



CARNIVAL GROUP
INTERNATIONAL

**Carnival Group International
Holdings Limited**

Stock Code : 00996

annual report
2015

CONTENTS

CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT	5
MANAGEMENT DISCUSSION AND ANALYSIS	7
CORPORATE GOVERNANCE REPORT	15
DIRECTORS' REPORT	26
INDEPENDENT AUDITORS' REPORT	35
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	37
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	39
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	41
CONSOLIDATED STATEMENT OF CASH FLOWS	44
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	46
PARTICULAR OF THE MAJOR PROPERTIES HELD	141
FINANCIAL SUMMARY	142



Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Chan Wai Cheung Admiral
Lie Chi Wing
Hu Gin Ing

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Chan Yuen Ying, Stella
Li Jing

AUTHORISED REPRESENTATIVES

King Pak Fu
Chan Yuen Ying, Stella
Li Jing (*alternate*)

LEGAL ADVISOR

Baker & McKenzie
Minter Ellison
Sidley Austin

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKERS

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

STOCK CODE

996

WEBSITE

www.0996.com.hk

Chairman's Statement

On behalf of the Board (the "Board") of directors (the "Directors", each a "Director") of Carnival Group International Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

FINANCIAL REVIEW

For the financial year ended 31 December 2015, the Group recorded a consolidated net profit of approximately HK\$103.9 million as compared to the net profit of approximately HK\$117.8 million for the year ended 31 December 2014. The change on the results is mainly due to (i) increase in gross profit of approximately HK\$341.7 million; (ii) increase in other income of approximately HK\$63.4 million and (iii) decrease in finance cost of approximately HK\$27.1 million, which was offset by (i) increase in selling and marketing expenses of approximately HK\$219.2 million; (ii) increase in administrative expenses of approximately HK\$86.1 million; and (iii) decrease in fair value change on investment properties of approximately HK\$141.6 million.

PROSPECTS

The Directors believe that the Company is the only listed company with a diverse portfolio of theme-based leisure and consumption businesses that include theme parks, hotels, outlet shopping for international premium brands, dining, conference and exhibition centres, leisure, entertainment, edutainment and recreational facilities in China. The Group aims to promote the concept of themed experiential leisure and travel by providing customers with a one-stop experience encompassing different distinctive themes to capture the opportunities brought about by the increasing affluence and spending power unleashed by the fast growing middle class in the People's Republic of China ("PRC") and the rapidly growing tourism market in PRC and overseas. Meanwhile, the Group is actively diversifying its business into other sectors, including edutainment and restaurant operation, which the Group believes complement its existing business, further expand our customer base and diversify its future sources of revenue.

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

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

Chairman's Statement

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

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

King Pak Fu

Chairman

Hong Kong, 31 March 2016



Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. King Pak Fu, aged 45, was appointed as an executive Director on 10 September 2012 and was appointed as the chairman of the Board on 22 October 2012. He is experienced in property development and corporate management. Mr. King is currently the chairman and director of Fujian Start Group Co. Ltd. (a company listed on Shanghai Stock Exchange stock code: 600734). Mr. King was an executive director of Enterprise Development Holdings Limited (a company listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), stock code: 1808) up to 24 January 2014.

Mr. Leung Wing Cheong Eric, aged 55, was appointed as an executive Director on 26 May 2014 and the Chief Executive Officer of the Company on 1 July 2014, and in his capacity as the Chief Executive Officer of the Company, is responsible for the business development and general operations of the Company, and the execution of the strategic directions from time to time formulated by the Board. Before his appointment as the Chief Executive Officer of the Company, Mr. Leung was the deputy managing director, an executive director and the chief financial officer of China Gas Holdings Limited (“China Gas”), a company listed on the Stock Exchange (Stock Code: 384) up to 30 June 2014. Mr. Leung joined China Gas in early 2005 after a 13-year career in investment banking. Investment banks he had served include Lehman Brothers, Barclays Capital and Prudential Securities. His last position before he joined China Gas was managing director and head of corporate finance of UFJ Securities. Mr. Leung is a lawyer by training, and is qualified to practise law in Hong Kong, England & Wales and Australia and he holds bachelor degrees from the University of Hong Kong and University of London, and a master degree from the Chinese University of Hong Kong.

Mr. Gong Xiao Cheng, aged 31, was appointed as an executive Director on 7 March 2012. He is also a member of the nomination committee of the Company. He holds a Bachelor’s degree of Finance, Accounting and Management from University of Nottingham in United Kingdom and a Master’s degree of Real Estate Economics and Finance from London School of Economics and Politics Science.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Cheung Admiral, aged 42, was appointed as an independent non-executive Director on 10 December 2014. He is also the chairman of each of the audit committee, the remuneration committee and the nomination committee of the Company. He holds a Bachelor of Arts (Honours) in Accountancy from City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has extensive experience in accounting and auditing field. Mr. Admiral Chan is an independent non-executive director of Jia Meng Holdings Limited (stock code: 8101) and a non-executive director of China Nonferrous Metals Company Limited (stock code: 8306), both companies are listed on the Growth Enterprise Market of the Stock Exchange. He was appointed as an independent non-executive director of Energy International Investments Holdings Limited (stock code: 353; a company listed on the Main Board of the Stock Exchange) in March 2012 and was re-designated as an executive director in November 2013.

Mr. Lie Chi Wing, aged 38, was appointed as an independent non-executive Director on 5 February 2015. He is also a member of each of the audit committee and the remuneration committee of the Company. He holds a Bachelor Degree of Business Administration (First Class Honors) from The Hong Kong University of Science and Technology. He is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. He is also a Chartered Financial Analyst. Mr. Lie has extensive experience in auditing and corporate advisory services with major international accounting firms. He is currently the company secretary of China Water Affairs Group Limited, a company listed on the main board of Stock Exchange.

Biographies of Directors and Senior Management

Ms. Hu Gin Ing, aged 57, was appointed as an independent non-executive Director on 16 December 2013. She is also a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Ms. Hu holds a master degree in business administration from Florida International University, United States of America (“U.S.A.”), a master degree in sciences from Barry University, U.S.A. and a bachelor degree from National Taiwan University, major in foreign language. Ms. Hu is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants in U.S.A. Ms. Hu currently holds the position of Corp. CFO, Global Finance, of Acer Incorporated, a company listed on the Taiwan Stock Exchange. Ms. Hu has been a director of NHL CPA Ltd., Hong Kong since January 2005. She has been an independent non-executive director of Enterprise Development Holdings Limited (HK.1808) since March 2011, an independent non-executive director of United Pacific Industries limited (HK.176) since November 2013 and an independent non-executive director of LVGEM (China) Real Estate Investment Company Limited (formerly known as New Heritage Holdings Limited) (HK.95) since May 2014. She was a director of Gigamedia Limited (shares of which are traded on NASDAQ in U.S.A. under the ticker symbol of GIGM) from July 2003 to October 2013, an independent director of Evendata Holding Company Limited, a company which was previously listed on the Taiwan Stock Exchange, from April 2011 to May 2013, a non-executive director of SMI Culture Group Holdings Limited (formerly known as Qin Jia Yuan Media Services Company Limited) (HK.2366), a company listed on the Stock Exchange, from 27 August 2013 to 31 October 2014, and an independent director of Arich Enterprise Co. Ltd. (TW.4173), a company listed on the Taiwan Stock Exchange from December 2012 to June 2015. She has over 21 years of experience in accounting and finance.

SENIOR MANAGEMENT

Mr. Lee Siu Ming, was appointed as the Chief Strategy Officer and Chief Financial Officer of the Company on 7 March 2016. He has around 19 years of experience in investment banking and asset management. Before joining the Company, Mr. Lee was the Managing Director and Head of Hong Kong Coverage at BOCI Asia Limited. Mr. Lee obtained his Master of Business Administration and Bachelor of Business Administration degrees at University of Wisconsin – Madison. In addition, he holds a Chartered Financial Analyst certification from the CFA Institute.



Management Discussion and Analysis

CORPORATE OVERVIEW

The Group is principally engaged in the theme-based leisure and consumption business, focusing on the design, development and operation of integrated large-scale tourist complex projects in key cities in and outside the PRC that comprise of theme parks, hotels, shopping and leisure facilities, as well as other theme based consumption such as food and beverages, edutainment and touring carnivals.

BUSINESS REVIEW

The Group's flagship project, Rio Carnival (Qingdao) is located in the Phoenix Island Tourist Resort Zone in Huangdao District, Qingdao city, Shandong province in the PRC and occupies an aggregate site area of approximately 350,000 square metres ("sq.m.") with a total GFA of approximately 800,000 sq.m.. The Group believes that Rio Carnival (Qingdao) will be one of the first large-scale integrated commercial, residential and tourism complexes of its kind in China. It will include indoor and outdoor underwater ocean exploration theme parks, an upscale family-oriented hotel and a luxury hotel, an international premium brand outlet shopping mall, themed-street restaurant dining, a conference centre, a performance square for performances, concerts, sports matches and parades, and a world-class entertainment complex featuring the largest Lego education experience centre in China, one of the newest and largest DMAX cinema complexes in China (Jackie Chan Cinema), an indoor ice skating centre and a large sea-view Ferris wheel. It is our aim for Rio Carnival (Qingdao) to become one of the China's premier tourist destinations.

