its working capital in relation to works of the shopping mall.

As the negotiation on the intended early repayment to the bank was still in progress as 31 December 2014, a total amount of HK$192,408,000 was outstanding as of 31 December 2014. Based on the long term working relationship with Xin Jia Jun, the Board believes that Xin Jia Jun, as the borrower in the bank loan, will apply the funds to repay the above-mentioned loan to the bank together with interest, amounting to approximately RMB120,000,000, before or upon its maturity. Mr. Liang Wenguan, the controlling shareholder of the Company (who is independent of Xin Jia Jun), has provided guarantee for the settlement, as an additional comfort. The negotiation with Mr. Liang for his guarantee has caused delay of the publication of our results announcement for the year ended 31 December 2014. The results announcement was released on 8 April 2015.

FOREIGN EXCHANGE RISK

The Group's operations are principally in the PRC and all assets and liabilities were denominated either in Renminbi or Hong Kong dollars. The Directors considers that the Group does not have any material exposure to fluctuations in exchange. Therefore, no hedging measures have been taken at present.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of approximately 200 employees, who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training was provided to its staff from time to time.

EXECUTIVE DIRECTORS

Mr. Zhang Guodong, aged 38, has been an executive Director since 1 March 2009. Mr. Zhang holds a Master's degree in Accountancy (MPAcc) from The Chinese University of Hong Kong and he is a certified accountant in the PRC. Mr. Zhang had worked as a project manager respectively in Beijing and Zhuhai BDO Certified Public Accountants, as well as a department manager in BDO Shenzhen Dahua Tiancheng Certified Public Accountants, and was mainly responsible for financial audit and advisory as well as tax planning work relating to companies listed in the PRC and overseas. He was then appointed as the financial controller of a few companies in the PRC respectively. Mr. Zhang is well versed in the PRC and international accounting standards, rules and regulations and has profound knowledge in finance.

Ms. Liang Huixin, aged 29, was appointed as non-executive Director on 11 August 2009 and has been re-designated as an executive Director since 8 August 2013. Ms. Liang holds a Bachelor of Science degree in economics and political science from the University of Oregon, the United States. She had served in the banking sector in Singapore before. Ms. Liang is the spouse of Mr. Marco Theodorus Nijssen, a Non-executive Director and the daughter of Mr. Liang Wenguan, the controlling Shareholder.

NON-EXECUTIVE DIRECTOR

Mr. Marco Theodorus Nijssen, aged 44, has been a non-executive Director since 24 October 2014. Mr. Nijssen is a certified engineer in process control endorsed by Reed Elsevier, the Nethelands. He has over 20 years of experience in oil & gas and marine systems. Mr. Nijssen is well experienced in design, engineering, construction and commissioning of FPSO's (floating production storage and offloading vessels) and oil platforms for clients such as Royal Dutch Shell Group and Bluewater Energy Services B.V. Mr. Nijssen is the spouse of Ms. Liang Huixin, an Executive Director and the son in law of Mr. Liang Wenguan, the controlling Shareholder.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Dong Ansheng, aged 63, has been an independent non-executive Director since 6 January 2006. Dr. Dong holds a Bachelor of Laws degree from the Political and Law Sciences School of Chinese Northwestern College (西北政法學院); and Master and Doctoral degrees in laws from the Law School of the Renmin University, China (中國人民大學). Dr. Dong is well versed in various areas of law and has been a lecturer in mainland China, Hong Kong, Taiwan and Finland as well as a China legal consultant to a number of companies in their listing exercise in mainland China and Hong Kong.

Dr. Dong is serving as an independent non-executive director of Shandong Tongyu Heavy Industry Company, Limited (Stock code: 300185, Shenzhen Stock Exchange) and Beijing Wangfujing Department Store (Group) Limited (Stock code: 600859, Shanghai Stock Exchange). Dr. Dong had served as an independent non-executive director of BOE Technology Group Company, Limited (Stock code: 000725, Shenzhen Stock Exchange), Sichuan Western Resources Company, Limited (Stock code: 600139, Shanghai Stock Exchange), Beijing Capital International Airport Corporation Limited (Stock code: 694, SEHK) and Zhongjin Gold Company, Limited (Stock code: 600489, Shanghai Stock Exchange).

Mr. Hung Hing Man, aged 44, has been an independent non-executive Director since 23 September 2009. Mr. Hung holds a Master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of the Society of Chinese Accountants and Auditors. Mr. Hung has extensive experience in the sectors of corporate finance, accounting, auditing and taxation and is currently a proprietor of a certified public accountants firm. Mr. Hung also serves as an independent non-executive director of China Gamma Group Limited (Stock code: 164, SEHK). Mr. Hung was an independent non-executive director of Eternity Investment Limited (Stock Code: 764, SEHK) and SMI Corporation Limited (stock code: 198, SEHK).

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Hong Sze Lung, aged 43, has been an independent non-executive Director since 15 May 2014. Mr. Hong holds a Bachelor of Arts (Honours) Degree in Accountancy from the Hong Kong Polytechnic University. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Chartered Financial Analyst of the CFA Institute. Mr. Hong has extensive experience and knowledge in the field of corporate finance & recovery, investments as well as corporate investor relations in Hong Kong and mainland China.

Mr. Hong is serving as an executive director and the chief executive officer of Wealth Glory Holdings Limited (stock code: 8269), which is listed on the GEM Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Hong had served at senior management level respectively at PricewaterhouseCoopers, a private equity investment company as well as two companies listed on the Main Board of the Stock Exchange, being Soundwill Holdings Limited (stock code: 878) and Silver Base Group Holdings Limited (stock code: 886).

The Company is committed to maintaining the highest standards of corporate governance that properly protect and promote the interests of all shareholders at all times. The Board believes that good corporate governance practices are the cornerstones for a successful business.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Board regularly reviews the Group's corporate governance guidelines and practices. During the year, the Company has applied the principles and complied with all the relevant code provisions prescribed in the Corporate Governance Code ("Code Provisions") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") except the deviation of the following Code Provisions:–

(1) Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same person. The Company currently has no chairman and CEO. Decisions of the Company are made collectively by the executive Directors. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

(2) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. None of the non-executive Director and the independent non-executive Directors are appointed for a specific term but all of them would be subject to retirement by rotation in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

During the year, the Board was composed of two executive Directors, one non-executive Director and three independent non-executive Directors as set out below.

Executive Directors

Mr. Zhang Guodong
Ms. Liang Huixin

Non-executive Director

Mr. Marco Theodorus Nijssen

Independent Non-executive Directors

Dr. Dong Ansheng
Mr. Hung Hing Man
Dr. Tam Hok Lam, Tommy *(passed away on 17 February 2014)*
Mr. Hong Sze Lung

Ms. Liang Huixin is the spouse of Mr. Marco Theodorus Nijssen, a non-executive Director and the daughter of Mr. Liang Wenguan, the controlling Shareholder. Mr. Nijssen is the spouse of Ms. Liang Huixin, an executive Director and the son in law of Mr. Liang Wenguan, the controlling Shareholder. The other Board members have no financial, business, family or other material/relevant relationships with each other.

The biographical details of the Directors are set out in the section "Biographical Details of Directors" of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In the year under review, the role of Chairman of the Company were performed by Mr. Liang Wenguan until 15 May 2014. The Company has no Chairman after Mr. Liang's resignation. In additional, the Company has no Chief Executive Officer. However, the Board considers that the structure does not impair the management of the Group. Decisions of the Company are made collectively by the executive Directors to execute strategies set by the Board and assume daily management of the Group and report back to the Board on a regular basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. Dr. Tam Hok Lam, Tommy passed away on 17 February 2014, Mr. Hong Sze Lung was appointed on 15 May 2014 to fill the vacancy left by Dr. Tam.

The functions of independent non-executive Directors are primarily to bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts at board meetings.

CONFIRMATION OF INDEPENDENCE

The Company has received written annual confirmation from each independent non-executive Director (except Dr. Tam Hok Lam, Tommy) of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

DIRECTORS' AND OFFICER'S INSURANCE

The Company purchased the directors' and officers' liability insurance for members of the Board for the year to provide protection against claims arising from the lawful discharge of duties by the Directors and officers.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment of any new Director are considered upon recommendation by the Nomination Committee and approved by the Board by taking into account criteria such as expertise, experience, integrity and commitment as well as the diversity policy.

In accordance with the Bye-laws of the Company ("Bye-laws"), all Directors are subject to retirement by rotation and re-election at annual general meetings ("AGMs") of the Company. New Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first general meeting immediately following their appointments. Further, at each AGM, one-third of the Directors, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third are required to retire from office.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company provides regular updates on the business development of the Group. The Directors are regularly provided information on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year for ensuring that their contribution to the Board remains informed and relevant and be kept abreast of the ever changing business environment. Such professional development was undergone either by way of attending briefings, conference, courses, forum and seminars, or through teaching, self-reading and participating in business-related researches which are relevant to the business of the Group or directors' duties.

BOARD AND COMMITTEE MEETINGS HELD AND ATTENDANCE

The Code Provisions require regular meetings of the Board be held at least four times a year at approximately quarterly intervals. Such Board meetings involve the active participation, either in person or by telephone conference.

The numbers of meetings of the Board and various committees attended by each Director during the year under review are set out in the following table. Figure in brackets indicates maximum number of meetings in the period in which the individual could attend as a member of the Board and/or various committees, as the case may be.

		Meetings Attended/(Held)			
	Note	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Directors					
Mr. Zhang Guodong		9/(9)	N/A	N/A	N/A
Ms. Liang Huixin	1	9/(9)	N/A	1/(1)	1/(1)
Mr. Liang Wenguan	2	3/(3)	N/A	2/(2)	2/(2)
Non-executive Director					
Mr. Marco Theodorus Nijssen	3	1/(2)	N/A	N/A	N/A
Independent Non-executive Directors					
Dr. Dong Ansheng		9/(9)	2/(2)	3/(3)	2/(2)
Mr. Hung Hing Man		9/(9)	2/(2)	3/(3)	2/(2)
Dr. Tam Hok Lam, Tommy, *JP*	4	N/A	N/A	N/A	N/A
Mr. Hong Sze Lung	5	6/(6)	1/(1)	1/(1)	1/(1)

Notes:

1. Appointed as member of nomination committee and remuneration committee on 15 May 2014

2. Resigned as Chainman, executive director, member of nomination committee and remuneration committee on 15 May 2014

3. Appointed on 24 October 2014

4. Deceased on 17 February 2014

5. Appointed on 15 May 2014, also as member of the audit committee, nomination committee and remuneration committee

AUDIT COMMITTEE

The Audit Committee comprises all three independent non-executive Directors and is chaired by Mr. Hung Hing Man, who has appropriate professional qualifications and experience as required by the Listing Rules. The Audit Committee's terms of reference are in conformity with the requirements of the Code Provisions, and are published on the websites of the Company and the SEHK. The primary duties of the Audit Committee include the following:

(a) monitor and ensure a proper relationship with the Company's external auditor;

(b) review of the Group's interim and annual reports and compliance with accounting standards, the Listing Rules, and legal requirements before submission to the Board; and

(c) oversight of the Company's financial reporting process and internal control system.

The Audit Committee held two meetings during the year, to review the Group's interim and final financial statements, to meet and discuss with the external auditor about audit findings, and discuss with the management about re-appointment of the external auditor.

The Audit Committee has reviewed the audited financial statements of the Group for the year and recommended to the Board for its approval.

REMUNERATION COMMITTEE

The Remuneration Committee comprises all three independent non-executive Directors and Ms. Liang Huixin, an executive Director and is chaired by Dr. Dong

The primary duties of the Remuneration Committee are making recommendations to the Board on the Group's policy and structure for the Directors and senior management remuneration, making recommendations on the remuneration packages of individual Director and ensuring that no Director or any of his associates is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee are in conformity with the requirements of the Code Provisions, and are published on the websites of the Company and the SEHK.

The Remuneration Committee held three meetings during the year to review the remuneration package of the Directors and senior management.

NOMINATION COMMITTEE

The Nomination Committee comprises all three independent non-executive Directors and Ms. Liang Huixin, an executive Director and is chaired by Dr. Dong Ansheng.

The primary duties of the Nomination Committee are to review the size, structure, composition and diversity of the Board, identify suitably qualified individuals for appointment to the Board, assess the independence of independent non-executive Directors and make recommendations to the Board on the election or re-election of the Directors and succession planning for the Directors. The terms of reference of the Nomination Committee are in conformity with the requirements of the Code Provisions, and are published on the websites of the Company and the SEHK.

The Nomination Committee held three meetings during the year to review the composition of the Board and the suitability of the Directors proposed for re-election at the AGM.

COMPANY SECRETARY

Mr. Chan Kwan Pak is the Company Secretary of the Company. He is an external service provider and was appointed by the Board. Mr. Chan supports the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. He also advises the Board on corporate governance matters and facilitates induction and professional development of the Directors. Mr. Chan reports directly to the Board. All the Directors have access to the advice and services of the Company Secretary at any time in relation to their duties and operation of the Board. The Company Secretary participated in no less than 15 hours of relevant professional training during the year.

INTERNAL CONTROL

The Board acknowledges that it has an overall responsibility for maintaining an adequate and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, to safeguard the Group's assets against unauthorized use and disposition, to ensure compliance with relevant legislation and regulations, and to protect the interests of shareholders of the Company. During the year, the Board has reviewed the effectiveness of certain of the Group's system of internal controls.

The Group's external auditor, Pan-China (HK) CPA Limited, contributes an independent perspective on relevant internal controls arising from the audit and report findings to the Audit Committee.

AUDITOR'S REMUNERATION

Total auditor's remuneration in relation to statutory audit work of the Group amounted to HK$950,000 (2013: HK$900,000). No fee was incurred for non-audit services provided by the auditor for the Group during the year (2013: 200,000).

The responsibilities of the auditor with respect to financial reporting are set out in the section of "Independent Auditor's Report" on pages 22 to 23.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has established a shareholders' communication policy to maintain an on-going dialogue with its shareholders and investors in a timely, open and transparent manner. The Board reviews the policy on a regular basis to ensure effective communication between the Company and its shareholders and investors.

The Board communicates with its shareholders and investors through various channels. The Board members meet and communicate with shareholders and investors at AGMs and other general meetings. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the SEHK.

SHAREHOLDERS' RIGHTS

Procedures for Nomination of a Director

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his willingness to be elected together with his/her particulars (such as qualifications and experience) and information as required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on the SEHK shall be lodged at the Company's head office and principal place of business (Suite 3005, 30/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong) or at its branch share registrar in Hong Kong, Tricor Tengis Limited (Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong). The period for lodgment of the notices required will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Shareholders to convene a Special General Meeting

Special general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Secretary of the Company (Suite 3005, 30/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong) for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Such meeting shall be held within 3 months after the deposit of such requisition.