The project commenced operations in May 2015 and is expected to be opened in phases in 2016. As part of its business model, the Group also develops and sells high-end coastal residential properties adjacent to its theme park, outlet mall and hotels in Rio Carnival (Qingdao). These residential properties occupy an aggregate site area of approximately 126,000 sq.m. with a total GFA of approximately 350,000 sq.m..

During the year, the Group derived most of its revenue from the following segments:

Property Development and Investment

Revenue from the Group's property development and investment was approximately HK\$643.4 million for the year ended 31 December 2015, compared to HK\$1,412.7 million for the year ended 31 December 2014. For the year ended 31 December 2015, the revenue was mostly derived from the sale of residential units of the completed properties in Qingdao and Chengdu in the PRC. The decrease in revenue was primarily due to the change of sales strategy in Qingdao, as the Group delayed the sales of the residential properties until other leisure and entertainment facilities are in full operation.

Trading and Investment business

The Group invested in Hong Kong's listed securities and financial instruments as short-term and medium-term investments. For the year ended 31 December 2015, the Group recorded net realised gains and unrealised gains on investments of approximately HK\$198.8 million (2014: Nil) and received dividend income from listed investment of approximately HK\$51.4 million (2014: Nil)

Management Discussion and Analysis

Catering Business

Revenue from catering business was approximately HK\$248.2 million for the year ended 31 December 2015 (2014: Nil). The revenue was derived from the operation of restaurants providing buffet, banquet, exquisite dining and related service by Golden Jaguar which was acquired during the year.

During the year, the Group expanded into the following theme-based consumption business lines:

Establishment of Haokaishi Holdings Limited

During the year, the Group entered into an agreement with Kids Edutainment Limited (“Kids Edutainment”), through one of the wholly-owned subsidiaries of the Group, Bravo Year Limited, to form a company, Haokaishi Holdings Limited (“Haokaishi”). Haokaishi is 68% owned by the Group, 29% owned by Kids Edutainment and 3% owned by an independent company. Kids Edutainment and its management team possess extensive experience in brand licensing, brand marketing and edutainment programs planning and development. The founder of Kids Edutainment, Mr. Ivan Chan, is also the founder of Promotional Partner Worldwide, recognised as one of the leading integrated promotional service suppliers as well as a top-notch licensing agency for global brands in Greater China. Haokaishi engages in the edutainment business, including (a) developing and operating edutainment programmes and/or courses for children using well-known global brand licenses; and (b) managing and operating centres with physical premises, initially in the PRC, to adopt, implement and promote the above edutainment programmes and/or courses. Haokaishi plans to cooperate with brands to develop child edutainment programmes and/or courses and offer year round experience with different learning topics for children from 0 to 12 years old in Haokaishi centres. Haokaishi built the Discovery Kids Curiosity Centre in cooperation with Discovery Channel, which was located in the Shenzhen Sea World (海上世界) and ran for several weeks in July 2015 to test some of the new course materials which it was developing. Haokaishi started trial operation of the first flagship edutainment centre in Shanghai in March 2016 and plans to officially launch it in mid 2016.

Establishment of Global Star Holdings Limited

During the year, the Group entered into an agreement with Eurostar Recreation Development Limited (“Eurostar”), through a wholly-owned subsidiary, Smartexp International Group Limited, to establish a company, Global Star Holdings Limited (“Global Star”). Global Star is 78% owned by the Group, 19% owned by Eurostar and 3% owned by an independent company. Eurostar and its management team possess extensive experience in organising large-scale entertainment projects and carnivals. Global Star engages in the business of organising and operating touring carnivals and other related businesses. Each touring carnival generally includes amusement rides, game booths, cultural entertainment, food and shopping. Global Star completed its first touring carnival event, the Tung Wah Charity Carnival, successfully in Hong Kong from 23 December 2015 to 28 March 2016, in co-operation with United Events Limited, an integrated entertainment company in Hong Kong. Part of the revenue will be donated to Tung Wah Group of Hospitals (東華三院) for its 145th anniversary celebration.

Acquisition of Nice Race Management Limited

Nice Race Management Limited (“Nice Race”) owns and primarily engages in the operation of a diversified full-service modern restaurant chain under the brand “Golden Jaguar (金錢豹)”. Since the acquisition by the Group in mid 2015, Nice Race has been in the process of revamping and improving the operations of the Golden Jaguar restaurants. This may affect the Group’s financial results adversely in the short run.

Management Discussion and Analysis

Golden Jaguar, opened in 2003 served more than two million customers and over 60,000 banquet tables in 2015. As at 31 December 2015, Nice Race operated 26 restaurants across 18 tier-1 and tier-2 cities in 15 provinces in the PRC, with six in Beijing and four in Shanghai. It had more than 2,600 employees as of 31 December 2015. With the reputable brand of Golden Jaguar in the PRC, its nation wide network of restaurants and its experienced management team, the Group believes that there is growth potential in the catering sector, and acquisition of Golden Jaguar restaurant chain complements our strategy, improves the Group's branding and network coverage in China, and increase the Group's cross-selling opportunities among its various businesses.

FINANCIAL REVIEW

Financial Results

For the financial year ended 31 December 2015, the Group recorded a consolidated net profit of approximately HK\$103.9 million as compared to the net profit of approximately HK\$117.8 million for the year ended 31 December 2014. The change on the results is mainly due to (i) increase in gross profit of approximately HK\$341.7 million; (ii) increase in other income of approximately HK\$63.4 million and (iii) decrease in finance cost of approximately HK\$27.1 million, which was offset by (i) increase in selling and marketing expenses of approximately HK\$219.2 million; (ii) increase in administrative expenses of approximately HK\$86.1 million; and (iii) decrease in fair value change on investment properties of approximately HK\$141.6 million.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2015, the authorised share capital of the Company was HK\$5,000.0 million divided into 25,000,000,000 shares of HK\$0.2 each and the issued share capital of the Company was approximately HK\$2,976.5 million divided into 14,882,378,468 shares of HK\$0.2 each.

As at 31 December 2015, the current assets and current liabilities of the Group were approximately HK\$11,438.4 million (2014: approximately HK\$9,120.5 million) and approximately HK\$8,234.3 million (2014: approximately HK\$4,844.2 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 1.39 times as at 31 December 2015, as compared to that of approximately 1.88 times as at 31 December 2014. The decrease in liquidity ratio was mainly due to the acquisition of Nice Race.

The Group's total assets and total liabilities as at 31 December 2015 amounted to approximately HK\$23,020.4 million (2014: approximately HK\$17,536.9 million) and approximately HK\$15,934.1 million (2014: approximately HK\$10,923.2 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.69 times as at 31 December 2015, as compared to that of approximately 0.62 times as at 31 December 2014.

Management Discussion and Analysis

The cash and bank deposits (including pledge bank deposits) as at 31 December 2015 was approximately HK\$3,089.3 million (2014: approximately HK\$1,418.0 million). The increase was mainly attributable to equity placements and new borrowings during the year ended 31 December 2015.

As at 31 December 2015, the net debt to equity ratio of the Group, expressed as a percentage of borrowings and long-term debts (including obligation under finance lease and convertible bonds) net of cash and bank deposits (including pledge bank deposits) over total equity, was approximately 100.6% (2014: approximately 78.9%). The increase in net debt to equity ratio was mainly due to the issuance of convertible bonds and new borrowings during the year ended 31 December 2015.

On 19 December 2014, the Company entered into a placing agreement, pursuant to which the Company issued two tranches of 6% senior bonds on 5 January 2015 and 29 January 2015, in a principal amount of HK\$130,000,000 and HK\$70,000,000, respectively (“2015 Senior Bonds I”). The two tranches of 2015 Senior Bonds I will become due on 5 January 2017 and 29 January 2017, respectively. The 2015 Senior Bonds I bear interest at a rate of 6% per annum, payable annually in arrears. The 2015 Senior Bonds I are unsecured and impose certain covenants on the Group, including maintenance of certain financial ratios and a net tangible worth.

On 30 January 2015, the Company entered into a placing agreement, pursuant to which the Company issued two tranches of 6% senior bonds on 6 February 2015 and 6 March 2015, in a principal amount of HK\$131,000,000 and HK\$69,000,000, respectively (“2015 Senior Bonds II”). The two tranches of 2015 Senior Bonds II will become due on 6 February 2017 and 6 March 2017, respectively. The 2015 Senior Bonds II bear interest at a rate of 6% per annum, payable annually in arrears. The 2015 Senior Bonds II are unsecured and impose certain covenants on the Group, including maintenance of certain financial ratios and a net tangible worth.

On 16 March 2015, a total of 40,000,000 share options were granted to certain eligible participants, all being employees of the Group with the exercise price of HK\$1.37 per share under the share option scheme adopted by the Company on 31 May 2013. The closing price per share on 16 March 2015 was HK\$1.37.

On 4 June 2015, the Company, Better Joint Venture Limited (“Better Joint”) and Quam Securities Company Limited and Haitong International Securities Company Limited as the joint placing agents entered into a placing agreement, pursuant to which the joint placing agents agreed to procure purchasers of not less than six placees who will be professional or other investor that are independent of and not connected persons of the Company and not will be associates of Better Joint, to purchase a maximum of 360,000,000 ordinary shares from Better Joint at a price of HK\$1.46 per share. On the same day, the Company and Better Joint entered into a subscription agreement, pursuant to which Better Joint agreed to subscribe for such number of ordinary shares that the joint placing agents actually placed at a price of HK\$1.46 per share. The closing price per share on 4 June 2015 was HK\$1.61. The Company issued 360,000,000 ordinary shares to Better Joint on 12 June 2015 pursuant to the subscription agreement. The placing provides an opportunity to raise capital for the Company whilst broadening the shareholder base and the capital base of the Company. The proceeds from such equity financing activities were fully utilised as pledge bank deposits for bank and other borrowings.

Management Discussion and Analysis

On 6 June 2015, the Group entered into a share purchase and subscription agreement with Grace Investment Limited (“Grace Investment”), BFT Acquisition Guernsey L.P. (“BFT”) and Nice Race, pursuant to which (i) BFT and Grace Investment agreed to transfer to the Group approximately 99.9999% of the issued share capital of Nice Race at a consideration of HK\$253,410,000, which was satisfied by a sum of HK\$12,670,000 paid in cash to Grace Investment, and exchangeable and convertible bonds (“2015 Convertible Bonds I”) issued by the Company in the aggregate principal amount of HK\$240,740,000 in favour of BFT; and (ii) the Group agreed to subscribe for 15,612,350,020 new ordinary shares of Nice Race at a consideration of US\$33,997,000. The Group acquired the remaining share capital of Nice Race in October 2015 and currently own 100% of the share capital of Nice Race. Nice Race owns and primarily engages in the operation of a diversified full service modern restaurant chain under the brand of “Golden Jaguar (金錢豹)”. The 2015 Convertible Bonds I was issued on 17 June 2015 with an initial conversion price of HK\$1.55 per share, which has been adjusted to HK\$1.26 per share. Based on the adjusted conversion price of HK\$1.26, a maximum number of 191,063,492 new shares will be allotted and issued upon the exercise in full of the conversion rights attaching to the 2015 Convertible Bonds I. Details of the terms of the 2015 Convertible Bonds I are set out in the circulars of the Company dated 29 June 2015 and 4 November 2015.

On 8 June 2015, 137,788,840 share options were granted to Mr. Leung Wing Cheong Eric, the Chief Executive Officer and an executive Director with the exercise price of HK\$1.596 per share under the share option scheme adopted by the Company on 31 May 2013. The closing price per share on 8 June 2015 was HK\$1.450.

On 15 June 2015, the Company entered into a placing agreement, pursuant to which the Company issued 6% senior bonds in July 2015 and August 2015, in a principal amount of HK\$4,000,000 and HK\$10,000,000, respectively (“2015 Bonds”). The 2015 Bonds in a principal amount of HK\$4,000,000 will become due in August 2019. The 2015 Bonds in a principal amount of HK\$10,000,000 will become due in January and February 2023. The 2015 Bonds bear interest at a rate of 6% per annum, payable annually on 31 May and on the maturity date. The 2015 Bonds are unsecured and unsubordinated, and rank at least equally with all our other unsecured and unsubordinated obligations.

On 3 July 2015, the Company, as issuer, entered into a placing agreement, pursuant to which the Company has conditionally agreed to issue to investors the convertible bonds in the principal amount of up to US\$200,000,000 (or up to US\$300,000,000 if the option is exercised) at the initial conversion price of HK\$1.39 per share, which has been amended to HK\$1.26 per share (“2015 Convertible Bonds II”). The Company had completed the issuance of 2015 Convertible Bonds II with an aggregate principal amount of US\$285,000,000. The 2015 Convertible Bonds II bear interest at a rate of 8% per annum, payable semi-annually in arrears. Based on the conversion price of the 2015 Convertible Bonds II of HK\$1.26 per share, 1,754,107,141 new shares will be allotted and issued upon conversion in full of the 2015 Convertible Bonds II. The 2015 Convertible Bonds II are secured by certain of the Group’s subsidiaries and impose certain covenants on the Group, including maintenance of certain financial ratios and net assets. The Group intended to apply the net proceeds for general corporate purpose. The actual use of proceeds from such fund raising activities were used (i) as pledge bank deposits for bank and other borrowings of approximately US\$153.1 million; (ii) as investment in securities and project investments of approximately US\$70.7 million; (iii) for interest payments of borrowings of approximately US\$6.0 million and (iv) for corporate operating expenses of approximately US\$3.8 million.

On 26 November 2015, the Company entered into a credit facility agreement pursuant to which Haitong International Securities Company Limited granted us a credit facility of not exceeding HK\$100,000,000. The facility bears interest at HSBC prime rate plus 5% per annum, secured by certain listed securities held by the Group and guaranteed by the Chairman and an executive Director, Mr. King Pak Fu.

Management Discussion and Analysis

On 2 December 2015, 371,747,211 ordinary shares were issued upon conversion of the HK\$1,500 million convertible bonds due December 2016 (“2011 Convertible Bonds”) in an amount of HK\$100,000,000 at a conversion price of HK\$0.269 per share.

On 8 December 2015, 371,747,211 ordinary shares were issued upon conversion of the 2011 Convertible Bonds in an amount of HK\$100,000,000 at a conversion price of HK\$0.269 per share.

During the year, certain of the Group’s PRC subsidiaries entered into financing agreements including security agreements with various PRC banks and financial institutions. These loans have original terms ranging from 12 months to 36 months and secured by pledge bank deposits of the Group. Moreover, on 31 December 2015, one of the Group’s PRC subsidiaries has extended the existing borrowing of RMB3.1 billion by 18 months, which will be matured in December 2017.

FOREIGN EXCHANGE EXPOSURE

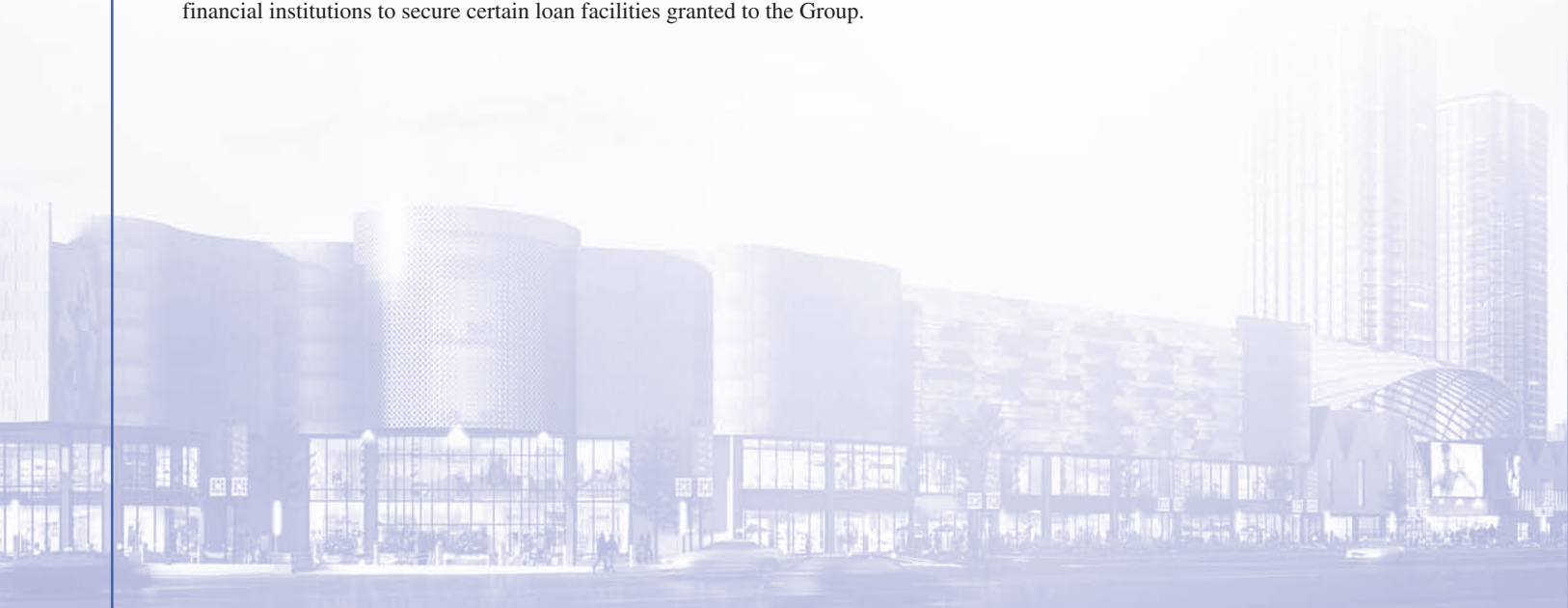
Substantially all of the Group’s sales and operating costs are denominated in the functional currency of each individual group entity i.e. Renminbi and Hong Kong dollar. As at 31 December 2015, except for the borrowings of RMB500 million by the Company are denominated in Renminbi and the borrowing of US\$285 million by the Company are denominated in United States Dollar, other borrowings or share placements denominated in the functional currency of each individual group entity. Accordingly, the Directors consider that the currency risk is low to moderate. The Group currently does not have a formal currency hedging policy in relation to currency risk. The Directors monitor the Group’s exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no material contingent liabilities.