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries and joint venture are set out in detail in notes 37 and 21, respectively, to the financial statements. There was no change in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2014 is set out in note 8 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out in the financial statements on pages 24 to 106.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2014 (2013: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2014, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 107. The summary is not part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 32 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in note 39 to the financial statements and on page 28 respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014 the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for more than 30% of the total sales for the year, and the purchases attributable of the five largest suppliers accounted for less than 30% of the Group's total purchases. Information about major customers are set out in note 8 to the financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Liang Wenguan	*(Resigned as Chairman, executive director, member of nomination committee and remuneration committee on 15 May 2014)*
Mr. Zhang Guodong	
Ms. Liang Huixin	

Non-executive Director

Mr. Marco Theodorus Nijssen	*(Appointed on 24 October 2014)*

Independent Non-executive Directors

Dr. Dong Ansheng	
Mr. Hung Hing Man	
Dr. Tam Hok Lam, Tommy, *JP*	*(Passed away on 17 February 2014)*
Mr. Hong Sze Lung	*(Appointed on 15 May 2014)*

At the forthcoming annual general meeting, Mr. Marco Theodorus Nijssen shall retire in accordance with Bye-law 100 of the bye-laws of the Company, while Mr. Zhang Guodong and Mr. Hung Hing Man shall retire by rotation in accordance with Bye-law 109(A). All of them being eligible, will offer themselves for re-election thereat. Re-election of Dr. Dong Ansheng as an independent non-executive Director shall be subject to shareholders' approval in accordance with the recommended best practice of the Listing Rules since his term of service has been over nine years.

CHANGES IN DIRECTORS' INFORMATION

Save as disclosed above, during the year under review, there is no changes in information on directors of the Company pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE AGREEMENTS

Mr. Zhang Guodong and Ms. Liang Huixin have each entered into a service agreement with the Company for an initial term of three years commencing on 1 March 2015 and 8 August 2013 respectively and the agreements shall continue thereafter unless terminated in accordance with the terms of the service agreements.

None of the non-executive Director and the independent non-executive Directors have entered into a service agreement with the Company. They have no specific term of office but shall be subject to retirement by rotation and be eligible for re-election at the AGMs of the Company pursuant to the Bye-laws.

No Director proposed for re-election at the forthcoming AGM has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had any beneficial interest, either direct or indirect, in any significant contract to which the Company, any of its holding companies or any of its subsidiaries was a party at the year end date or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2014, none of the Directors were interested in any business apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND SHORT POSITIONS

As at 31 December 2014, none of the Directors and chief executives of the Company or their associates had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the interests of substantial shareholders (other than the Directors or chief executives) in the Shares or the underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

(a) Interest in Shares:

Name of substantial shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Liang Wenguan ("Mr. Liang")	Personal	5,636,969,292 (L)	42.62%
	Interest of controlled corporation *(Note 1)*	1,020,549,171 (L)	7.72%
	Total	6,657,518,463 (L)	50.34%

(L) denotes long position

Note 1: The Shares were held by Madex International Company Limited, a company which is 100% owned by Mr. Liang.

(b) Interest in underlying shares:

Name of Director	Nature of interests	Description of securities	Number of underlying shares	Approximate % of interests
Mr. Liang	Beneficial	Convertible Note *(Note 2)*	1,796,015,625 (L)	13.58%

(L) denotes long position

Note 2: Pursuant to a very substantial acquisition and connected transaction as detailed in a circular of the Company dated 25 May 2011, the Company will, subject to the fulfillment of certain conditions, allot a maximum of 5,721,961,219 conversion shares (under convertible notes in the principal amount of HK$732,411,036.12) to Profit China Investment Development Limited ("Profit China"), which is 100% held by Ms. Tam Ping Foon Calana in trust for Mr. Liang. As at 31 December 2014, the outstanding principal amount of convertible notes held by Profit China was HK$229,890,000 (representing 1,796,015,625 conversion shares).

Save as disclosed above, as at 31 December 2014, there was no other person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

SHARE OPTION SCHEME

At the AGM held on 23 June 2011, the terms of the share option scheme (the "Scheme") was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant an option to any full-time or part-time employee and directors of the Company or any of its subsidiaries and service providers of the Group (collectively the "Grantees").

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date of adoption of the Scheme (as refreshed on 29 May 2014), being 1,184,264,739 shares. The total number of shares which may fall to be issued upon exercise of the share options granted under the Scheme to each Grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Board proposed to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of shares to be issued upon exercise of the options granted and to be granted to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue on the date of grant and having an aggregate value in excess of HK$5 million, based on the closing price of the shares at the date of each grant, such further grant of options will be subjected to the shareholders' approval in general meeting.

The offer of a grant of share options may be accepted within 28 days from the offer date or within such other period of time as may be determined by the Board. Upon acceptance of the options, the Grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price of a share in respect of any option granted under the Scheme shall be priced as the Board in its absolute discretion shall determine, but must be at least the higher of (i) the closing price of the Company's shares as quoted on the SEHK on the date of grant; (ii) the average closing price of the Company's shares as quoted on the SEHK for the five consecutive business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The period during which an option may be exercise will be determined by the Board in its absolute discretion. An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The shares to be allotted upon the exercise of an option will not carry voting rights until the completion of the registration of the Grantee.

No share option under the Scheme were granted or exercised during the year nor remained outstanding as at 31 December 2014.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 40 to the financial statements.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

There was no transaction during the year falling under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. Details of related party transactions are provided in note 33 to the financial statements.

MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or its subsidiaries during the year, which is or may be material:

(a) On 13 November 2014, Wealth Billows Limited (the "Purchaser"), a wholly owned subsidiary of the Company, entered into an acquisition agreement (the "Acquisition Agreement") with Mr. Liang Wenguan, the registered and beneficial owners of the entire issued share capital of Full Boom Global Limited (the "Target Company") and also a controlling Shareholder of the Company (the "Vendor"), pursuant to which the Purchaser has agreed to acquire the entire issued share capital of the Target Company, from the Vendor at a consideration of HK$535 million. On 6 March 2015, the parties to the Acquisition Agreement entered into a supplemental agreement, whereby the parties agree to amend the terms in relation to the long stop day and the Vendor's indemnities.

(b) On 31 October 2014, the Company entered into an agreement in relation to the disposal of the entire issued share capital of Liberal Supply Limited, a wholly owned subsidiary of the Company for a consideration of HK$15,000,000. The completion of the disposal took place on 21 November 2014.

(c) On 15 October 2014, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with China Energy Petrochemical International Corporation (中能國際石油化工有限公司) (the "Target Company"). Pursuant to the MOU, the Company intended to acquire equity interests in the Target Company by way of capital injection. The Target Company is principally engaged in energy related businesses in the PRC.

(d) On 7 October 2014, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent had conditionally agreed to procure, on a best effort basis, not less than six placees to subscribe in cash for the convertible bonds of up to an aggregate principal amount of not more than HK$412,000,000. On 28 October 2014, the convertible bonds in the aggregate principal amount of HK$261,500,000.26 had been successfully placed to not less than six placees.

(e) On 3 September 2014, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent conditionally agreed to place, on a best effort basis, up to 2,368,500,000 warrants of the Company at the subscription price of HK$0.12 per subscription share. The placing agreement lapsed on 19 September 2014.

(f) On 27 August 2014, Kings Mall Management, a wholly owned subsidiary of the Company, entered into an entrusted loan agreement with Xin Jia Jun, which is the long-term property management company of Kings Mall Management's shopping mall pursuant to which, Xin Jia Jun obtained a loan of RMB110,000,000 from a PRC financial institution on behalf of Kings Mall Management.

(g) From October 2013 to September 2014, the Company entered into separate subscription agreements with nine independent private investors (the "Subscribers") pursuant to which the Subscribers had agreed to subscribe and the Company had agreed to issue bonds in the aggregate principal amount of HK$83,880,000 at par value, bearing interest rates ranging from 5% to 6% per annum.

CONTINGENT LIABILITIES

Details of the contingent liabilities are provided in note 38 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date hereof, there is sufficient public float of not less than 25% of the Company's issued shares as required by the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 December 2014 in conjunction with the Company's external auditor prior to their approval by the Board. Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 9 to 14.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2014 have been audited by Pan-China (H.K.) CPA Limited ("Pan-China"). Pan-China was appointed on 15 June 2012 as the independent auditor of the Company to fill the casual vacancy following the retirement of SHINEWING (HK) CPA Limited on 15 June 2012. Save for the above, there were no other changes in the Company's auditor in the past three years. Pan-China will retire at the conclusion of the forthcoming AGM and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution for reappointment of Pan-China as auditor of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Zhang Guodong
Executive Director

Hong Kong, 8 April 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MADEX INTERNATIONAL (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Madex International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 24 to 106, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$609,856,000 during the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$84,664,000. In addition, as at 31 December 2014, the Group had capital commitments contracted for but not provided in the consolidated financial statements of approximately HK$428,000,000. The Group's ability to continue as a going concern is highly dependent on the ongoing availability of finance to the Group. If the finance is not available or sufficient, the Group would be unable to meet its obligations as and when they fall due. This condition along with other matters set forth in note 2 to the consolidated financial statements indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants
Chan Kin Wai
Practising Certificate Number: P05342

11/F, Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong

8 April 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	8 & 9	**33,107**	31,881
Cost of sales		**(3,625)**	(7,056)
Gross profit		**29,482**	24,825
Other revenue	9	**6,959**	6,254
Administrative expenses		**(73,201)**	(75,101)
Finance costs	10	**(94,198)**	(33,792)
Fair value change in investment properties	18	**(452,219)**	(407,080)
Fair value change on derivative financial assets	27	**(1,459)**	(2,838)
Fair value change on derivative financial liabilities	27	**(4,545)**	9,390
Fair value change on contingent consideration	29	**(115,353)**	19,733
Derecognition of contingent consideration	29	**–**	49,655
Impairment loss recognised in respect of trade and other receivables	22	**–**	(272)
Share of result of a joint venture	21	**(5)**	3,371
Losses on disposals of subsidiaries, net	31	**(18,372)**	–
Loss before tax		**(722,911)**	(405,855)
Income tax credit	11	**113,055**	101,769
Loss for the year	12	**(609,856)**	(304,086)
Loss for the year attributable to:			
– Owners of the Company		**(609,856)**	(304,086)
– Non-controlling interests		**–**	–
		(609,856)	(304,086)
Loss per share	16		
– Basic and diluted (HK cents)		**(5.07 cents)**	(2.58 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Loss for the year		**(609,856)**	(304,086)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of financial statements of foreign operations		**17,474**	47,083
– Reclassification from equity to profit or loss on disposals of subsidiaries	31(a)	**(31,968)**	–
Other comprehensive (expense) income for the year		**(14,494)**	47,083
Total comprehensive expense for the year		**(624,350)**	(257,003)
Total comprehensive expense attributable to:			
– Owners of the Company		**(624,350)**	(257,003)
– Non-controlling interests		**–**	–
		(624,350)	(257,003)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**31,825**	32,736
Investment properties	18	**2,090,000**	2,974,424
Intangible asset	19	**35,342**	39,842
Available-for-sale investments	20	**–**	–
Interest in a joint venture	21	**47,092**	47,097
		2,204,259	3,094,099
CURRENT ASSETS			
Trade and other receivables	22	**420,940**	73,108
Derivative financial assets	27	**12,590**	5,839
Pledged bank balances	23	**157,731**	140
Bank balances and cash	23	**149,576**	41,283
		740,837	120,370
CURRENT LIABILITIES			
Other payables	24	**385,418**	382,505
Borrowings - current portion	25	**264,548**	123,046
Tax liabilities		**210**	210
Amount due to a related party	26(a)	**1,533**	2,564
Amount due to a shareholder	26(b)	**88,536**	18,548
Amount due to a joint venture	26(c)	**49,476**	49,503
Derivative financial liabilities	27	**35,780**	18,039
		825,501	594,415
NET CURRENT LIABILITIES		**(84,664)**	(474,045)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,119,595**	2,620,054

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CAPITAL AND RESERVES			
Share capital	32	**661,253**	592,132
Reserves		**296,008**	757,794
TOTAL EQUITY		**957,261**	1,349,926
NON-CURRENT LIABILITIES			
Borrowings – non-current portion	25	**635,803**	709,868
Deferred tax liabilities	28	**199,601**	379,204
Convertible notes	27	**67,013**	36,492
Provision for contingent consideration	29	**259,917**	144,564
		1,162,334	1,270,128
		2,119,595	2,620,054

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 24 to 106 were approved and authorised for issue by the board of directors on 8 April 2015 and are signed on its behalf by:

Zhang Guodong
Director

Liang Huixin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Retained earnings (accumulated losses) HK$'000	Sub–total HK$'000	Non-controlling interests HK$'000 *(note below)*	Total HK$'000
At 1 January 2013	542,218	841,680	52	80,762	12,182	1,476,894	–	1,476,894
Loss for the year	–	–	–	–	(304,086)	(304,086)	–	(304,086)
Other comprehensive income for the year	–	–	–	47,083	–	47,083	–	47,083
Total comprehensive (expense) income for the year	–	–	–	47,083	(304,086)	(257,003)	–	(257,003)
Converted convertible notes into shares *(note 27)*	49,914	80,121	–	–	–	130,035	–	130,035
At 31 December 2013 and 1 January 2014	592,132	921,801	52	127,845	(291,904)	1,349,926	–	1,349,926
Loss for the year	–	–	–	–	(609,856)	(609,856)	–	(609,856)
Other comprehensive expense for the year	–	–	–	(14,494)	–	(14,494)	–	(14,494)
Total comprehensive expense for the year	–	–	–	(14,494)	(609,856)	(624,350)	–	(624,350)
Converted convertible notes into shares *(note 27)*	69,121	162,564	–	–	–	231,685	–	231,685
At 31 December 2014	661,253	1,084,365	52	113,351	(901,760)	957,261	–	957,261

Note: The amount is less than HK$1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Cash flows from operating activities		
Loss before tax	**(722,911)**	(405,855)
Adjustments for:		
Depreciation for property, plant and equipment	**1,795**	1,593
Amortisation of an intangible asset	**3,625**	3,625
Impairment loss recognised in respect of trade and other receivable	**–**	272
Losses on disposals of subsidiaries, net	**18,372**	–
Fair value change on investment properties	**452,219**	407,080
Fair value change on derivative financial assets	**1,459**	2,838
Fair value change on derivative financial liabilities	**4,545**	(9,390)
Fair value change on contingent consideration	**115,353**	(19,733)
Derecognition of contingent consideration	**–**	(49,655)
Finance costs	**94,198**	33,792
Interest income	**(1,521)**	(122)
Share of result of a joint venture	**5**	(3,371)
Operating cash flows before movements in working capital	**(32,861)**	(38,926)
Decrease (increase) in trade and other receivables	**7,473**	(51,362)
Increase in other payables	**109,000**	81,179
Cash generated from (used in) operation	**83,612**	(9,109)
Interest paid	**(81,368)**	(65,120)
Net cash generated from (used in) operating activities	**2,244**	(74,229)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
INVESTING ACTIVITIES			
Cash inflows from disposals of subsidiaries	31	**100,498**	–
Additions of investment properties		**(10,249)**	(163,578)
Interest received		**1,521**	122
Increase in pledged bank balances		**(157,587)**	–
Purchase of property, plant and equipment		**(1,299)**	(2,096)
Deposit received in respect of disposals of subsidiaries		**–**	101,000
Deposit paid in respect of acquisition of Full Boom (as defined in note 22)	22(b)	**(107,000)**	–
Deposit paid in respect of acquisition of property, plant and equipment	22(c)	**(19,009)**	–
Deposit paid in respect of tendering of a property	22(d)	**(37,406)**	–
Net advance to a third party		**(192,408)**	–
Net cash used in investing activities		**(422,939)**	(64,552)
FINANCING ACTIVITIES			
New borrowings raised		**407,377**	454,625
Repayments of borrowings		**(204,969)**	(249,023)
(Repayment to) advance from a joint venture		**(27)**	42,229
Repayment to a related party		**(1,031)**	–
Net proceeds from the issuance of convertible bonds		**254,362**	–
Advance from (repayment to) a shareholder		**70,630**	(71,089)
Net cash generated from financing activities		**526,342**	176,742
Net increase in cash and cash equivalents		**105,647**	37,961
Cash and cash equivalents at 1 January		**41,283**	6,909
Effect of foreign exchange rate changes		**2,646**	(3,587)
Cash and cash equivalents at 31 December, represented by bank balances and cash		**149,576**	41,283

1. GENERAL

Madex International (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") while the functional currency of the Company is Renminbi ("RMB"). The directors of the Company consider that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 37.