CHARGES ON THE GROUP’S ASSETS

As at 31 December 2015, the Group’s certain land-use rights, properties, bank deposits and equity securities listed in Hong Kong of approximately HK\$17,064.0 million (2014: approximately HK\$13,371.6 million) were pledged to banks and other financial institutions to secure certain loan facilities granted to the Group.



Management Discussion and Analysis

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had 3,013 employees (31 December 2014: 284 employees). The employees of the Group are remunerated in accordance with their working experience and performance, and their salaries and benefits are kept at market level. For the year ended 31 December 2015, the total staff costs of the Group were approximately HK\$233.6 million (2014: approximately HK\$115.6 million), representing an increase of approximately HK\$118.0 million over the corresponding year of 2014. The increase in staff cost was mainly due to the new business acquired during the year.

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	179,335	84,330
Equity settled share-based payment	38,526	27,487
Contributions to retirement benefit schemes	15,768	3,765
Total employee benefits expenses	233,629	115,582

DIVIDEND

The Board resolved not to recommend any dividend for the year ended 31 December 2015 (2014: Nil).

EVENT AFTER THE REPORTING PERIOD

On 15 March 2016, the Company entered into a subscription agreement with, among others, AMTD Asset Management Limited, Haitong International Securities Company Limited, Quam Securities Company Limited and CCB International Capital Limited as joint global coordinators and joint bookrunners in connection with the issue of US\$180,000,000 8% listed senior bonds due 2019 ("Senior Bonds"). The issue of the Senior Bonds was completed on 22 March 2016.

The Senior Bonds was permitted for listing and dealing on 23 March 2016.

Further details regarding the issue of the Senior Bonds have been set out in the announcements of the Company dated 3 March 2016, 16 March 2016 and 23 March 2016.

PROSPECTS

The Directors believe that the Company is the only listed company with a diverse portfolio of theme-based leisure and consumption businesses that include theme parks, hotels, outlet shopping for international premium brands, dining, conference and exhibition centres, leisure, entertainment, edutainment and recreational facilities in China. The Group aims to promote the concept of themed experiential leisure and travel by providing customers with a one-stop experience encompassing different distinctive themes to capture the opportunities brought about by the increasing affluence and spending power unleashed by the fast growing middle class in PRC and the rapidly growing tourism market in PRC and overseas. Meanwhile, the Group is actively diversifying its business into other sectors, including edutainment and restaurant operation, which the Group believes complement its existing business, further expand our customer base and diversify its future sources of revenue.

Management Discussion and Analysis

Tourism and leisure consumption has become two of the pillar industries which are driving structural transformation of the Chinese economy and are backed by strong support from the Chinese government in terms of policies and infrastructure development. In recent years, the tourism industry in China has experienced robust growth and showed significant upside potential. According to the PRC National Bureau of Statistics, the total number of domestic tourist visits reached over 3.6 billion in 2014, having grown at a CAGR of 14.5% from 2010 to 2014. Total domestic tourism revenue has grown at an even faster pace, reaching over RMB3.0 trillion in 2014, having grown at a CAGR of 24.6% from 2010 to 2014. The Group believes that it is well positioned to capitalise on the PRC's burgeoning middle-class with increasing disposable incomes and greater willingness to spend time and money on leisure activities, both in the growing domestic tourism market in the PRC and selected overseas destinations.

The Group's flagship project, Rio Carnival (Qingdao), which is currently under development and soon to open, is located in the Phoenix Island Tourist Resort Zone in Huangdao District, Qingdao city, Shandong province in the PRC and occupies an aggregate site area of approximately 348,900 sq.m. with a total GFA of approximately 800,000 sq.m.. The Directors believe that Rio Carnival (Qingdao) will be the first large-scale integrated commercial, residential and tourism complex of its kind in the PRC. It will include indoor and outdoor underwater ocean exploration theme parks, an upscale family-oriented hotel and a luxury hotel, an international premium brand outlet shopping mall, themed-street restaurant dining, a conference centre, a performance square for performances, concerts, sports matches and parades, and an entertainment complex featuring a large screen multiplex cinema, a karaoke establishment, electronic games parlour, medical beauty, Lego school, and an indoor skating rink. It is the Group's aim for Rio Carnival (Qingdao) to become one of the PRC's premier tourist destinations. The project commenced development in early 2010, commenced operations in May 2015 and will open in phases in-2016. As part of its business model, the Group also develops and sells high-end coastal residential properties adjacent to its theme park, outlet malls and hotels in Rio Carnival (Qingdao). The Group is continually exploring opportunities for further development of its current projects, as well as searching for potential new and existing integrated tourism, hospitality and retail investment and development projects in the PRC and selected overseas destinations, either as sole developer or joint developer with strategic partners.

The Group has successfully tapped the capital markets and expanded its funding sources not only from bank loans, but also by issuing its debut HK\$200 million bonds in January 2015, another HK\$200 million bonds in February 2015 and March 2015 and US\$285 million convertible bonds in July 2015 to September 2015 and US\$180 million senior bonds in March 2016, respectively. The Directors plan to continue to reduce the Group's funding costs in 2016 by reducing and/or refinancing higher interest rate bank loans with lower interest rate bonds and/or bank loans.

The Group's senior management and operational team, comprising an international mix of seasoned professionals from the PRC, Hong Kong, Taiwan, Malaysia and the United Kingdom, has extensive experience in management and operations in their relevant fields spanning a number of industry sectors, including project development and management, operations, finance, banking and retail. The Directors believe that the Group can leverage on the experience of such a management composition to further develop and grow its business in a most effective manner. In summary, the Directors believe that the Group is well positioned to capitalise on the growing tourism market and consumption trends, both domestically (i.e. Qingdao), and in selected overseas destinations (i.e. Taiwan), because the Group has a capable and experienced management and operational team, supportive partners and strengthened financial resources to execute its experiential consumption, life style and tourism business model and strategic development plan.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Directors, the Company was in compliance with the relevant code provisions set out in the CG Code during the year ended 31 December 2015.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

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

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

Executive Directors

King Pak Fu (*Chairman*)

Leung Wing Cheong Eric (*Chief Executive Officer*)

Gong Xiao Cheng

Independent Non-executive Directors

Chan Wai Cheung Admiral

Lie Chi Wing

Hu Gin Ing

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

Corporate Governance Report

Directors' Training

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

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2015 to the Company.

The individual training record of each Director received for the year ended 31 December 2015 is summarised below:

Name of Directors	Attending or participating in seminars/reading materials relevant to the director's duties
<i>Executive Directors</i>	
Mr. King Pak Fu (<i>Chairman</i>)	✓
Mr. Leung Wing Cheong Eric (<i>Chief Executive Officer</i>)	✓
Mr. Gong Xiao Cheng	✓
<i>Independent Non-executive Directors</i>	
Mr. Chan Wai Cheung Admiral	✓
Mr. Lie Chi Wing	✓
Ms. Hu Gin Ing	✓

Chairman and Chief Executive Officer

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

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

Corporate Governance Report

Non-executive Directors

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

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

Board Diversity Policy

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

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

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

Board Meetings

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

During the year ended 31 December 2015, the Board held 11 meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Corporate Governance Report

Name of Directors	Number of attendance
<i>Executive Directors</i>	
Mr. King Pak Fu (<i>Chairman</i>)	3/11
Mr. Leung Wing Cheong Eric (<i>Chief Executive Officer</i>)	11/11
Mr. Gong Xiao Cheng	9/11
<i>Independent Non-executive Directors</i>	
Mr. Chan Wai Cheung Admiral	10/11
Mr. Lie Chi Wing ^(Note 1)	8/9
Ms. Hu Gin Ing	9/11
Ms. Pan Wei-Kang ^(Note 2)	2/2

Notes:

1. Mr. Lie Chi Wing was appointed as an independent non-executive Director on 5 February 2015, 9 Board meetings were held after his appointment.
2. Ms. Pan Wei-Kang resigned on 5 February 2015, 2 Board meetings were held before her resignation.

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

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

General Meetings

During the year ended 31 December 2015, 2 general meetings, being 2015 annual general meeting held on 28 April 2015 and the special general meeting held on 20 November 2015.

Name of Directors	Number of attendance
<i>Executive Directors</i>	
Mr. King Pak Fu (<i>Chairman</i>)	0/2
Mr. Leung Wing Cheong Eric (<i>Chief Executive Officer</i>)	2/2
Mr. Gong Xiao Cheng	0/2
<i>Independent Non-executive Directors</i>	
Mr. Chan Wai Cheung Admiral	2/2
Mr. Lie Chi Wing ^(Note 1)	1/2
Ms. Hu Gin Ing	2/2
Ms. Pan Wei-Kang ^(Note 2)	N/A

Corporate Governance Report

Notes:

1. Mr. Lie Chi Wing was appointed as an independent non-executive Director on 5 February 2015, 2 general meetings were held after his appointment.
2. Ms. Pan Wei-Kang resigned on 5 February 2015, no general meeting was held before her resignation.