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the management has given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$609,856,000 during the year ended 31 December 2014 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$84,664,000. In addition, as at 31 December 2014, the Group had capital commitments contracted for but not provided in the consolidated financial statements of approximately HK$428,000,000 as disclosed in note 35(b) to the consolidated financial statements.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the management has taken and/or will take the following measures:

(a) The Group is taking measures to tighten cost controls over various operating costs and expenses with the aim to attain profitable and positive cash flow operations;

(b) The Group is negotiating with an independent third party to provide a stand-by credit facility of RMB300,000,000 (equivalent to approximately HK$374,000,000) granted to the Company; and

(c) As explained in note 40(b), Madex International Company Limited ("Madex International") is a private limited liability company incorporated in Western Samoa and Mr. Liang Wenguan ("Mr. Liang") owns the entire issued share capital of Madex International. On 8 April 2015, Madex International and Mr. Liang, the controlling shareholder of the Company and former director of the Company entered into the deed of undertaking (the "Deed of Undertaking") and they hereby agreed (i) to provide an unsecured and interest-free loan facility of HK$350,000,000 to the Company for the period from 8 April 2015 to 30 June 2016; (ii) to provide financial support to the Company until the Company has sufficient funds to meet its operations and to pay financial obligations as they fall due for the period from 8 April 2015 to 30 June 2016; (iii) to use the Shares (as defined in note 40(b)) and/or converting the Shares to procure loan facilities which will make available to the Company in meeting the Company's operation requirements; and (iv) not to pledge and/or to dispose of the Shares to any other parties other than the purpose as stated in item (iii) above for the period from 8 April 2015 to 30 June 2016.

2. BASIS OF PREPARATION *(continued)*

The directors of the Company are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to finance its operations and to pay financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures being taken by the directors of the Company as described above. The consolidated financial statements of the Group have been prepared on a going concern basis and therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied for the first time the following new and amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

NEW AND AMENDED STANDARDS AND INTERPRETATIONS THOSE ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 27 INVESTMENT ENTITIES

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

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

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

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

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

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

AMENDMENTS TO HKAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group applied the amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities" for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

AMENDMENTS TO HKAS 36 RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS

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

The application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

AMENDMENTS TO HKAS 39 NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING

The Group applied the amendments to HKAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HK (IFRIC) – INT 21 LEVIES

The Group applied the amendments to HK (IFRIC) – Int 21 "Levies" for the first time in the current year. HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The HK (IFRIC) – Int 21 "Levies" has been applied retrospectively. The application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

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

NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 July 2014
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
6 Effective for first annual HKFRSs financial statements beginning on or after 1 January 2016

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt investments that are held within a business whose objective is achieved both by collecting contractual cash flows and selling financial assets, and have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments or principal and interest on the principal amount outstanding, are measure at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 adopts an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 FINANCIAL INSTRUMENTS *(Continued)*

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the financial effect on the Group's financial statements until a detailed review has been completed.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

Except as described above, the directors of the Company consider that the application of the other new and revised HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

4. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform to HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

BASIS OF PREPARATION

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this financial information is determined on such a basis, except for share-based payments transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

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

BUSINESS COMBINATIONS

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

GOODWILL

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

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

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

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

INVESTMENTS IN A JOINT VENTURE

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, investments in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of joint ventures equals or exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

When a group entity transacts with its joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION

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

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalty income is recognised on an accrual basis in accordance with the terms of the relevant agreement.

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

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under redevelopment for such purposes).

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

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

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

INTANGIBLE ASSETS

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

IMPAIRMENT LOSSES ON ASSETS, INCLUDING INVESTMENT IN A JOINT VENTURE

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS *(Continued)*

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

LEASING

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

The Group as lessor

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

The Group as lessee

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

Leasehold land for own use

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

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

FOREIGN CURRENCIES

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FOREIGN CURRENCIES *(Continued)*

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

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

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

GOVERNMENT GRANTS

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Other government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RETIREMENT BENEFIT COSTS

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

TAXATION

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

TAXATION *(Continued)*

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

CASH AND CASH EQUIVALENTS

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROVISIONS

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

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

FINANCIAL INSTRUMENTS

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

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

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets (Continued)

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the other gains and losses. Fair value is determined in manner described in Note 7 to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see the accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment loss on financial assets

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

For an available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets (Continued)

Impairment loss on financial assets *(Continued)*

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

– significant financial difficulty of the issuer or counterparty; or

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

– it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or

– disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Equity instruments

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

Financial liabilities

The Group's financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes rates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities (including other payables, borrowings, amount due to a related party, amount due to shareholder and amount due to a joint venture) are subsequently measured at amortised cost using the effective interest method.

Convertible notes

Convertible notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Convertible notes (Continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

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

Remeasurement of debt components of convertible notes

If the Group revises its estimates of payments of the convertible notes, the carrying amount of the debt component of the convertible notes will be adjusted to reflect the actual and revised estimate of cash flows. The carrying amount of the debt component of the convertible notes is recalculated by computing the present value of estimated future cash flows discounted at the original effective interest rate. The difference between the carrying amount before such revision and the present value of the estimated future cash flows is recognised in profit or loss as gain or loss on remeasurement of debt components of convertible notes.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Derecognition (Continued)

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

RELATED PARTIES

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

(i) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2 to the consolidated financial statements.

(ii) Probable litigations

As explained in notes 29 and 38, in connection with the probable litigations of the Acquired Group (as defined in note 27), the directors of the Company consider that they have strong and valid ground of defense in relation to the probable litigations, if any, in respect of the Problematic Properties (as defined in note 18) and the Company has the right to occupy and lease these Problematic Properties to tenants to generate rental income. Accordingly, the Company classified these Problematic Properties as investment properties to earn rental during the year. In addition, the directors of the Company consider that Chongqing Kings Mall Business Management Company Limited (重慶帝景摩爾商業管理有限公司) ("Kings Mall Management"), a wholly-owned subsidiary of the Company, would not suffer any material financial losses arising from any litigations, if any. Thus, no provision was recognised in the consolidated financial statements for the year.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (*continued*)

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Useful lives and depreciation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different from those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2014, the carrying amount of the Group's property, plant and equipment was approximately HK$31,825,000 (2013: HK$32,736,000)

(ii) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by Asset Appraisal Limited ("Asset Appraisal"), a professional independent valuer not connected to the Group, using property valuation techniques which involve making assumptions on certain market conditions and or by reference to combined result of the different property valuation techniques, if necessary. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the consolidated statement of profit or loss. As at 31 December 2014, the Group's investment properties are stated at fair value of approximately HK$2,090,000,000 (2013: approximately HK$2,974,424,000).

(iii) Impairment of intangible asset

Intangible asset is tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to impairment loss. The recoverable amount is the value-in-use. The value-in-use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the relevant cash generating unit and a suitable discount rate is used in order to calculate the present value. As at 31 December 2014, the carrying amount of the Group's intangible asset was approximately HK$35,342,000 (2013: HK$39,842,000).

(iv) Impairment of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its trade and other receivables to make the required payments. The Group makes its estimates based on the history of its client, such as financial difficulties or default payments and current market conditions. If the financial condition of its trade and other receivables was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 December 2014, the carrying amount of the Group's trade and other receivables was approximately HK$420,940,000, (2013: HK$73,108,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (*continued*)

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(v) Income taxes and deferred taxation

The Group is subject to income taxes in the People's Republic of China ("PRC") and Hong Kong. Significant judgement is required in determining the provision for income taxes in these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the management of the Company determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(vi) Fair value of derivatives and other financial instruments

As described in notes 27 and 29, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Based on the best estimate of the directors of the Company on the current status of conditions, the Second Convertible Note (as defined in note 29) will be issued on 30 September 2015. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The carrying amount of the derivative financial assets, derivative financial liabilities, provision for contingent consideration and convertible notes as at 31 December 2014 is HK$12,590,000 (2013: HK$5,839,000), HK$35,780,000 (2013: HK$18,039,000), HK$259,917,000 (2013:HK$144,564,000) and HK$67,013,000 (2013: HK$36,492,000), respectively. Details of the assumptions used are disclosed in notes 27 and 29. The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

6. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support its business and maximise shareholders' value.

The capital structure of the Group consists of net debt, which included the borrowings, convertible notes, amount due to a related party, amount due to a shareholder, amount due to a joint venture, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of the capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

There is no change in the capital risk management policy adopted by the Company during the years ended 31 December 2014 and 31 December 2013.

The Group is not subject to any externally imposed capital requirements.

7. FINANCIAL INSTRUMENTS

a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2014 HK$'000	2013 HK$'000
Financial assets		
Fair value through profit or loss		
– Derivative financial assets – Early redemption option	**12,590**	5,839
Loan and receivables		
– Trade and other receivables	**215,141**	28,116
– Pledged bank balances	**157,731**	140
– Bank balances and cash	**149,576**	41,283
	522,448	69,539
	535,038	75,378
Financial liabilities		
Fair value through profit or loss		
– Provision for contingent consideration	**259,917**	144,564
– Derivative financial liabilities – Embedded conversion option	**35,780**	18,039
	295,697	162,603
Other financial liabilities at amortised cost		
– Other payables	**374,688**	238,770
– Borrowings	**900,351**	832,914
– Amount due to a related party	**1,533**	2,564
– Amount due to a shareholder	**88,536**	18,548
– Amount due to a joint venture	**49,476**	49,503
– Convertible notes	**67,013**	36,492
	1,481,597	1,178,791
	1,777,294	1,341,394

7. FINANCIAL INSTRUMENTS *(continued)*

b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of borrowings, convertible notes, derivative financial instruments and provision for contingent consideration. The Group has various other financial assets and liabilities such as trade and other receivables, pledged bank balances, bank balances and cash, other payables, amount due to a related party, amount due to a shareholder and amount due to a joint venture. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The functional currency of certain subsidiaries is RMB since all of the revenue of the Group are derived from operations in the PRC. In relation to the fluctuation on RMB against HK$, the Group considers that exchange risk arising from those currencies does not have significant financial impact to the Group. No hedging or other alternatives have been implemented during the year. The Group will consider hedging significant foreign currency exposure should the need arise. Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

As at 31 December 2014, the Group did not have significant monetary assets and monetary liabilities which were denominated in currencies other than the functional currency of the relevant group companies.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings (see note 25) and cash flow interest rate risk in relation to variable-rate bank balances and borrowings at prevailing market rates (see notes 23 and 25, respectively). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The directors of the Company consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

Interest rate sensitivity

The sensitivity analysis below is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2013: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 (2013: 25) basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2014 would increase/decrease by approximately HK$849,000 (2013: HK$1,929,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

7. FINANCIAL INSTRUMENTS *(continued)*

b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain degree of concentration of credit risk as 86% (2013: 99%) and 100% (2013: 100%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively. However, the directors of the Company consider the credit risk is under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

As at 31 December 2014, the Group has a significant concentration of credit risk in respect of other receivables regarding an advance of approximately HK$192.4 million granted to Xin Jia Jun (as defined in note 18), an independent third party who is the property management company of the Group's investment properties. As explained in note 22(f), pursuant to the Deed of Undertaking from Madex International and Mr. Liang, Madex International and Mr. Liang undertake and guarantee the settlement of the advance of HK$192.4 million granted to Xin Jia Jun. In addition, the directors of the Company closely monitor the credit quality of Xin Jia Jun to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk in respect of the advance granted to Xin Jia Jun is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for all of the Group's trade receivables as at 31 December 2014 and 2013.

Liquidity risk

In the management of the liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and long term.

7. FINANCIAL INSTRUMENTS *(continued)*

b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk (Continued)

The Group is exposed to liquidity risk as at 31 December 2014 as the Group had net current liabilities of approximately HK$84,664,000 (2013: HK$474,045,000). The liquidity of the Group primarily depends on the future funding being available and the ability of the Group to meet its financial obligations as they fall due and details of which are set out in note 2.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

As at 31 December 2014

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
AMORTISED COST							
Other payables	–	374,688	–	–	–	374,688	374,688
Amount due to a related party	–	1,533	–	–	–	1,533	1,533
Amount due to a shareholder	–	88,536	–	–	–	88,536	88,536
Amount due to a joint venture	–	49,476	–	–	–	49,476	49,476
Convertible notes (debt component)	5%	–	86,000	–	–	86,000	67,013
Borrowings	7.66%	399,811	202,346	599,141	90,282	1,291,580	900,351
		914,044	288,346	599,141	90,282	1,891,813	1,481,597

7. FINANCIAL INSTRUMENTS *(continued)*

b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk (Continued)

As at 31 December 2013

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
AMORTISED COST							
Other payables	–	238,770	–	–	–	238,770	238,770
Amount due to a related party	–	2,564	–	–	–	2,564	2,564
Amount due to a shareholder	–	18,548	–	–	–	18,548	18,548
Amount due to a joint venture	–	49,503	–	–	–	49,503	49,503
Convertible notes (debt component)	–	–	–	36,492	–	36,492	36,492
Borrowings	9.65%	198,333	220,992	577,575	57,112	1,054,012	832,914
		507,718	220,992	614,067	57,112	1,399,889	1,178,791

Bank borrowings with a repayment clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately HK$13,794,000 (2013: HK$15,154,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows is HK$16,547,000 (2013: HK$18,165,000).