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

NOMINATION COMMITTEE

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

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

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

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

During the year ended 31 December 2015, the Nomination Committee held 1 meeting for assessing the independence of the independent non-executive Directors; considering the re-election of Directors; and reviewing the structure, size and diversity of the Board.

Name of Members	Number of attendance
Mr. Chan Wai Cheung Admiral (<i>chairman</i>)	1/1
Ms. Hu Gin Ing	1/1
Mr. Gong Xiao Cheng	1/1

Apart from the meeting held for the above, the Nomination Committee by passing of written resolutions made recommendation to the Board on the appointment of Director.

Corporate Governance Report

REMUNERATION COMMITTEE

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

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

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

During the year ended 31 December 2015, the Remuneration Committee held 1 meeting for reviewing the remuneration packages of the Directors.

Name of Members	Number of attendance
Mr. Chan Wai Cheung Admiral (<i>chairman</i>)	1/1
Mr. Lie Chi Wing ^(Note 1)	1/1
Ms. Hu Gin Ing	1/1
Ms. Pan Wei-Kang ^(Note 2)	N/A

Notes:

1. Mr. Lie Chi Wing was appointed as a member on 5 February 2015, 1 meeting was held after his appointment.
2. Ms. Pan Wei-Kang ceased as a member on 5 February 2015, no meeting was held before her cessation.

Apart from the meeting held for the above, the Remuneration Committee also by way of written resolutions made recommendation to the Board on the proposed remuneration of new Director, and adjustment proposal regarding adjustment of remuneration of an executive Director based on the performance of such Director.

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in notes 11 and 12 to the consolidated financial statements.

Corporate Governance Report

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 9 November 1999 which was revised on 29 December 2015 to be in line with the CG Code and currently consists of three independent non-executive Directors, namely Mr. Chan Wai Cheung Admiral (as chairman), Mr. Lie Chi Wing and Ms. Hu Gin Ing. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company.

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

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

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

During the year ended 31 December 2015, the Audit Committee held 2 meetings.

Name of Members	Number of attendance
Mr. Chan Wai Cheung Admiral (<i>chairman</i>)	2/2
Mr. Lie Chi Wing ^(Note 1)	2/2
Ms. Hu Gin Ing	2/2
Ms. Pan Wei-Kang ^(Note 2)	N/A

Notes:

1. Mr. Lie Chi Wing was appointed as a member on 5 February 2015, 2 meetings were held after his appointment.
2. Ms. Pan Wei-Kang ceased as a member on 5 February 2015, no meeting was held before her cessation.

During the year ended 31 December 2015, the Audit Committee reviewed, among others, the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

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

Corporate Governance Report

The accounts for the year ended 31 December 2015 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company (“2016 AGM”). The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the 2016 AGM.

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions are performed by the Board.

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

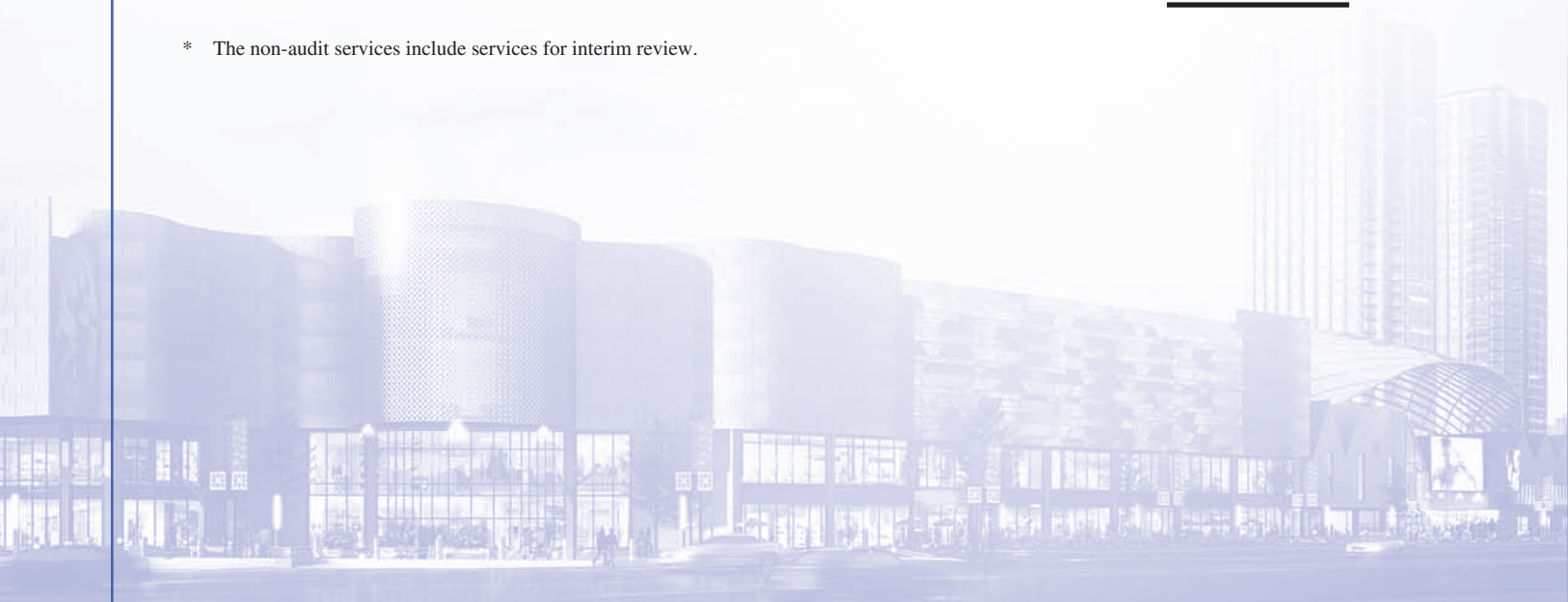
During the financial year ended 31 December 2015, the Board held 1 meeting for reviewing the training and continuous professional development of Directors and senior management, reviewing the Company’s compliance with the CG Code and reviewing the Company’s disclosure in Corporation Governance Report.

AUDITORS’ REMUNERATION

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

Services rendered	Fee paid/payable HK\$’000
Audit services	2,180
Non-audit services*	200
	<hr/>
Total:	2,380
	<hr/>

* The non-audit services include services for interim review.



Corporate Governance Report

JOINT COMPANY SECRETARIES

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

Ms. Chan Yuen Ying, Stella (“Ms. Chan”), the representative of Uni-1, was appointed as one of the joint company secretaries of the Company.

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

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2015.

On 1 March 2016, Ms. Li Jing, the general manager of capital markets of the Company, was appointed as a joint company secretary of the Company.

SHAREHOLDERS’ RIGHTS

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

Shareholders to convene a special general meeting

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

Putting enquiries by shareholders to the Board

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



Corporate Governance Report

Procedures for putting forward proposals by shareholders at shareholders' meeting

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

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

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

- (a) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and
- (b) any other requisition, not less than one week before the meeting.

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

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2016 AGM will be vote by poll.

INVESTOR RELATIONS

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

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

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2015, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