In addition, as explained in note 29, as at 31 December 2014, the Company had a provision for contingent consideration relating to the Second Convertible Note (as defined in note 29) with a carrying value of approximately HK$259,917,000 (2013:HK$144,564,000) as part of the consideration in respect of the acquisition of the Acquired Group (as defined in note 27). The face value of the Second Convertible Note is HK$150,350,000 (2013: HK$150,350,000) and, in the opinion of the directors, all the conditions relating to the issuance of the Second Convertible Note would be met and the Second Convertible Note would then be issued on 30 September 2015 accordingly.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(continued)*

c) FAIR VALUE

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of the Group's financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Fair values as at 31 December 2014	Fair values as at 31 December 2013	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Derivative financial instruments	Assets – HK$12,590,000 Liabilities – HK$35,780,000	Assets – HK$5,839,000 Liabilities – HK$18,039,000	Level 3	Binomial option pricing model Key inputs are stock price, exercise price, option life, risk free rate, volatility and dividend yield	The estimation of risk free rate has been made with reference to the yields to maturity of respective Hong Kong Exchange Fund Notes as at the valuation date Volatility is the annualised standard deviation of the continuously compounded rates of return on the daily adjusted share price of the Company The discount rate was arrived at based on the Company's credit rating and select comparable corporate bonds with similar maturity and credit risk to derive the range of comparable yield to maturity as of date of valuation and the average has been adopted
Provision for contingent consideration	Liabilities – HK$259,917,000	Liabilities – HK$144,564,000	Level 3	Binomial option pricing model Key inputs are stock price, exercise price, option life, risk free rate, volatility and dividend yield	The Second Convertible Note are expected to be issued on 30 September 2015 based on the best estimation of the management of the Company on the current status of conditions for issuing those convertible notes; The estimation of risk free rate has been made with reference to the yields to maturity of respective Hong Kong Exchange Fund Notes as at the valuation date Volatility is the annualised standard deviation of the continuously compounded rates of return on the daily adjusted share price of the Company

There were no transfers between all levels in both years.

7. FINANCIAL INSTRUMENTS *(continued)*

c) FAIR VALUE *(Continued)*

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

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

	As at 31 December 2014		As at 31 December 2013	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**67,013**	**69,907**	36,492	35,762

The fair value of the debt component of convertible notes is determined assuming redemption on 27 April 2016 and using a 5% interest rate.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Derivative financial assets – Early redemption option of convertible notes HK$'000	**Derivative liabilities financial – Embedded conversion option of convertible notes** HK$'000	**Provision for contingent consideration** HK$'000	**Total** HK$'000
At 1 January 2013	(30,852)	97,528	213,952	280,628
Converted into ordinary shares	22,175	(70,099)	–	(47,924)
Derecognition of contingent consideration *(note 29)*	–	–	(49,655)	(49,655)
Arising on changes in fair value	2,838	(9,390)	(19,733)	(26,285)
At 31 December 2013 and 1 January 2014	(5,839)	18,039	144,564	156,764
Converted into ordinary shares	26,023	(62,730)	–	(36,707)
Issue of convertible notes	(34,233)	75,926	–	41,693
Arising on changes in fair value	1,459	4,545	115,353	121,357
At 31 December 2014	(12,590)	35,780	259,917	283,107

Of the total losses for the year included in profit or loss, HK$1,459,000 (loss), HK$4,545,000 (loss) and HK$115,353,000 (loss) related to derivative financial assets, derivative financial liabilities and provision for contingent consideration (2013: HK$2,838,000 (loss), HK$9,390,000 (gain) and HK$19,733,000 (gain)), respectively held at the end of the reporting period. Fair value gains or losses on derivative financial assets, derivative financial liabilities and provision for contingent consideration are included in "fair value change on derivative financial assets", "fair value change on derivative financial liabilities", "fair value change on contingent consideration" in the Company's consolidated statement of profit or loss, respectively for both years.

8. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performances.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Property leasing	Property leased for rental income
Right to receive royalty fee	Royalty fee related to the royalty right leasing
Trading of goods	Trading of goods

SEGMENT REVENUES AND RESULTS

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

For the year ended 31 December 2014

	Property leasing HK$'000	**Right to receive royalty fee** HK$'000	**Trading of goods** HK$'000	**Total** HK$'000
Revenue	23,996	9,111	–	33,107
Segment loss	(468,022)	(4,160)	–	(472,182)
Unallocated corporate expenses				(162,400)
Unallocated other revenue				5,874
Share of result of a joint venture				(5)
Finance costs				(94,198)
Loss before tax				(722,911)

For the year ended 31 December 2013

	Property leasing HK$'000	Right to receive royalty fee HK$'000	Trading of goods HK$'000	Total HK$'000
Revenue	22,477	9,404	–	31,881
Segment loss	(424,745)	(2,782)	–	(427,527)
Unallocated corporate expenses				(26,807)
Unallocated other revenue				78,900
Share of result of a joint venture				3,371
Finance costs				(33,792)
Loss before tax				(405,855)

Revenue reported above represents revenue generated from external customers. There were no inter-segmnet sales during the years ended 31 December 2013 and 31 December 2014.

8. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of central administration costs, directors' emoluments, share of result of a joint venture, interest income, finance costs, fair value change on derivative financial assets, fair value change on derivative financial liabilities, fair value change on contingent consideration and derecognition of contingent consideration. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

SEGMENT ASSETS AND LIABILITIES

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

	2014 **HK$'000**	2013 HK$'000
Segment assets		
Property leasing	**2,534,729**	3,058,409
Right to receive royalty fee	**83,067**	42,532
Trading of goods	**–**	–
Total segment assets	**2,617,796**	3,100,941
Unallocated corporate assets	**327,300**	113,528
Total consolidated assets	**2,945,096**	3,214,469
Segment liabilities		
Property leasing	**1,441,668**	1,310,377
Right to receive royalty fee	**4,216**	115
Trading of goods	**–**	–
Total segment liabilities	**1,445,884**	1,310,492
Unallocated corporate liabilities	**541,951**	554,051
Total consolidated liabilities	**1,987,835**	1,864,543

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to operating segment assets other than certain trade and other receivables, interest in a joint venture, property, plant and equipment of head office, pledged bank balances, bank balances and cash and derivative financial assets.

– all liabilities are allocated to operating segment liabilities other than certain other payables, borrowings, tax liabilities, deferred tax liabilities, amount due to a related party, amount due to a shareholder, amount due to a joint venture, derivative financial liabilities, convertible notes and provision for contingent consideration.

8. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

For the year ended 31 December 2014

	Property leasing HK$'000	Right to receive royalty fee HK$'000	Trading of goods HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment and investment properties	9,338	4	–	377	9,719
Depreciation of property, plant and equipment	586	114	–	1,095	1,795
Fair value change on investment properties	452,219	–	–	–	452,219
Amortisation of an intangible asset	–	3,625	–	–	3,625
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Interest in a joint venture	–	–	–	47,092	47,092
Interest income	(1,506)	(15)	–	–	(1,521)
Share of result of a joint venture	–	–	–	5	5
Fair value change on derivative financial assets	–	–	–	1,459	1,459
Fair value change on derivative financial liabilities	–	–	–	4,545	4,545
Fair value change on contingent consideration	–	–	–	115,353	115,353
Interest expenses	77,089	–	–	17,109	94,198
Income tax expenses	(113,055)	–	–	–	(113,055)

8. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2013

	Property leasing HK$'000	Right to receive royalty fee HK$'000	Trading of goods HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment and investment properties	202,062	–	–	–	202,062
Depreciation of property, plant and equipment	394	111	–	1,088	1,593
Fair value change on investment properties	407,080	–	–	–	407,080
Amortisation of an intangible asset	–	3,625	–	–	3,625
Impairment loss recognised in respect of trade and other receivables	272	–	–	–	272
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Interest in a joint venture	–	–	–	47,097	47,097
Interest income	(113)	(9)	–	–	(122)
Share of result of a joint venture	–	–	–	(3,371)	(3,371)
Fair value change on derivative financial assets	–	–	–	2,838	2,838
Fair value change on derivative financial liabilities	–	–	–	(9,390)	(9,390)
Fair value change on contingent consideration	–	–	–	(19,733)	(19,733)
Derecognition of contingent consideration	–	–	–	(49,655)	(49,655)
Interest expenses	26,538	1,556	–	5,698	33,792
Income tax credit	(101,769)	–	–	–	(101,769)

8. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas – the PRC (excluding Hong Kong) and Hong Kong (country of domicile).

Information about the Group's revenue from external customers and information about its non-current assets are presented based on the geographical location.

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**33,107**	31,881	**2,128,190**	3,017,064
Hong Kong	**–**	–	**76,069**	77,035
	33,107	31,881	**2,204,259**	3,094,099

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of the corresponding years contributing over 10% of the total turnover of the Group is as follows:

	Reportable and operating segment	**2014** **HK$'000**	2013 HK$'000
Customer A	Property leasing	**N/A**	19,531
Customer B	Property leasing	**22,072**	N/A
Customer C	Right to receive royalty fee	**9,111**	9,404

9. REVENUE AND OTHER REVENUE

The Group's revenue from sales of finished goods, rental income from leasing of investment properties and royalty income in respect of royalty right leasing for the year is as follows:

	2014	2013
	HK$'000	HK$'000
Revenue		
Rental income	**23,996**	22,477
Royalty income	**9,111**	9,404
Trading of goods	**–**	–
	33,107	31,881
Other Revenue		
Interest income	**1,521**	122
Sundry income	**5,438**	38
Government grants	**–**	6,094
	6,959	6,254

10. FINANCE COSTS

	2014	2013
	HK$'000	HK$'000
Interests on:		
– Borrowings wholly repayable within five years	**77,740**	28,437
– Borrowings wholly repayable over five years	**3,628**	295
– Convertible notes	**12,830**	5,060
Borrowing costs incurred in connection with bank borrowings for investment properties under redevelopment	**–**	36,388
Total borrowing costs	**94,198**	70,180
Less: Amounts capitalised	**–**	(36,388)
	94,198	33,792

11. INCOME TAX CREDIT

	2014 HK$'000	2013 HK$'000
Current tax		
PRC Enterprise Income Tax		
– Current year	–	–
Deferred tax		
– Current year	113,055	101,769
	113,055	101,769

Hong Kong Profits Tax is calculated at the rate of 16.5% (2013: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as the Group does not have any assessable profits subject to Hong Kong Profits Tax for both years.

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

The tax charge for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2014 HK$'000	2013 HK$'000
Loss before tax	(722,911)	(405,855)
Tax at the domestic tax rate applicable to loss in the respective countries	165,851	106,037
Tax effect of share of results of a joint venture	(1)	556
Tax effect of expenses not deductible for tax purpose	(44,270)	(4,676)
Tax effect of income not taxable for tax purpose	717	12,997
Tax losses not recognised	(9,242)	(13,145)
Income tax credit for the year	113,055	101,769

The Group has tax losses arising in Hong Kong and the PRC of approximately HK$61,210,000 (2013: HK$61,210,000) and approximately HK$166,303,000 (2013: HK$129,334,000), respectively. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The tax losses arising in the PRC are available for offsetting against future five years taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profits streams.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2014 HK$'000	2013 HK$'000
Staff costs:		
– Directors' emoluments *(note 13)*	**2,985**	4,099
– Other staff costs:		
– Salaries and other benefits	**13,003**	13,612
– Retirement benefit scheme contributions	**80**	76
Total staff costs	**16,068**	17,787
Amortisation of intangible asset (included in cost of sales)	**3,625**	3,625
Depreciation for property, plant and equipment	**1,795**	1,593
Total depreciation and amortisation	**5,420**	5,218
Impairment loss recognised in respect of trade and other receivables	**–**	272
Auditors' remuneration	**950**	900
Minimum lease payments under operating lease	**690**	765
Rental income from investment properties	**(23,996)**	(22,477)
Direct operating expenses incurred in respect of investment properties that generated rental income during the year	**13,687**	12,187

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

DIRECTORS' EMOLUMENTS

The emolument paid or payable to each of the 8 (2013: 7) directors of the Company were as follows:

For the year ended 31 December 2014

	Fees	Salaries and other benefits	Discretionary and performance related incentive payments	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Zhang Guodong	–	975	–	–	975
Liang Huixin	–	845	–	–	845
Liang Wenguan *(note (a))*	–	673	–	–	673
	–	2,493	–	–	2,493
Non-executive director					
Marco Theodorus Nijssen *(note (b))*	45	–	–	–	45
Independent non-executive directors					
Dong Ansheng	170	–	–	–	170
Hung Hing Man	170	–	–	–	170
Hong Sze Lung *(note (c))*	107	–	–	–	107
Tam Hok Lam, Tommy *(note (d))*	–	–	–	–	–
	447	–	–	–	447
	492	2,493	–	–	2,985

Notes:

(a) Mr. Liang Wenguan resigned as an executive director of the Company with effect from 15 May 2014.

(b) Mr. Marco Theodorus Nijssen was appointed as a non-executive director of the Company with effect from 24 October 2014.

(c) Mr. Hong Sze Lung was appointed as an independent non-executive director of the Company with effect from 15 May 2014.

(d) Mr. Tam Hok Lam, Tommy passed away on 17 February 2014.

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

For the year ended 31 December 2013

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Zhang Guodong	–	975	–	–	975
Liang Wenguan	–	1,950	–	–	1,950
Liang Huixin *(note (a))*	–	375	–	–	375
	–	3,300	–	–	3,300
Non-executive director					
Liang Huixin *(note (a))*	289	–	–	–	289
Independent non-executive directors					
Dong Ansheng	170	–	–	–	170
Hung Hing Man	170	–	–	–	170
Tam Hok Lam, Tommy	170	–	–	–	170
	510	–	–	–	510
	799	3,300	–	–	4,099

Note:

(a) Ms. Liang Huixin was redesignated as executive director of the Company with effect from 8 August 2013.

All the fees, salaries and other benefits and retirement benefit scheme contributions were paid or payable by the Company.

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group during the year ended 31 December 2014 (2013: nil). No emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group during the two years ended 31 December 2014 (2013: nil) and no compensation for loss of office were paid for both years ended 31 December 2014 (2013: nil).

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 3 (2013: 3) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining 2 (2013: 2) individuals are as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, allowance and other benefits	**1,476**	1,379
Retirement benefit scheme contributions	**33**	30
	1,509	1,409

Their emoluments were within the following band:

	Number of individuals	
	2014	2013
Nil to HK$1,000,000	**2**	2

During the year ended 31 December 2014, no emoluments have been paid by the Group to the five highest paid individuals (including directors of the Company and employees) as an inducement to join or upon joining the Group, or as compensation of loss of office (2013: nil).

15. DIVIDENDS

No dividend was paid or proposed during 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

16. LOSS PER SHARE

(a) BASIC LOSS PER SHARE

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

	2014 **HK$'000**	2013 HK$'000
Loss for the year attributable to the owners of the Company	**609,856**	304,086

	2014 **'000**	2013 '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**11,842,647**	10,844,367
Effect of shares issued upon conversion of convertible notes	**175,035**	951,785
Weighted average number of ordinary shares at 31 December	**12,017,682**	11,796,152

(b) DILUTED LOSS PER SHARE

The diluted loss per share for the years ended 31 December 2014 and 31 December 2013 is equivalent to the basic loss per share for both years as the potential shares arising from the conversion of the convertible bonds would decrease the loss per share of the Group for both years, and is regarded as anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2013	34,441	771	713	4,140	3,972	44,037
Exchange adjustments	34	–	–	90	76	200
Additions	–	–	–	2,096	–	2,096
Disposals	–	–	–	(404)	–	(404)
At 31 December 2013 and 1 January 2014	34,475	771	713	5,922	4,048	45,929
Exchange adjustments	–	–	–	(79)	(27)	(106)
Additions	–	–	–	255	1,044	1,299
Derecognised on disposal of Dynamic Progress Group (as defined in note 31(a))	–	–	–	(920)	(942)	(1,862)
Derecognised on disposal of Liberal Supply Group (as defined in note 31(b))	(1,230)	–	(713)	(1,343)	(763)	(4,049)
Other disposals	–	–	–	–	(187)	(187)
At 31 December 2014	33,245	771	–	3,835	3,173	41,024
DEPRECIATION AND IMPAIRMENT						
At 1 January 2013	4,319	411	713	3,519	2,863	11,825
Exchange adjustments	34	–	–	89	56	179
Charge for the year	891	154	–	425	123	1,593
Eliminated on disposals	–	–	–	(404)	–	(404)
At 31 December 2013 and 1 January 2014	5,244	565	713	3,629	3,042	13,193
Exchange adjustments	–	–	–	5	193	198
Charge for the year	891	154	–	549	201	1,795
Eliminated in respect of derecognised on disposal of Dynamic Progress Group	–	–	–	(895)	(856)	(1,751)
Eliminated in respect of derecognised on disposal of Liberal Supply Group	(1,230)	–	(713)	(1,343)	(763)	(4,049)
Eliminated on other disposals	–	–	–	–	(187)	(187)
At 31 December 2014	4,905	719	–	1,945	1,630	9,199
CARRYING VALUES						
At 31 December 2014	28,340	52	–	1,890	1,543	31,825
At 31 December 2013	29,231	206	–	2,293	1,006	32,736

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

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

–	Leasehold land and buildings	Over the lease terms
–	Leasehold improvements	Over the lease terms
–	Plant and machinery	10-15 years
–	Furniture and equipment	5-15 years
–	Motor vehicles	4-10 years

As at 31 December 2014 and 2013, the Group's leasehold land located in Hong Kong was held under medium-term lease.

Leasehold land and buildings with carrying amount of approximately HK$28,340,000 (2013: HK$29,231,000) has been pledged to a bank to secure the Group's bank borrowings of approximately HK$15,171,000 (2013: HK$16,524,000).

18. INVESTMENT PROPERTIES

	Completed investment properties in the PRC *(note (a))* HK$'000	**Investment properties under redevelopment in the PRC** *(note (b))* HK$'000	**Total** HK$'000
FAIR VALUE			
As at 1 January 2013	448,756	2,650,000	3,098,756
Additions	7,033	192,933	199,966
Exchange adjustments	10,903	71,879	82,782
Reclassification of investment properties under redevelopment to completed investment properties	2,914,812	(2,914,812)	–
Decrease in fair value recognised in profit or loss	(407,080)	–	(407,080)
As at 31 December 2013 and 1 January 2014	2,974,424	–	2,974,424
Additions	10,249	–	10,249
Exchange adjustments	(5,586)	–	(5,586)
Derecognised on disposal of subsidiaries	(436,868)	–	(436,868)
Decrease in fair value recognised in profit or loss	(452,219)	–	(452,219)
As at 31 December 2014	2,090,000	–	2,090,000

18. INVESTMENT PROPERTIES *(continued)*

The Group's investment properties as at 31 December 2014 and 2013 were situated in the PRC and were held under medium-term lease. As at 31 December 2013, there were two investment properties held by the Group, which were located at Harbin (the "Harbin Property") and Chongqing (the "Chongqing Property"). The Harbin Property was classified as completed investment properties as at 31 December 2013 and was disposed of upon the disposal of subsidiaries during the year ended 31 December 2014. The Chongqing Property was also classified as completed investment properties during the year ended 31 December 2013 as it was officially opened on 1 October 2013.

(a) The fair value of the Harbin Property as at 31 December 2013 was arrived at on the basis of a valuation carried out on that date by Asset Appraisal. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

(b) The fair values of the Chongqing Property as at 31 December 2014 and 31 December 2013 were arrived at on the basis of valuations carried out by Asset Appraisal. The Chongqing Property was valued by the discounted cash flow method and where appropriate, the comparison method. Discounted cash flow approach is based on the present value of future economic benefits expected to be derived from the properties. The value of the Chongqing Property was developed by discounting future debt free cash flows available for distribution to the owners of the property to their present value at market derived rates of return appropriate for the risks and hazards of holding similar assets. Comparison method is based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

During the period from 1 January 2004 to 31 December 2006, Kings Mall Management entered into sales and purchase agreements ("SP Agreements") in respect of the selling certain portion of B1/F of the shopping mall of the Chongqing Property to certain independent third parties (the "Buyers"). As the conditions that the investment properties have a fixed boundary in accordance with 房屋登記辦法 (Measures for Building Registration*) that could not be met, the legal title of the properties could not be transferred to these Buyers. Starting from 1 January 2009, Kings Mall Management commenced to negotiate with the Buyers to enter into cancellation agreements in relation to the SP Agreements. Up to 31 December 2014, certain Buyers have not yet entered into the cancellation agreements with Kings Mall Management. The directors of the Company consider that, in view of these unresolved issues with the Buyers, such portion of the Chongqing Property (the "Problematic Properties") was excluded from the fair value valuation in respect of the entire Chongqing Property.

In relation to the SP Agreements, the leasing agency contracts and the mortgage contracts were signed together with SP Agreements among the Buyers, Kings Mall Management and Chongqing Xin Jia Jun Construction and Decoration Engineering Co. Ltd.* (重慶新佳俊建築裝飾工程有限公司) ("Xin Jia Jun"), formerly known as 重慶佳俊商務管理顧問有限公司, an independent third party who is the existing property management company of the Chongqing Property). Pursuant to the terms of the leasing agency contracts, Xin Jia Jun would pay the Buyers an annual rental income equivalent to ten percent of the purchase price of the properties over twenty years (the "Guaranteed Rent"). Pursuant to a termination contract signed on 1 January 2011, the obligation of paying Guaranteed Rent was transferred to Kings Mall Management on 1 February 2011.

18. INVESTMENT PROPERTIES *(continued)*

(b) *(continued)*

Based on legal opinion of the Company's legal advisor, though the Problematic Properties could not be sold or mortgaged, however, since Kings Mall Management is willing to pay the Guaranteed Rent to the Buyers in accordance with the leasing agency contracts, Kings Mall Management is eligible to lease the Problematic Properties to third parties. Pursuant to an undertaking agreement signed on 27 February 2011 between the Company and Mr. Liang, Mr. Liang has agreed to undertake all costs that Kings Mall Management may suffer in connection therewith arising or accruing on or before the date of acquisition of net assets through an acquisition of Kings Mall Management and its holding companies and subsidiaries, including but not limited to the SP Agreements, cancellation contracts, leasing agency contracts, in respect thereof but excluding the original purchase price.

The directors of the Company are of the opinion that the Company is eligible to occupy the Chongqing Property, including the Problematic Properties and to lease them to other tenants to generate rental income. During the years ended 31 December 2013 and 31 December 2014, the Company leased out the Chongqing Property, including the Problematic Properties and accordingly, the Chongqing Property was classified as investment properties to earn rental during both years.

(c) All of the Group's property interests held under operating leases to earn rentals or capital appreciation are measured using the fair value model and are classified and accounted for as investment properties. As at 31 December 2014, the Group's investment properties with carrying amount of approximately HK$2,090,000,000 (2013: HK$2,974,424,000) were pledged to secure the Group's bank and other borrowings of approximately HK$810,461,000 (2013: HK$796,661,000). As explained in note 25(b), part of the Chongqing Property with a carrying value of approximately HK$255,768,000 was pledged to a PRC financial institution in respect of the Xin Jia Jun Loan (as defined in note 25(b)).

Fair valve measurement of the Group's investment properties

The following table gives information about how the fair values of the Group's investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
At 31 December 2014					
Chongqing Property HK$2,090,000,000	Level 3	Discount cash flow method and where appropriate, the comparison method	Prevailing market rents	RMB150 – RMB450 /sq.m./month	The higher the prevailing market rent, the higher the fair value
			Rent growth rate (p.a.)	6% p.a.	The higher the rent growth rate, the higher the fair value
			Vacancy rate	5% – 40% p.a.	The higher the vacancy rate, the lower the fair value
			Pre-tax discount rate	10.32% – 11.31% p.a.	The higher the discount rate, the lower the fair value

* The English translation is for identification purposes only

19. INTANGIBLE ASSET

	Right to receive royalty fee HK$'000
COST	
At 1 January 2013	55,354
Exchange adjustments	1,557
At 31 December 2013	56,911
Exchange adjustments	(1,419)
At 31 December 2014	55,492
AMORTISATION	
At 1 January 2013	13,049
Charge for the year	3,625
Exchange adjustments	395
At 31 December 2013	17,069
Charge for the year	3,625
Exchange adjustments	(544)
At 31 December 2014	20,150
CARRYING VALUES	
At 31 December 2014	35,342
At 31 December 2013	39,842

The intangible asset of the Group as at 31 December 2014 represented the right to receive royalty fee acquired from Zhuhai City Guo Xiang Investment and Consultancy Limited, an independent third party, during the year ended 31 December 2009. The Group's right to receive royalty fee last for 16 years and expiring on 31 December 2024, at an annual royalty fee of RMB5,000,000 (approximately HK$6,394,000) to RMB7,800,000 (approximately HK$9,974,000), pursuant to a management agreement.

The consideration for the acquisition of right to receive royalty fee was satisfied by cash of HK$28,000,000 and 320,837,000 newly issued consideration shares of the Company of HK$0.07, being the closing share price of the Company at the completion date of the acquisition. The transaction was completed on 20 April 2009 and the fair value of the intangible asset as at the completion date was considered to be approximately HK$50,459,000. As at 31 December 2014 and 2013, part of the consideration of HK$10,000,000 has not yet been settled and the amount was included in the Group's other payables in the consolidated statement of financial position as at 31 December 2014 (note 24).

The above intangible asset has definite useful lives and is amortised over 16 years using the straight-line method.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2014 HK$'000	2013 HK$'000
Unlisted equity securities	**34,500**	34,500
Less: Impairments	**(34,500)**	(34,500)
	–	–

The amounts represent investments in unlisted equity securities issued by private entities incorporated overseas. They are measured at cost less impairment, if any.

In prior years, the carrying amounts of the investments was written down to nil through the recognition of impairment losses. After considering the poor operating performance of these investee companies, the directors are of the view that no impairment should be reversed in the current year.

21. INTEREST IN A JOINT VENTURE

	2014 HK$'000	2013 HK$'000
Cost of unlisted investment	**35,000**	35,000
Share of post-acquisition profit or loss	**12,092**	12,097
	47,092	47,097

(a) As at 31 December 2014 and 2013, the Group had interest in the following joint venture:

					Percentage of			
Name of company	Form of entity	Place of incorporation/ registration	Principal place of operation	Particulars of issued shares held	Ownership interest	Voting power	Profit sharing	Principal activities
Madex (Zhuhai) Limited ("Madex Zhuhai")	Incorporated	British Virgin Island	The PRC	Ordinary share of US$1 each	49% *(note (d))*	50%	49% *(note (d))*	Property development and provision of management services

(b) On 2 July 2011, Madex Trading Limited ("Madex Trading"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with Grand Ocean Investment Company Limited ("Grand Ocean") for the establishment of Madex Zhuhai.

21. INTEREST IN A JOINT VENTURE *(continued)*

(c) Madex Zhuhai is held as to 49% and 51% by Madex Trading and Grand Ocean, respectively, as such Madex Zhuhai has a paid-up capital of HK$35 million which was contributed solely by Madex Trading in cash. Grand Ocean contributes to Madex Zhuhai by procuring 珠海市保利三好有限公司("保利三好"), a non-wholly owned subsidiary of Grand Ocean, to enter into a management agreement with Madex Zhuhai (the "Management Agreement") dated 2 July 2010 for provision of property management services to 保利三好 and its subsidiary by Madex Zhuhai as well as injection of management skill, marketing and selling strategy.

(d) A supplemental agreement was signed between Madex Trading and Grand Ocean that Grand Ocean can only start to have its 51% sharing on the financial result and net financial position of Madex Zhuhai if the Management Agreement has been commenced. As the Management Agreement has not yet been commenced in 2014 and 2013, 100% of the financial result and net assets of Madex Zhuhai has been shared by the Group for the years ended 31 December 2014 and 2013.

(e) As a condition for the entering into the Joint Venture Agreement and the Management Agreement, Madex Zhuhai entered into a loan agreement for the provision of a loan of HK$35 million to 保利三好 with an interest of 12% per annum and repayable by 5 equal yearly installments starting from the second anniversary of the loan. The loan is guaranteed by Zhu Hai Port Plaza Development Company Limited ("Zhu Hai Port Plaza"), a company indirectly and beneficially owned by Mr. Liang. The loan was fully repaid by 保利三好 to Madex Zhuhai during the year ended 31 December 2013.