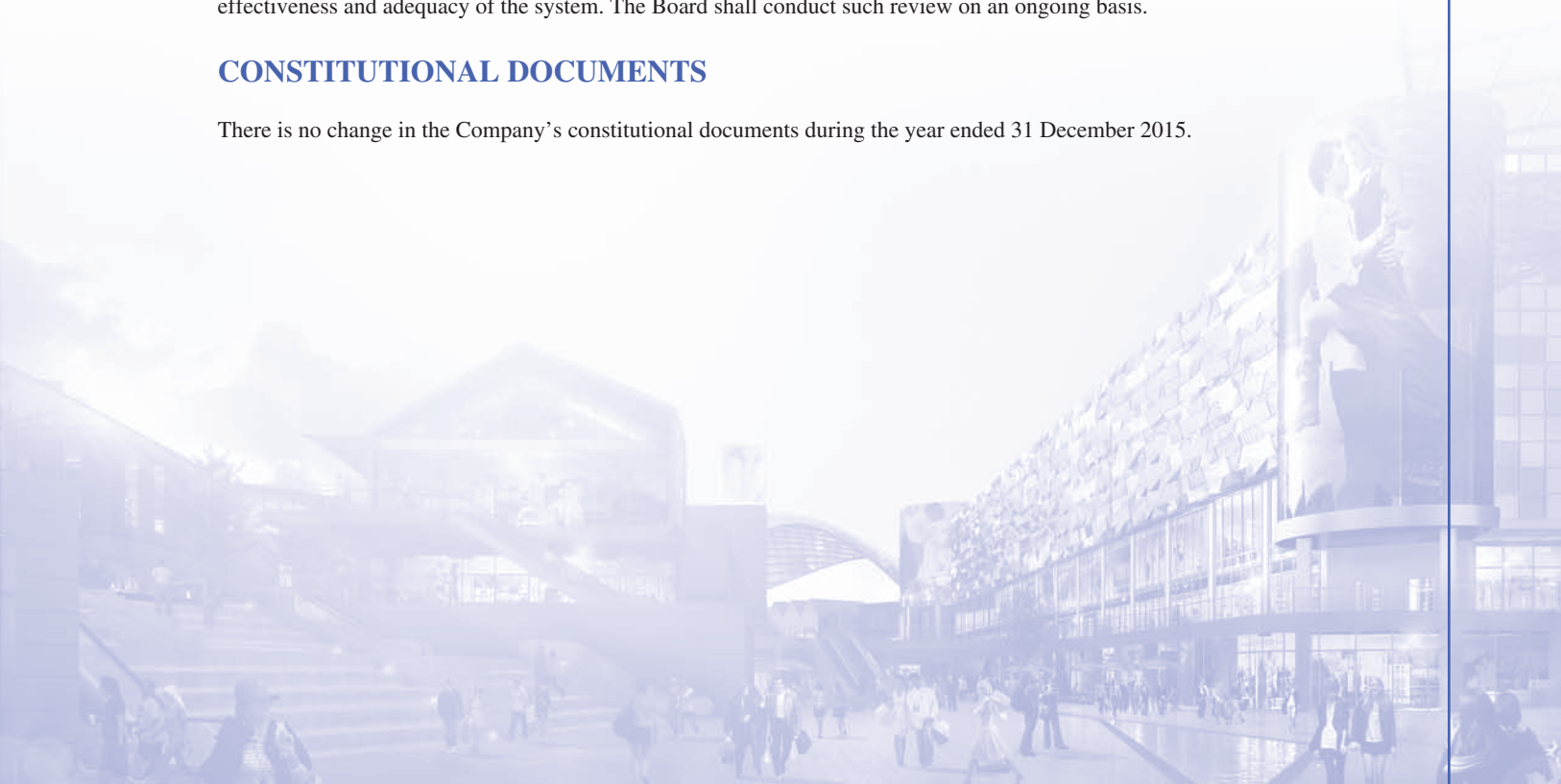
INTERNAL CONTROL

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

During the year ended 31 December 2015, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review on an ongoing basis.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year ended 31 December 2015.



Directors' Report

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in Note 1 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the section headed "Management Discussion and Analysis" on pages 7 to 14 of this annual report.

Principal Risks and Uncertainties

– PRC economic, political and social conditions, as well as government policies

The PRC economy differs from the economies of most of the developed countries in many respects, including the extent of government involvement, level of development, growth rate, uniformity in the implementation and enforcement of laws control of foreign exchange content and control over capital investment and allocation of resources.

The PRC economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. The changes in PRC economic, political or social conditions and in PRC laws, regulations and policies may affect our current or future business, cash flow, financial condition and results of operations.

– Seasonality

The tourism and hospitality industries are inherently seasonal, whereby sales and revenue tend to increase during holiday periods and decrease during off-peak periods. Our operations may expose us to seasonal fluctuations in visitors' attendance and revenue. Further, revenue from sales of property may vary significantly from period to period depending on, among other things, the timing of the sale of our properties.

Environmental Policy and Performance

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimise our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

Directors' Report

Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

Key Relationships with Employees, Customers and Suppliers

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees.

The Group maintains a good relationship with our customers and suppliers. The Group aims to continue providing quality services and consumption experiences to our customers and establishing cooperation strategy with our suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 37 to 38.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

CHARITABLE DONATIONS

During the year ended 31 December 2015, the Group made HK\$50,000 charitable donations (2014: HK\$Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the 2016 AGM to be held on Thursday, 2 June 2016, the register of members of the Company will be closed from Wednesday, 1 June 2016 to Thursday, 2 June 2016, both days inclusive, during the period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 31 May 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2015 in the property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

Directors' Report

INVESTMENT PROPERTIES

Details of the movements during the year ended 31 December 2015 in the investment properties of the Group are set out in Note 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2015, the aggregate amount of reserves available for distribution to equity holders of the Company was approximately HK\$9,404,000 (2014: approximately HK\$9,404,000).

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 142 of this report.

Directors' Report

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

In accordance with Bye-law 111 of the Bye-Laws, Ms. Hu Gin Ing shall retire from office as Director by rotation and, being eligible, offer herself for re-election at the 2016 AGM.

DIRECTORS' SERVICE CONTRACTS

Mr. King Pak Fu entered into a service contract with the Company on 10 September 2012 for a term of three years commencing from 10 September 2012. He entered into a new service contract with the Company on 4 November 2015 with retrospective effect from 1 August 2015 with no specific term unless terminated by either party by giving 3 months' advance notice to the other.

Mr. Gong Xiao Cheng entered in to a service contract with the Company on 7 March 2012 with no fixed term of service.

Mr. Leung Wing Cheong Eric entered into a service contract with the Company on 26 May 2014 for a term of three years commencing from 26 May 2014.

Mr. Chan Wai Cheung Admiral signed an appointment letter issued by the Company on 10 December 2014 for an initial term of one year commencing on 10 December 2014, which was automatically renewable for successive term of one year upon the expiry of the said term.

Mr. Lie Chi Wing signed an appointment letter issued by the Company on 5 February 2015 for an initial term of one year commencing on 5 February 2015, which was automatically renewable for successive term of one year upon the expiry of the said term.

Ms. Hu Gin Ing signed an appointment letter issued by the Company on 16 December 2013 for an initial term of one year commencing on 16 December 2013, which was automatically renewable for successive term of one year upon the expiry of the said term, and expired on 16 December 2015. Ms. Hu further signed an appointment letter issued by the Company on 16 December 2015 for an initial term of one year commencing on 16 December 2015, which is automatically renewable for successive term of one year upon expiry of the said term.

None of the Directors who are proposed for re-election at the 2016 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Report

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the share options granted under the Share Option Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

Name of Directors	Capacity	Long position/ Short position	Ordinary shares (no. of shares)	Derivative shares (no. of shares)	Total number of shares held	Approximate percentage of the issued share capital of the Company	Notes
Mr. King Pak Fu ("Mr. King")	Interest of controlled corporations	Long position	10,630,478,614	–	10,630,478,614	71.43	1
	Interest of controlled corporations	Short position	–	150,000,000	150,000,000	1.01	2
Mr. Leung Wing Cheong Eric ("Mr. Leung")	Beneficial owner	Long position	–	266,927,680	266,927,680	1.79	3

Notes:

- (i) 6,188,026,998 ordinary shares are held through Better Joint Venture Limited ("Better Joint"), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King; (ii) 1,295,038,846 ordinary shares are held through Glory Merit International Holdings Limited ("Glory Merit"), a company incorporated in the British Virgin Islands with limited liability which is beneficially owned as to 99% by Mr. King; (iii) 2,031,482,970 ordinary shares are held through Elite Mile Investments Limited ("Elite Mile"), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King; (iv) 1,115,929,800 shares are held through Sino Wealthy Limited ("Sino Wealthy"), a company which is wholly-owned by Bremwood Holdings Limited ("Bremwood Holdings"), which is in turn wholly-owned by Gauteng Focus Limited ("Gauteng Focus"), which is in turn wholly-owned by Rentian Technology Holdings Limited ("Rentian Technology"), a company which is held as to 62.89% by Mystery Idea Limited ("Mystery Idea"), a company wholly-owned by Mr. King.
- These 150,000,000 derivative shares are held through Sino Wealthy.
- These 266,927,680 derivative shares are derived from the interest in 266,927,680 share options granted by the Company to Mr. Leung exercisable into 266,927,680 ordinary shares of the Company.

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2015.

Directors' Report

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name	Capacity	Long position/ short position	Ordinary shares (no. of shares)	Derivative shares (no. of shares)	Total number of shares held	Approximate percentage of the issued share capital of the Company	Notes
Better Joint	Beneficial owner	Long position	6,188,026,998	–	6,188,026,998	41.58	1
Glory Merit	Beneficial owner	Long position	1,295,038,846	–	1,295,038,846	8.70	2
Elite Mile	Beneficial owner	Long position	2,031,482,970	–	2,031,482,970	13.65	3
Sino Wealthy	Beneficial owner	Long position	1,115,929,800	–	1,115,929,800	7.50	4
	Beneficial owner	Short position	–	150,000,000	150,000,000	1.01	4

Notes:

1. Better Joint is the legal and beneficial owner of 6,188,026,998 ordinary shares. Better Joint is wholly and beneficially owned by Mr. King. By virtue of the SFO, Mr. King is deemed to be interested in those shares held by Better Joint.
2. Glory Merit is the legal and beneficial owner of 1,295,038,846 ordinary shares of the Company. Glory Merit is beneficially owned as to 99% by Mr. King. By virtue of the SFO, Mr. King is deemed to be interested in those shares held by Glory Merit.
3. Elite Mile is the legal and beneficial owner of 2,031,482,970 ordinary shares of the Company. Elite Mile is wholly and beneficially owned by Mr. King. By virtue of the SFO, Mr. King is deemed to be interested in those shares held by Elite Mile.
4. Sino Wealthy is the legal and beneficial owner of 1,115,929,800 ordinary shares and 150,000,000 derivative shares of the Company. Sino Wealthy is wholly-owned by Bremwood Holdings, which is in turn wholly-owned by Gauteng Focus, which is in turn wholly-owned by Rentian Technology, a company which is held as to 62.89% by Mystery Idea, which in turn is wholly-owned by Mr. King. By virtue of the SFO, Mr. King is deemed to be interested in those shares held by Sino Wealthy.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2015.