(f) The summarised financial information in respect of the Group's interest in the joint venture which is accounted for using the equity method is set out below:

	2014 HK$'000	2013 HK$'000
Current assets	**49,484**	49,506
Non-current assets	**–**	–
Current liabilities	**(2,392)**	(2,409)
Net assets	**47,092**	47,097
The Group's share of net assets of the joint venture	**47,092**	47,097

	2014 HK$'000	2013 HK$'000
Total revenue	**–**	–
Other income	**–**	4,043
Expenses	**(5)**	(5)
Tax	**–**	(667)
(Loss) profit after tax	**(5)**	3,371
The Group's share of result of the joint venture	**(5)**	3,371

22. TRADE AND OTHER RECEIVABLES

	Notes	2014 HK$'000	2013 HK$'000
Trade receivables	(a)	**10,426**	9,200
Less: Allowances		**–**	–
		10,426	9,200
Deposit paid in respect of the acquisition of Full Boom Global Limited ("Full Boom")	(b)	**107,000**	–
Deposit paid in respect of the acquisition of property, plant and equipment	(c)	**19,009**	–
Tendering deposit paid	(d)	**37,406**	–
Payment in respect of the maintenance of the Group's Chongqing property	(e)	**32,419**	33,248
Advance property management fee		**8,728**	8,951
Advance to a third party	(f)	**192,408**	–
Other receivables, prepayment and deposit		**13,544**	21,709
		410,514	63,908
		420,940	73,108

Notes:

(a) TRADE RECEIVABLES

The credit period granted to the Group's trade receivables generally ranges from 30 to 120 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2014 HK$'000	2013 HK$'000
Within 3 months	**2,681**	2,398
4 to 6 months	**2,681**	2,398
Over 6 months	**5,064**	4,404
Total	**10,426**	9,200

The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(a) Trade receivables *(continued)*

AGEING OF TRADE RECEIVABLES WHICH ARE PAST DUE BUT NOT IMPAIRED

	2014 HK$'000	2013 HK$'000
Overdue by:		
Within 3 months	**2,774**	2,398
4 to 6 months	**2,831**	2,006
Total	**5,605**	4,404

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable.

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

(b) Deposit paid in respect of the acquisition of Full Boom

As at 31 December 2014, the amount of HK$107 million represents the refundable deposit paid in respect of the acquisition of the entire share capital of Full Boom and details of which are set out in note 35(b).

(c) Deposit paid in respect of the acquisition of property, plant and equipment

As at 31 December 2014, the amount of approximately RMB15,246,000 (equivalent to HK$19,009,000) represents the deposit paid in respect of the acquisition of a computer system from 長春奧祥達電子產品經銷處 ("奧祥達"), an independent third party. Pursuant to the asset acquisition agreement and the related supplementary agreement between the Group and 奧祥達, 奧祥達 agreed to refund the whole amount to the Group if 奧祥達 is unable to deliver the computer system to the Group in accordance with the respective agreements.

(d) Tendering deposit paid

As at 31 December 2014, the amount of RMB30,000,000 (equivalent to approximately HK$37,406,000) represents the refundable deposit paid in respect of the acquisition of a property located in Zhuhai, the PRC. Subsequent to 31 December 2014, the Group lost the tender and the amount is expected to be refunded to the Company on or before 31 May 2015.

22. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(e) Payment in respect of the maintenance of the Chongqing Property

As at 31 December 2014, the amount of RMB26,000,000 (equivalent to approximately HK$32,419,000) (2013: RMB26,000,000, equivalent to HK$33,248,000) represents the payment made to Xin Jia Jun in respect of the property maintenance of the Group's Chongqing Property. Xin Jia Jun is the property management manager of the Group's Chongqing Property. Pursuant to an agreement between the Group and Xin Jia Jun on 8 January 2015, Xin Jia Jun agreed to refund the unutilised amount, if any, to the Group, or the amount will be set off against the Group's other borrowings from Xin Jia Jun of RMB110,000,000 (equivalent to approximately HK$137,157,000) (see note 25(b)), if appropriate, on or before 31 August 2015.

(f) Advance to a third party

As at 31 December 2014, the amount of approximately RMB154,311,000 (equivalent to HK$192,408,000) represents an unsecured and interest-free advance granted to Xin Jia Jun. The amount has no fixed repayment schedule. Out of which, an amount of approximately HK$150,000,000 represents the fund transferred to Xin Jia Jun for the early settlement of the Xin Jia Jun Loan (as defined in note 25(b)) granted by the PRC financial institution and details of which are set out in note 25(b). As explained in note 40(b), pursuant to the Deed of Undertaking from Madex International and Mr. Liang, Madex International and Mr. Liang undertake and guarantee the settlement of the advance of HK$192,408,000 granted to Xin Jia Jun. Accordingly, the directors of the Company consider that the Group is able to recover the entire amount from Xin Jia Jun and thus, no impairment was recognised for the year ended 31 December 2014.

23. PLEDGED BANK BALANCES AND BANK BALANCES AND CASH

	Notes	2014 HK$'000	2013 HK$'000
Pledged bank balances	(a)	**157,731**	140
Bank balances and cash	(b)	**149,576**	41,283
		307,307	41,423

Notes:

(a) The pledged bank balances of approximately HK$157,731,000 (2013: HK$140,000) were pledged to a bank to secure the bank borrowings and other payables. The pledged bank balances bear interest at the rate of 0.385% per annum (2013: 0.35% per annum). The pledged bank balances will be released upon the settlement of the relevant bank borrowings. As the pledged bank balances are expected to be released within one year, it was classified as current asset.

(b) At 31 December 2014, the balances that were placed with banks in the PRC amounted to approximately HK$25,166,000 (2013: HK$21,779,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government. Bank balances carry interest at floating rates based on daily bank deposit rates for both years.

24. OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Construction cost payables, other payables, accrued charges and others	**268,945**	120,597
Outstanding consideration for acquisition of intangible asset through acquisition of a subsidiary *(note 19)*	**10,000**	10,000
Refundable deposits received	**95,743**	108,173
Rental received in advance	**10,730**	42,735
Deposit received in respect of disposal of subsidiaries *(note 31(a))*	**–**	101,000
	385,418	382,505

25. BORROWINGS

	Notes	2014 HK$'000	2013 HK$'000
Secured bank borrowings	(a)	**688,475**	813,185
Other borrowings			
– Secured	(b)	**137,157**	8,056
– Unsecured	(c)	**–**	7,673
		137,157	15,729
Unsecured debentures	(d)	**74,719**	4,000
		900,351	832,914
The carrying amount is repayable:			
Within one year, or on demand		**249,377**	106,522
More than one year, but not exceeding two years		**124,688**	161,125
More than two years, but not more than five years		**445,525**	496,150
More than five years		**65,590**	52,593
		885,180	816,390
Carrying amount of borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause which was shown under current liabilities		**15,171**	16,524
		900,351	832,914
Less: Amount due within one year shown under current liabilities		**(264,548)**	(123,046)
		635,803	709,868

25. BORROWINGS *(continued)*

Notes:

(a) Secured bank borrowing

All bank borrowings were secured by the leasehold land and buildings and investment properties with the total carrying value of HK$2,118,340,000 (2013: HK$3,003,655,000). In additions, bank borrowings amounting to HK$488,974,000 (2013: HK$690,423,000) were guaranteed by Mr. Liang, The bank borrowings amounting to RMB96,000,000 (equivalent to approximately HK$122,762,000) as at 31 December 2013 were guaranteed by Zhu Hai Port Plaza, a related company of the Company.

The bank borrowings bear interest at the rate of:	**2014** **HK$'000**	2013 HK$'000
6.77% (2013: 7.2%) per annum, with reference to the benchmark bank loan interest rate quoted by the People's Bank of China ("PBOC") floating upward by 10% and repayable by installments until 20 December 2018	**299,252**	358,056
9% (2013: 9.6%) per annum, with reference to the benchmark bank loan interest rate quoted by PBOC floating upward by 50% and repayable by installments until 30 May 2018	**174,551**	198,196
1.5% (2013: 1.5%) per annum over Hong Kong Interbank Offered Rate and capped at 1.5% (2013: 1.5%) per annum below the Hong Kong Dollar Best Lending Rate and repayable by installments until 26 February 2025	**15,171**	16,524
9.6% per annum, with reference to the benchmark bank loan interest rate quoted by PBOC floating upward by 50% and repayable by installments until 18 September 2017 (note below)	**–**	117,647
7.86% per annum, with reference to the benchmark bank loan interest rate quoted by PBOC floating upward by 20% and repayable by installments until 21 December 2020	**–**	122,762
8% per annum and repayable by installments until 24 July 2017	**199,501**	–
	688,475	813,185

Note: During the year ended 31 December 2014, this bank borrowing was derecognised upon the disposal of the Dynamic Properties Group and details of which are set out in note 31(a).

25. BORROWINGS *(continued)*

Notes: (continued)

(b) Secured other borrowings

Pursuant to the entrusted loan agreement between the Group and Xin Jia Jun on 27 August 2014, Xin Jia Jun raised a loan of RMB110,000,000 (equivalent to approximately HK$137,157,000) from a PRC financial institution on behalf of the Group (the "Xin Jia Jun Loan"). The Xin Jia Jun Loan bears interest at the rate of 9% per annum and is repayable on or before 27 October 2015. The loan was secured by the Group's Chongqing Property with the carrying value of approximately HK$255,768,000 at the end of the reporting period. In November 2014, the Company transferred an amount of RMB120,000,000 (equivalent to approximately HK$150,000,000) to Xin Jia Jun, representing the principal and interest of the Xin Jia Jun Loan for early settlement of the Xin Jia Jun Loan granted by the PRC financial institution. However, the early settlement of the Xin Jia Jun Loan has not yet been agreed with the PRC financial institution and thus, the amount of HK$150,000,000 was recorded as an advance from the Company to Xin Jia Jun which was included in the Group's trade and other receivables in the Company's consolidated statement of financial position as at 31 December 2014 (see note 22(f)). As at 31 December 2014, the outstanding balance of the Xin Jia Jun Loan was RMB110,000,000 (equivalent to approximately HK$137,157,000).

As at 31 December 2013, the amount represented the Group's secured other loans granted by certain independent third parties which were interest-bearing at the rates ranging from 1% to 3% per month. The amounts were fully repaid during the year ended 31 December 2014.

(c) Unsecured other borrowings

As at 31 December 2013, the amount represented the Group's unsecured other loans granted by certain independent third parties which were interest-bearing at 5% per month. The amounts were fully repaid during the year ended 31 December 2014.

(d) Unsecured debentures

As at 31 December 2014, the amount represented the Group's unsecured debenture issued to certain independent third parties which were interest-bearing ranging from 5% to 6% per annum with 3 to 7 years maturity.

26. AMOUNT DUE TO A RELATED PARTY, AMOUNT DUE FROM (TO) A SHAREHOLDER AND AMOUNT DUE TO A JOINT VENTURE

(a) Amount due to a related party

The amount due to a related party represents an advance granted by Madex International which is unsecured, interest-free and repayable on demand. Mr. Liang, the controlling shareholders and a former director of the Company, owns the entire share capital of Madex International.

26. AMOUNT DUE TO A RELATED PARTY, AMOUNT DUE FROM (TO) A SHAREHOLDER AND AMOUNT DUE TO A JOINT VENTURE *(CONTINUED)*

(b) Amount due from (to) a shareholder

The amount due to a shareholder represents an advance granted by Mr. Liang which is unsecured, interest-free and repayable on demand.

The maximum amount due from Mr. Liang during the year and the amounts as at 1 January 2014 and 31 December 2014 are as following:

Name	Relationship	At 31 December 2014 HK$'000	Maximum amount outstanding during the year HK$'000	At 1 January 2014 HK$'000
Mr. Liang	Controlling shareholder and former director of the Company	–	19,477	–

(c) Amount due to a joint venture

The amount due to a joint venture represents an advance granted by Madex Zhuhai which is unsecured, interest-free and repayable on demand.

27. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT

On 7 July 2011, the Company issued zero-coupon convertible notes (the "First Convertible Note") with a nominal value of approximately HK$502,521,000 as part of the consideration for the acquisition of Kings Mall Management and its holding companies and subsidiaries (the "Acquired Group") from Profit China Investments Development Limited ("Profit China"), a company which is beneficially wholly owned by Mr. Liang. The Acquired Group mainly holds the Chongqing Property and other assets and liabilities. The First Convertible Note is denominated in Hong Kong dollars. The First Convertible Note entitle the holders to convert them into ordinary shares of the Company at any time falling six months after the date of issue of the First Convertible Note and their settlement date on 6 July 2016, being the fifth anniversary of the date of its issue, in multiples of HK$500,000 at a conversion price of HK$0.128 per convertible share subject to adjustments in certain events. During the year ended 31 December 2014, First Convertible Note noteholders converted all the First Convertible Note into 390,625,000 ordinary shares (2013: 998,280,000) of HK0.05 each in the Company at the conversion price of HK$0.128 per share.

On 28 October 2014, the Company issued Hong Kong dollar denominate convertible notes with the aggregate principal amount of HK$261,500,000 (the "2014 Convertible Note"). The 2014 Convertible Note entitle the holders to convert them into ordinary shares of the Company at any time after the date of issue of the 2014 Convertible Note and their maturity date on 27 April 2016, being eighteen month from the date of its issue, in multiples of HK$100,000 at a conversion price of HK$0.183 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 27 April 2016 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 27 April 2016. During the year ended 31 December 2014, 2014 Convertible Note noteholders converted part of the 2014 Convertible Note into 991,803,280 ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.183 per share.

27. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

At the end of the reporting periods, the First Convertible Note and the 2014 Convertible Note were valued by the directors of the Company with reference to valuation report issued by Asset Appraisal, an independent professional valuer not connected to the Group.

The principal amounts of the First Convertible Note and the 2014 Convertible Note are divided into straight debt component, embedded conversion option and early redemption option on initial recognition. The debt component is recognised in the consolidated statement of financial position as non-current liability (the holders of the First Convertible Note and the 2014 Convertible Note cannot require the Company to settle the convertible notes before the maturity of the convertible notes). The embedded conversion option is recognised in the consolidated statement of financial position as current liabilities. The early redemption option embedded in the convertible notes is recognised in the consolidated statement of financial position as current assets.

At initial recognition, the debt components are measured at fair value and subsequently measured at amortised cost. The effective interest rate of the debt component is 17.66% (2013: 13.3%). Embedded conversion option and early redemption option are measured at fair value with changes in fair value recognised in profit or loss.

The movements of the debt component and derivatives components of the convertible notes for the year are set out as below:

	Debt component HK$'000	**Derivative financial liabilities-Embedded conversion option** HK$'000	**Derivative financial assets-Early redemption option** HK$'000	**Total** HK$'000
As at 1 January 2013	113,543	97,528	(30,852)	180,219
Interest charge *(note 10)*	5,060	–	–	5,060
Converted into ordinary shares *(note 32)*	(82,111)	(70,099)	22,175	(130,035)
(Gain) loss arising on changes of fair value	–	(9,390)	2,838	(6,552)
As at 31 December 2013 and 1 January 2014	36,492	18,039	(5,839)	48,692
Issue of convertible notes during the year	212,669	75,926	(34,233)	254,362
Interest charge *(note 10)*	12,830	–	–	12,830
Converted into ordinary shares *(note 32)*	(194,978)	(62,730)	26,023	(231,685)
Loss arising on changes of fair value	–	4,545	1,459	6,004
As at 31 December 2014	67,013	35,780	(12,590)	90,203

As at 31 December 2014, the Company had approximately HK$67,013,000 outstanding 2014 Convertible Note. As at 31 December 2014, upon conversion in full of the outstanding 2014 Convertible Note, the Company will issue 437,158,470 ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.183 per share. Subsequent to 31 December 2014, all the outstanding 2014 Convertible Note were fully converted into 437,158,470 ordinary shares of HK$0.05 each in the Company at the conversion price of HK$0.183 per share.

27. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

The fair values of the derivative financial assets and liabilities are calculated using the binomial model. The inputs into the model were as follows:

	2014 Convertible Note		**First Convertible Note**
	31 December 2014	**28 October 2014**	**31 December 2013**
Share price	HK$0.22	HK$0.239	HK$0.128
Conversion price	HK$0.183	HK$0.183	HK$0.128
Expected volatility *(note (a))*	63.7%	58.82%	48.32%
Expected life *(note (b))*	1.33 years	1.5 years	2.52 years
Risk free rate *(note (c))*	0.273%	0.178%	0.503%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the expected remaining life of the convertible notes.

(c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

28. DEFERRED TAX LIABILITIES

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

	2014	2013
	HK$'000	HK$'000
As at 1 January	**379,204**	467,349
Derecognised on disposal of subsidiaries	**(65,463)**	–
Credited to profit or loss *(note 11)*	**(113,055)**	(101,769)
Exchange adjustments	**(1,085)**	13,624
As at 31 December	**199,601**	379,204

The deferred tax liabilities for the year ended 31 December 2014 and 2013 arising from fair value changes on investment properties of the Group.

29. PROVISION FOR CONTINGENT CONSIDERATION

In connection with the acquisition of net assets through an acquisition of the Acquired Group as explained in note 27, provision for contingent consideration represented the acquisition-date fair value of contingent consideration for the convertible notes (the "Second Convertible Note" and the "Third Convertible Note"), which will be issued by the Company after certain conditions fulfilled as specified in the acquisition agreement signed on 27 February 2011 for the Acquired Group (the "Acquisition Agreement") and the supplemental agreement signed on 19 May 2011 (the "Supplemental Agreement"), as part of the consideration transferred in exchange for the Acquired Group.

The provision for contingent consideration is classified as a financial liability as it is resulted from a contract that will or may be settled in the Company's own equity instruments and is a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. The amount will then be measured at fair value with changes in fair value recognised in profit or loss.

As at 31 December 2014 and 31 December 2013, the provision for contingent consideration was valued by the directors of the Company with reference to valuation report issued by Asset Appraisal.

The issuance of the Second Convertible Note and the Third Convertible Note is subject to the following condition:

Second Convertible Note with its full face value of HK$150,350,000 will be issued after completion of the redevelopment mainly for the extension and renovation work in respect of B2/F to 7/F of the Chongqing Property acquired on an acquisition of the Acquired Group, with an additional gross floor area of 10,773.43 square meters as approved by the relevant PRC regulatory authority (the "Extension Work"), full payment of the land premium in respect of the Extension Work and there is no legal impediment for the Acquired Group to obtain all valid real estate ownership certificates under the applicable laws, rules and regulations. On 19 May 2011, the Group, Profit China and Mr. Liang entered into the Supplemental Agreement, pursuant to which, Profit China and Mr. Liang had agreed and undertaken to pay the excess of the actual land premium ("Land Premium Excess") in respect of the Extension Work over the amount of RMB7,110,463.80 and should Profit China and Mr. Liang fail to pay the Land Premium Excess or any part thereof in accordance with the terms of the Supplemental Agreement, the Group would be entitled to pay the same on their behalf and deduct an amount equivalent to such Land Premium Excess or any part thereof paid by the Group from the part of the consideration to be satisfied by way of issue of the Second Convertible Note.

As explained in note 18, during the period from 1 January 2004 to 31 December 2006, the Acquired Group entered SP Agreements to sell the gross floor area of 14,606.48 square meters on the B1/F of the shopping mall of the Chongqing Property to 1,267 Buyers. Deposits have been received from purchasers in respect of the SP Agreements.

However, the Acquired Group is unable to register the respective property transfers and the legal title could not be transferred to the Buyers.

As a result, starting from 2007 the management of the Acquired Group started to negotiate the cancellation of SP Agreements with those purchasers. Up to 31 December 2014, 964 purchasers signed the cancellation agreement and the remaining 303 purchasers are still under negotiation with the Acquired Group for the possibility of cancellation of SP Agreements.

29. PROVISION FOR CONTINGENT CONSIDERATION *(continued)*

Pursuant to the Acquisition Agreement, Profit China and Mr. Liang have jointly and severally agreed and undertaken to the Group that they shall procure the cancellation of the SP Agreements as soon as possible and before the second anniversary of the acquisition completion date. Such cancellation shall be on such terms and conditions as approved by the Group (the "Undertaking"). Third Convertible Note with its full face value of HK$79,540,000 will be issued upon the Group having satisfied that the Undertaking to be provided by Profit China and Mr. Liang has been fulfilled.

The original purchase price of the relevant parts of the shopping mall in relation to the SP Agreements yet to be refunded and the deferred tax liabilities will be borne by Kings Mall Management. Any amount exceeding the original purchase price of the relevant parts of the shopping mall to be refunded to the purchasers under the cancellation contracts (whether entered into before or after completion of the acquisition) will be indemnified by Profit China and Mr. Liang. Should Profit China and Mr. Liang fail to comply with the Undertaking before the second anniversary of the date of the acquisition completion, Profit China shall not be entitled to receive, and the Group shall be released and discharged absolutely from its obligation to pay, part of the consideration in the sum of HK$79,540,000 and the consideration shall be deemed to have been reduced by the sum of HK$79,540,000.

During the year ended 31 December 2013, the Third Convertible Note was cancelled as Profit China and Mr. Liang cannot comply with the Undertaking before the expiration date. The amount of approximately HK$49,655,000 was derecognised from the amount of contingent consideration and such amount was recognised under the item of "Derecognition of contingent consideration" in the consolidated statement of profit or loss.

	2014 **HK$'000**	2013 HK$'000
As at 1 January	**144,564**	213,952
Derecognition of contingent consideration	**–**	(49,655)
Changes on fair value	**115,353**	(19,733)
As at 31 December	**259,917**	144,564

29. PROVISION FOR CONTINGENT CONSIDERATION *(continued)*

The fair values of the provision for contingent consideration are calculated using the binomial model. The inputs into the model were as follows:

	2014	2013
Share price	**HK$0.220**	HK$0.128
Conversion price	**HK$0.128**	HK$0.128
Expected volatility *(note (a))*	**57.18%**	62.370%
Expected life *(note (b))*	**5.75 years**	6 years
Risk free rate *(note (c))*	**1.541%**	1.646%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the expected remaining life of the Second Convertible Note.

(c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

The directors of the Company consider that the Second Convertible Note will be issued on 30 September 2015 based on the best estimation of the management of the Company on the current status of conditions for issuing those convertible notes.

30. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group and an independent third party (see note 25):

	2014 HK$'000	2013 HK$'000
Leasehold land and buildings *(note 17)*	**28,340**	29,231
Investment properties *(note 18)*	**2,090,000**	2,974,424
Bank balances *(note 23)*	**157,731**	140
	2,276,071	3,003,795

In addition, the Group has pledged its entire equity interest in its wholly-owned subsidiary, New China IQ Limited, to secure banking facilities of HK$21,500,000 (2013: HK$21,500,000) granted to the Group for the year ended 31 December 2014.

31. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2014, the Company had the following significant disposals of subsidiaries:

	Notes	HK$'000
Loss on disposal of Dynamic Progress Group	(a)	(33,370)
Gain on disposal of Liberal Supply Group	(b)	14,998
Losses on disposal of subsidiaries, net		(18,372)

Notes:

(a) Disposal of Dynamic Progress Development Limited ("Dynamic Progress")

Pursuant to the Company's announcement on 17 September 2013, at the same date, the Company and Precious Sky Limited ("Precious Sky"), an independent third party, entered into a conditional sale and purchase agreement (the "Dynamic Progress Disposal Agreement") and pursuant to which, Precious Sky conditionally agreed to purchase from the Company, and the Company conditionally agreed to sell to Precious Sky, the entire issued share capital of Dynamic Progress, together with the net amount due from Dynamic Progress and its subsidiaries (the "Dynamic Progress Group") to the Company at a consideration of RMB150,000,000, subject to adjustment (the "Dynamic Progress Disposal"). Dynamic Progress, a former wholly-owned subsidiary of the Company is a private limited liability company incorporated in Hong Kong. The principal asset of the Dynamic Progress Group is a property located in the PRC. Pursuant to the Dynamic Progress Disposal Agreement, the consideration of RMB150,000,000 will be satisfied by Precious Sky as to:–

(i) RMB30,000,000 as the first payment ("First Payment") in cash payable upon signing of the Dynamic Progress Disposal Agreement;
(ii) RMB50,000,000 as the second payment ("Second Payment") in cash payable by 10 December 2013; and
(iii) RMB70,000,000, subject to adjustment, as the third payment ("Third Payment") in cash payable on or before 28 February 2014.

The directors of the Company consider that upon completion of the Dynamic Progress Disposal, the proceeds from the Dynamic Progress Disposal could enhance the Group's financial position by providing additional capital resources for the Group to improve its liquidity and the Group can better utilise its resources to the Group's existing projects.

During the year ended 31 December 2013, the Company received the First Payment and the Second Payment of RMB80,000,000 (equivalent to HK$101,000,000) which was included as the Group's other payable in the Company's consolidated statement of financial position as at 31 December 2013 (see note 24).

The Dynamic Progress Disposal was completed on 28 February 2014 and the consideration was adjusted to RMB146,800,000 (equivalent to HK$186,665,000).

Details of the above are set out in the Company's announcements dated 17 September 2013, 9 October 2013 and 28 February 2014 and the Company's circular dated 25 October 2013.

31. DISPOSAL OF SUBSIDIARIES *(continued)*

(a) *(continued)*

Consideration received	HK$'000
Consideration in respect of the First Payment and Second Payment received in cash and cash equivalents during the year ended 31 December 2013 *(note 24)*	101,000
Consideration in respect of the Third Payment received in cash and cash equivalents during the year ended 31 December 2014	85,665
Total consideration received	186,665

Analysis of assets and liabilities over which control was lost	HK$'000
Property, plant and equipment	111
Investment properties	436,868
Trade and other receivables	1,568
Bank balances and cash	167
Other payables	(18,217)
Borrowings	(116,161)
Deferred tax liabilities	(65,463)
Net assets disposed of	238,873

Loss on disposal of subsidiaries	HK$ '000
Consideration received	186,665
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss in respect of loss of control of Dynamic Progress Group	31,968
Net assets disposed of	(238,873)
PRC tax provision in respect of the disposal	(13,130)
Loss on disposal of Dynamic Progress Group	(33,370)

Net cash inflow on disposal of subsidiaries	HK$ '000
Consideration received in cash and cash equivalents during the year ended 31 December 2014	85,665
Less: Bank balances and cash disposed of	(167)
Net cash inflow on disposal of Dynamic Progress Group	85,498

31. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of Liberal Supply Limited ("Liberal Supply")

On 31 October 2014, the Company and Archangel Pearl Limited ("Archangel Pearl"), an independent third party, entered into a conditional sale and purchase agreement and pursuant to which, Archangel Pearl conditionally agreed to purchase from the Company, and the Company conditionally agreed to sell to Archangel Pearl, the entire issued share capital of Liberal Supply, together with the net amount due from Liberal Supply and its subsidiaries (the "Liberal Supply Group") to the Company at a consideration of HK$15,000,000 (the "Liberal Supply Disposal"). Liberal Supply, a former wholly-owned subsidiary of the Company is a private limited liability company incorporated in the BVI. The principal asset of the Liberal Supply Group is land use rights and certain property, plant and equipment located in the PRC which was fully impaired and written off in prior years. The Liberal Supply Disposal was completed on 21 November 2014.

Consideration received	**HK$'000**
Total consideration received in cash and cash equivalents	15,000

Analysis of assets and liabilities over which control was lost	**HK$'000**
Prepayment	2
Prepaid lease payments *(note below)*	–
Property, plant and equipment *(note 17)*	–
Net assets disposed of	2

Gain on disposal of the subsidiaries:	**HK$'000**
Consideration received	15,000
Net assets disposed of	(2)
Gain on disposal of Liberal Supply Group	14,998

Net cash inflow on disposal of subsidiaries:	**HK$'000**
Cash consideration received in cash and cash equivalents and net cash inflow on disposal of Liberal Supply Group	15,000

Note: The prepaid lease payments in respect of the Liberal Supply Group were fully impaired and written off in prior years.

32. SHARE CAPITAL

	2014 No. of share	2014 Per Share HK$	2014 Amount HK$'000	2013 No. of share	2013 Per Share HK$	2013 Amount HK$'000
Authorised						
Ordinary shares of HK$0.05 each	**60,000,000,000**	**0.05**	**3,000,000**	60,000,000,000	0.05	3,000,000
Issued and fully paid						
At 1 January	**11,842,647,390**	**0.05**	**592,132**	10,844,367,390	0.05	542,218
Issue of new shares	**1,382,428,280**	**0.05**	**69,121**	998,280,000	0.05	49,914
At 31 December	**13,225,075,670**	**0.05**	**661,253**	11,842,647,390	0.05	592,132

During the years ended 31 December 2013 and 31 December 2014, the movements of the authorised and issued share capital of the Company are as following:

As disclosed in note 27, total number of ordinary shares of 1,382,428,280 (2013: 998,280,000) with nominal value of approximately HK$69,121,000 (2013: HK$49,914,000) were issued upon the conversion of the First Convertible Note amounting to approximately HK$47,991,000 (2013: HK$130,035,000) and 2014 Convertible Note amounting to approximately HK$183,694,000 (2013: nil) during the year ended 31 December 2014.