Directors' Report

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2015.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") at the annual general meeting of the Company held on 31 May 2013. Pursuant to the Share Option Scheme, the Board may at its discretion offer options to any eligible participants including, but not limited to any person being an employee, executive directors, or nonexecutive directors (including independent non-executive directors) of the Group or any invested entity and any supplier, adviser or consultant to any area of business or business development of any member of the Group or any invested entity.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme (after considering the share options already granted under the Share Option Scheme) is 892,960,724, representing approximately 6.00% of the shares in issue as at the date of this annual report.

Details of the Company's share option scheme are set out in Note 38 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as those disclosed in the sections headed "Share Option Scheme" in this Directors' Report and "Capital Structure, Liquidity and Financial Resources" in the Management Discussion and Analysis, no other equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2015.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2015 are set out in Note 45 to the consolidated financial statements.



Directors' Report

BORROWINGS

Particulars of loans of the Group as at 31 December 2015 are set out in Note 30 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Contracts with the Group's five largest suppliers combined by value, accounted for 34.6% in value of total purchases during the year ended 31 December 2015, while contracts with the Group's largest supplier by value, accounted for 14.5% in value of total purchases during the year ended 31 December 2015. Contracts with the Group's five largest customers aggregated accounted for less than 30% of the Group's sales during the year ended 31 December 2015.

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

EMOLUMENT POLICY

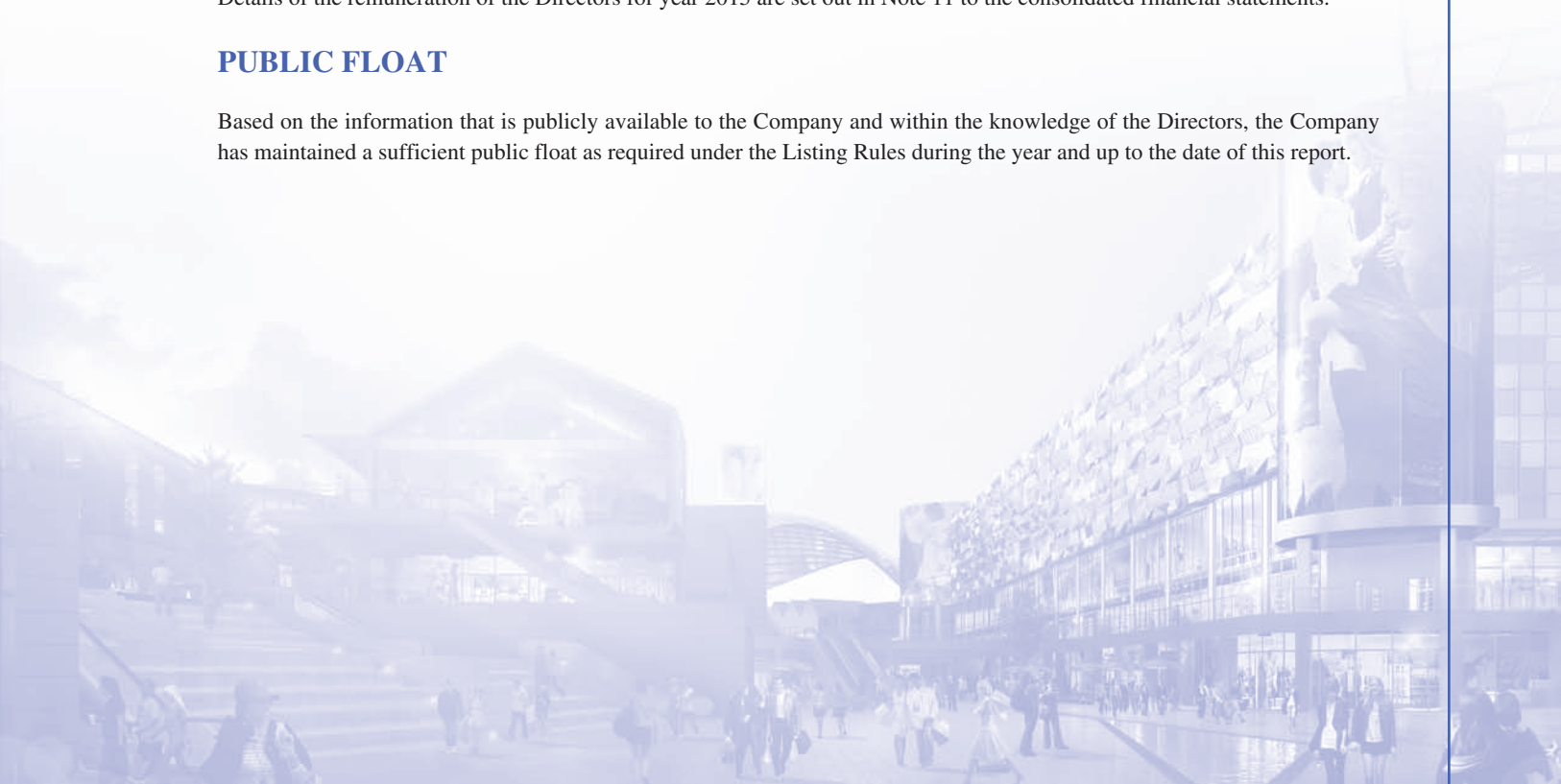
The emolument policy for the employees of the Group is set up on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. Details of the Company's share option scheme are set out in Note 38 to the consolidated financial statements. Details of the Group's retirement benefit plans are set out in Note 39 to the consolidated financial statements.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year 2015 are set out in Note 11 to the consolidated financial statements.

PUBLIC FLOAT

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



Directors' Report

AUDIT COMMITTEE

The Company established an Audit Committee on 9 November 1999 with written terms of reference, which was revised on 29 December 2015 to be in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting system and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, Mr. Chan Wai Cheung Admiral (as chairman), Mr. Lie Chi Wing and Ms. Hu Gin Ing. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2015.

AUDITORS

The accounts for the years ended 31 December 2013, 2014 and 2015 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the conclusion of the 2016 AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company for the subsequent year is to be proposed at the 2016 AGM.

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

Hong Kong, 31 March 2016



Independent Auditors' Report



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

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

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

We have audited the consolidated financial statements of Carnival Group International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 37 to 140, which comprise the consolidated statements of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hui Chun Keung, David

Practising Certificate Number: P05447

Hong Kong, 31 March 2016



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	5	1,146,888	1,412,857
Cost of sales		(555,786)	(1,163,504)
Gross profit		591,102	249,353
Other income	7	81,748	18,367
Selling and marketing expenses		(256,128)	(36,968)
Administrative expenses		(251,521)	(165,442)
Fair value change on financial liabilities at fair value through profit or loss	32	(17,160)	–
Fair value change on investment properties	17	19,452	161,082
Loss on disposal of available for sale investment		(7,061)	–
Gain on bargain purchase	34	–	4,407
Share of loss of an associate	15	(5,826)	(5,843)
Finance costs	8	(58,878)	(85,970)
Profit before tax		95,728	138,986
Income tax credit/(expense)	9	8,162	(21,163)
Profit for the year	10	103,890	117,823
Other comprehensive expense, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of exchange differences of an associate	15	(5,193)	(721)
Exchange differences on translating of foreign operations		(394,005)	(42,070)
Other comprehensive expense for the year, net of income tax		(399,198)	(42,791)
Total comprehensive (expense)/income for the year		(295,308)	75,032

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		120,453	43,018
Non-controlling interests		(16,563)	74,805
		103,890	117,823
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(167,172)	7,698
Non-controlling interests		(128,136)	67,334
		(295,308)	75,032
Earnings per share			
–Basic and diluted (HK cents per share)	14	0.86	0.33



Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	16	5,976,349	4,115,332
Investment properties	17	4,420,271	4,203,210
Interests in an associate	15	86,824	97,843
Long-term rental deposit	23	21,045	–
Other intangible assets	18	206,931	–
Goodwill	19	870,169	–
Deferred tax assets	31	444	–
		11,582,033	8,416,385
Current assets			
Inventories	21	4,294,048	4,953,942
Trade receivables	22	85,296	48,973
Prepayments, deposits and other receivables	23	3,230,480	2,699,627
Financial assets at fair value through profit or loss	20	739,238	–
Pledge bank deposits	24	2,371,305	107,418
Cash and cash equivalents	24	717,989	1,310,561
		11,438,356	9,120,521
Total assets		23,020,389	17,536,906
Current liabilities			
Trade payables	25	1,756,995	1,437,145
Deposits from customers	26	1,489,697	207,067
Accrued liabilities and other payables	26	563,858	510,800
Amounts due to non-controlling interests	27	60,076	429,990
Amount due to related companies	27	16,890	66,852
Obligation under finance lease	29	323	311
Current tax liabilities		39,868	3,215
Borrowings – current portions	30	4,217,140	2,188,803
Provisions	33	89,433	–
		8,234,280	4,844,183
Net current assets		3,204,076	4,276,338
Total assets less current liabilities		14,786,109	12,692,723