The new shares rank pari passu in all respects with the existing shares.

33. RELATED PARTY TRANSACTIONS

(a) Except as disclosed in the consolidated financial statements elsewhere, during the years ended 31 December 2014 and 2013, the Group entered into the following transactions with its related parties:

(i) As at 31 December 2014, Mr. Liang provided a personal guarantee to the bank for the repayment of the bank loan of HK$488,974,000 (2013: HK$690,423,000).

(ii) Zhu Hai Port Plaza has provided a corporate guarantee during the year ended 31 December 2010 to secure the recoverability of the amount of HK$35 million loaned to 保利三好 from Madex Zhuhai which will be expired on 1 July 2017. Such loan was fully repaid to Madex Zhuhai during the year ended 31 December 2013 and the guarantee was released subsequently.

(iii) During the year ended 31 December 2013, Zhu Hai Port Plaza provided a corporate guarantee to the bank for the repayment of the bank loan of RMB100,000,000 (equivalent to approximately HK$127,877,000). Such bank loan was fully repaid during the year ended 31 December 2014.

(iv) Pursuant to a tenancy agreement entered by New China IQ Limited ("New China"), a wholly owned subsidiary of the Group, and Mai Shunxing (the mother of Liang Huixin, a director of the Company) on 11 March 2014, New China agreed to rent a property owned by Mai Shunxing at a monthly rent of HK$50,000 for the period from 1 January 2014 to 31 December 2015. During the year ended 31 December 2014, total rent of HK$600,000 were paid to Mai Shunxing (year ended 31 December 2013: nil).

33. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of directors of the Company and key management personnel of the Company: Remuneration for key management personnel including amounts paid to the Company's directors as disclosed in note 13 and the highest paid employees as disclosed in note 14 is as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other short-term employee benefits	**4,461**	5,478
Retirement benefit scheme contributions	**33**	30
	4,494	5,508

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. MAJOR NON-CASH TRANSACTIONS

Major non-cash transactions for the year are as follows:

(a) During the year ended 31 December 2013, prepayments of HK$46,547,000 was capitalised into the investment properties under redevelopment in the PRC.

(b) On 7 July 2011, the Company completed the acquisition of net assets of the Acquired Group with consideration of HK$1,393,266,000, of which HK$721,709,000 was settled by issuing 4,373,997,292 consideration shares of the Company of HK$0.165 each and of HK$451,732,000 by issuing the First Convertible Note. The remaining balance of HK$219,825,000, being the provision for contingent consideration by issuing the Second Convertible Note and the Third Convertible Note, has not yet been settled on the date of acquisition completion. During the year ended 31 December 2013, the Third Convertible Note was cancelled due to the expiration. The provision for contingent consideration by issuing the Second Convertible Note not yet settled as at 31 December 2014 was HK$259,917,000 (2013: HK$144,564,000).

35. COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

The Group as lessor

The Group leases its investment properties and has the right to receive royalty fee under operating lease arrangements, with committed tenants and operator for the next one to nineteen years (2013: one to twenty years). The terms of the leases also require the tenants and operator to pay security deposits.

As at 31 December 2014 and 2013, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**29,709**	37,391
In the second to fifth year	**133,526**	140,050
Over five years	**420,091**	494,794
	583,326	672,235

The leases of an investment properties and the right to receive royalty fee are expected to generate rental yields of approximately 0.80% to 21.13% (2013: 0.95% to 20.44%) on an ongoing basis.

The Group as lessee

At 31 December 2014 and 2013, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**600**	52

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average of 1 year (2013: 1 year) and rentals are fixed for average of 1 year (2013: 1 year).

35. COMMITMENTS *(continued)*

(b) CAPITAL COMMITMENTS

Pursuant to the Company's announcement and circular dated 13 November 2014 and 9 March 2015, respectively, on 13 November 2014, Wealth Billows Limited ("Wealth Billows"), a wholly-owned subsidiary of the Company entered into the an acquisition agreement (the "Acquisition Agreement") with Mr. Liang, the controlling shareholder of the Company, pursuant to which Wealth Billows has agreed to acquire the entire share capital of Full Boom and its subsidiaries (the "Full Boom Group") from Mr. Liang at a consideration of HK$535 million. Full Boom is a private limited liability company incorporated in the Republic of Seychelles and Full Boom Group holds a commercial land lot with an area of 86,938 square metres and a building with a gross floor area of 2,576.14 square metres erected thereon at Xiqiao Town of Guangdong Province, the PRC. Pursuant to the Acquisition Agreement, the consideration of HK$535 million shall be settled in the following manner:

(i) A refundable deposit in the sum of HK$107 million was paid upon signing of the Acquisition Agreement; and

(ii) The remaining HK$428 million shall be settled by the issue of the promissory notes by the Company to Mr. Liang.

During the year ended 31 December 2014, the Company paid the deposit of HK$107,000,000 and the amount was included in the Group's trade and other receivables in the Company's consolidated statement of financial position as at 31 December 2014 (note 22(b)).

As at 31 December 2014, the Company had a capital commitment of approximately HK$428,000,000 in respect of the acquisition of Full Boom.

The above acquisition was approved by the shareholders of the Company at its Special General Meeting on 1 April 2015 and details of which are set out in the Company's announcement and circular dated 13 November 2014 and 9 March 2015, respectively.

36. RETIREMENT BENEFIT SCHEME

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

The employees of the Group's subsidiaries in the PRC are members of a state-sponsored retirement plan organised by the municipal government under the regulations of the PRC and these subsidiaries make mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on a percentage of the eligible employees' salaries and are charged to the statement of profit or loss as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan organised by the municipal government in the PRC.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2014 in respect of the retirement of its employees.

The total cost charged to the consolidated statement of profit or loss of approximately HK$80,000 (2013: HK$76,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

37. PRINCIPAL SUBSIDIARIES

Particulars of the Group's principal subsidiaries as at 31 December 2014 are as follows:

Name	Place of incorporation / principle place of business	Particular of issued and fully paid capital / registered capital	Proportion ownership interest and voting power held by the Company indirectly 2014	2013	Principal activities
Dynamic Global Development Limited ("Dynamic Global") *(note (a))*	Hong Kong	HK$4 (share)	–	100%	Investment holding
Dynamic Progress Development Limited *(note (b))*	Hong Kong	HK$1 (share)	–	100%	Investment holding
New China IQ Limited	Hong Kong	HK$2 (share)	**100%**	100%	Investment holding
Seekerland Investments Limited	Hong Kong	HK$2 (share)	**100%**	100%	Investment holding
Harbin Dynamic Global Property Co., Ltd *(note (c))*	PRC	RMB65,000,000 (paid-up registered capital)	–	100%	Property leasing
珠海市百力行酒店管理有限公司	PRC	RMB1,000,000 (paid-up registered capital)	**100%**	100%	Operating right leasing
Kings Mall Management	PRC	RMB340,000,000 (paid-up registered capital)	**100%**	100%	Property development, property trading and leasing of properties

Notes:

(a) On 31 October 2014, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Liberal Supply Group. The disposal was completed on 21 November 2014 and details of which are disclosed in note 31(b).

(b) In September 2013, the Group entered into a sale and purchase agreement to dispose its 100% equity interest in Dynamic Progress Group to an independent third party. The disposal was completed on 28 February 2014 and details of which are disclosed in note 31(a).

(c) Sino-foreign equity joint venture registered in the PRC. Whole equity interest was disposed under the transaction stated in note(b).

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

None of the subsidiaries had issued any debt securities subsisting at the end of the year or any time during the year.

38. CONTINGENT LIABILITIES

As explained in note 18, during the period from 1 January 2004 to 31 December 2006, certain units and shops of the investment properties located in Chongqing had been sold to the independent third parties under the SP Agreements. The leasing agency contracts and the mortgage contracts were signed together with SP Agreements among the Buyers, Kings Mall Management and Xin Jia Jun. Pursuant to the terms of the leasing agency contracts, Xin Jia Jun would pay the Buyers the Guaranteed Rent equivalent to ten percent of the purchase price of the properties over twenty years.

Based on the legal advice from the legal adviser of the Group, the directors of the Company considered that they have strong and valid ground of defense in relation to the probable litigations, if any, in respect of the Problematic Properties and the directors of the Company considered that Kings Mall Management would not suffer material financial losses arising from such probable litigation, if any, and has the right to occupy and lease the Problematic Properties to tenants to generate rental income.

On 27 February 2011, pursuant to a deed of indemnity being executed by Profit China and Mr. Liang in favour of the Group at the date of acquisition completion, Profit China and Mr. Liang will indemnify the Group against all costs that the Group may suffer in relation to the investment properties acquired on the acquisition of the Acquired Group and any disputes and litigation (whether commencing before or after the acquisition completion) against the Group arising or accruing in relation to the operation of the Acquired Group on or before the date of acquisition completion (the "Indemnified Liabilities").

In addition, on 19 May 2011, Zhu Hai Port Plaza entered into an undertaking to pay the aforesaid Indemnified Liabilities to the extent that such losses, liabilities and expenses have not been settled by Mr. Liang pursuant to his obligations under the indemnity agreement executed by him in favour of Kings Mall Management that Kings Mall Management may suffer.

In view of the above, the directors of the Company consider that the probable litigations, if any, would not have any significant financial impacts on the financial positions of the Company.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2014 HK$'000	2013 HK$'000
Non-current asset			
Interests in subsidiaries	(a)	**2,180,110**	1,779,135
Current assets			
Prepayment, deposit and other receivables		**114,349**	7,210
Derivative financial assets *(note 27)*		**12,590**	5,839
Bank balances and cash		**54,126**	7
		181,065	13,056
Current liabilities			
Accruals and other payables		**22,864**	122,836
Amounts due to subsidiaries	(b)	**429,191**	115,788
Amount due to a joint venture		**49,476**	49,503
Derivative financial liabilities *(note 27)*		**35,780**	18,039
		537,311	306,166
Net current liabilities		**(356,246)**	(293,110)
Total assets less current liabilities		**1,823,864**	1,486,025
Capital and reserves			
Share capital		**661,253**	592,132
Reserves	(c)	**760,962**	708,837
Total equity		**1,422,215**	1,300,969
Non-current liabilities			
Borrowings		**74,719**	4,000
Convertible notes *(note 27)*		**67,013**	36,492
Provision for contingent consideration *(note 29)*		**259,917**	144,564
		401,649	185,056
		1,823,864	1,486,025

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) INTERESTS IN SUBSIDIARIES

	The Company 2014 HK$'000	2013 HK$'000
Unlisted shares at cost	**25,762**	611,132
Amounts due from subsidiaries	**2,337,460**	2,074,208
	2,363,222	2,685,340
Less: Impairments	**(183,112)**	(906,205)
	2,180,110	1,779,135

Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment schedule.

(b) AMOUNTS DUE TO SUBSIDIARIES

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

(c) RESERVES

	Share premium HK$'000	**Contributed surplus reserve** HK$'000 *(note)*	**Capital redemption reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2013	841,680	115,419	52	(382,643)	574,508
Total profit and comprehensive income for the year	–	–	–	54,208	54,208
Converted convertible notes into shares	80,121	–	–	–	80,121
At 31 December 2013 and 1 January 2014	921,801	115,419	52	(328,435)	708,837
Total loss and comprehensive expense for the year	–	–	–	(110,439)	(110,439)
Converted convertible notes into shares	162,564	–	–	–	162,564
At 31 December 2014	1,084,365	115,419	52	(438,874)	760,962

Note: The contributed surplus arose in 1989 as a result of the Group's reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries. According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances. The Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

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

40. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Significant events after the end of the reporting period of the Company are as follows:

(a) On 10 March 2015, the Company entered into a sale and purchase agreement, with an independent third party in relation to the acquisition of the entire equity interest in Grand Ahead Finance Limited ("Grand Ahead" and together with its subsidiaries, the "Grand Ahead Group") at the consideration of HK$1,200,000,000. The principal activity of the Grand Ahead Group is engaged in the provision of securities brokerage, securities underwriting and placements and financial advisory services, consisting of the licensed corporations to carry on types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance.

The consideration of HK$1,200,000,000 is to be satisfied in the following manner:

(i) as to HK$400,000,000 by way of issue of promissory notes to the vendor (or its nominee(s)) upon completion;

(ii) as to HK$700,000,000 by way of allotment and issue of consideration shares to the vendor (or its nominee(s)) upon completion; and

(iii) as to HK$100,000,000 by way of issue of convertible notes to the Vendor (or its nominee(s)) upon completion.

Details are set out in the announcement of the Company dated 10 March 2015.

(b) On 8 April 2015, Madex International and Mr. Liang beneficially own approximately 1,020,549,000 and 5,636,969,000 issued ordinary shares of the Company, representing approximately 7.47% and 41.26% of the total issued ordinary share capital of the Company, respectively (hereinafter collectively referred to as the "Shares"). On 8 April 2015, Mr. Liang and Madex International entered into the Deed of Undertaking and they hereby agreed (i) to provide an unsecured and interest-free loan facility of HK$350,000,000 to the Company for the period from 8 April 2015 to 30 June 2016; (ii) to provide financial support to the Company until the Company has sufficient funds to meet its operations and to pay financial obligations as they fall due for the period from 8 April 2015 to 30 June 2016; (iii) to undertake and guarantee the settlement of an advance of approximately HK$192,408,000 granted to Xin Jia Jun; (iv) to use the Shares and/or converting the Shares to procure loan facilities which will make available to the Company in meeting the Company's operation requirements; and (v) not to pledge and/or to dispose of the Shares to any other parties other than the purpose as stated in item (iii) and item (iv) above for the period from 8 April 2015 to 30 June 2016.

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, are as set out below:

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**33,107**	31,881	26,702	27,310	24,814
(Loss) profit attributable to owners of the Company	**(609,856)**	(304,086)	16,925	49,824	54,269
ASSETS AND LIABILITIES					
Total assets	**2,945,096**	3,214,469	3,276,912	3,116,706	543,960
Total liabilities	**(1,987,835)**	(1,864,543)	(1,800,018)	(1,999,149)	(246,630)
Non-controlling interests	**–**	–	–	(4,739)	(4,500)
Equity attributable to owners of the Company	**957,261**	1,349,926	1,476,894	1,112,818	292,830

SCHEDULE OF INVESTMENT PROPERTIES

Description	Use	Area	Percentage of attributable interest
Various portions on level B2 to L7 of Kings Mall No. 8 Nanping North Road, Nanping Jie Dao, Nanan District, Chongqing, The People's Republic of China	Commercial	Gross area – approximately 114,772 sq. metre	100