Consolidated Statement of Financial Position

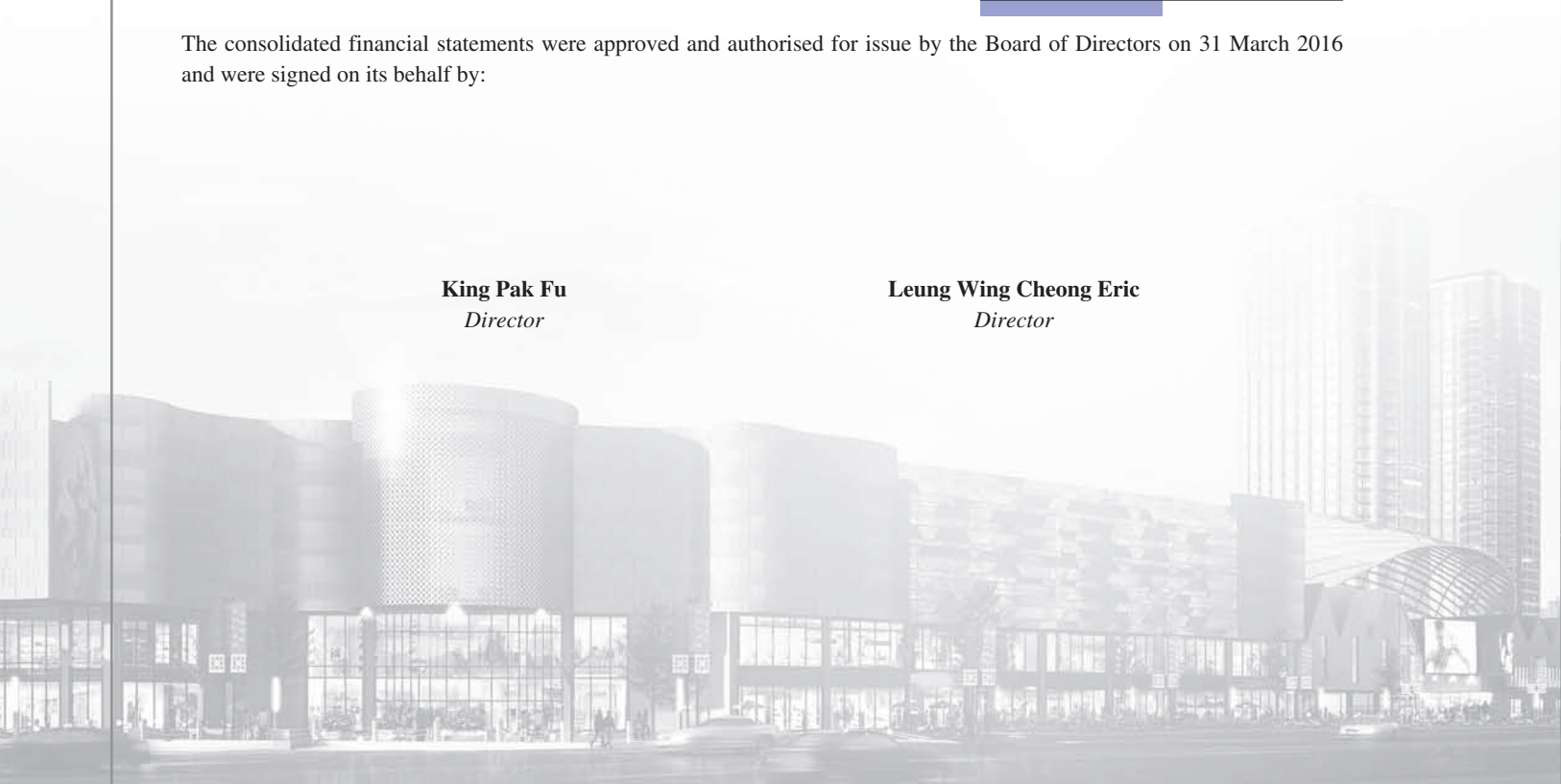
At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Capital and reserves			
Share capital	28	2,976,476	2,755,777
Share premium and reserves		2,215,652	1,835,622
Equity attributable to owners of the Company		5,192,128	4,591,399
Non-controlling interests		1,894,168	2,022,304
Total equity		7,086,296	6,613,703
Non-current liabilities			
Deferred income	26	80,786	–
Long-term payable	26	89,533	–
Borrowings	30	3,507,061	4,296,671
Obligation under finance lease	29	681	1,003
Deferred tax liabilities	31	1,529,191	1,633,847
Convertible bonds	32	2,492,561	147,499
		7,699,813	6,079,020
		14,786,109	12,692,723

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2016 and were signed on its behalf by:

King Pak Fu
Director

Leung Wing Cheong Eric
Director



Consolidated Statement of Changes in Equity

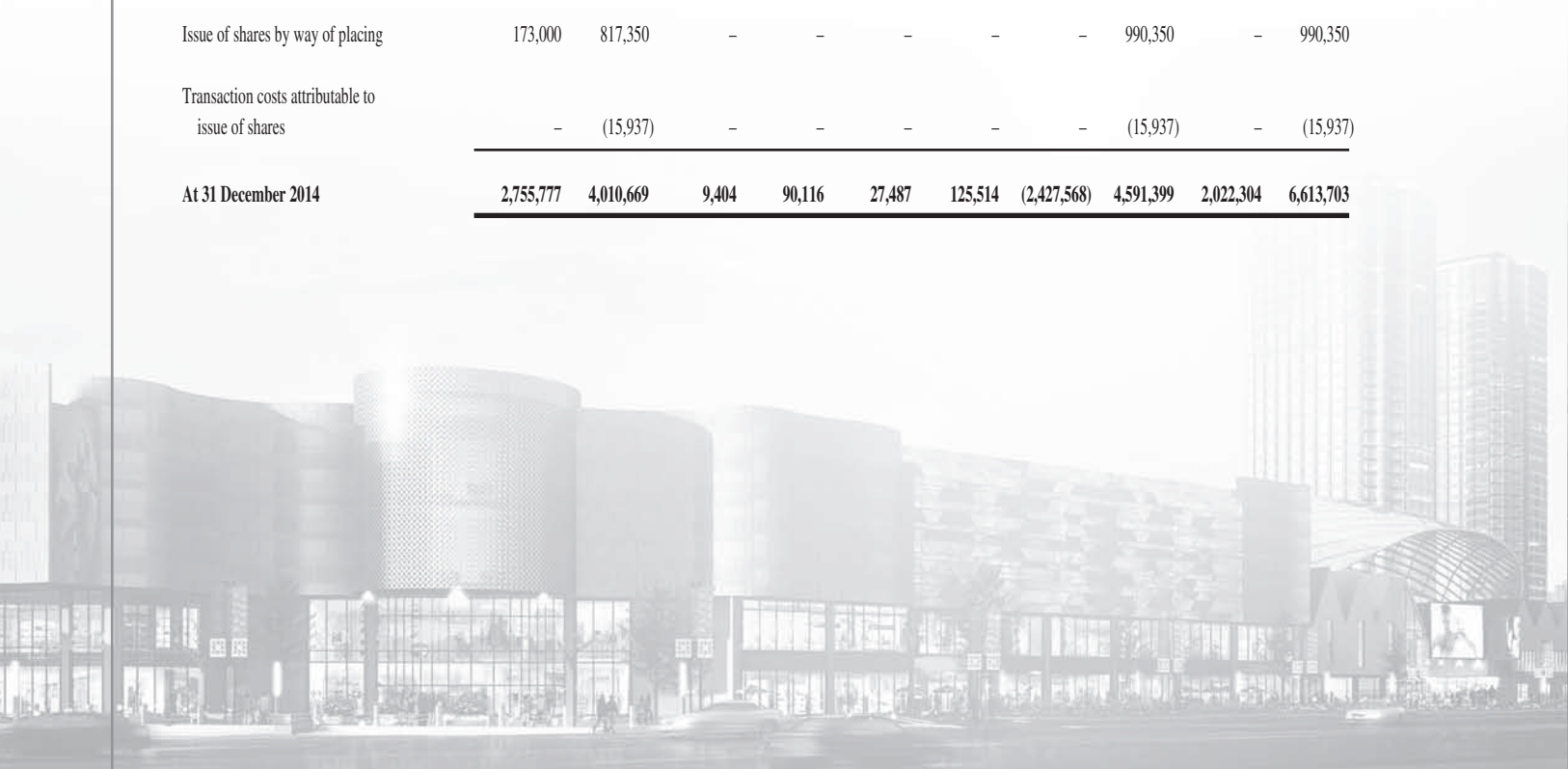
For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Convertible bonds equity reserve	Share options reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		Note (a)	Note (b)(c)							
At 1 January 2015	2,755,777	4,010,669	9,404	90,116	27,487	125,514	(2,427,568)	4,591,399	2,022,304	6,613,703
Profit for the year	-	-	-	-	-	-	120,453	120,453	(16,563)	103,890
Exchange differences on translating of foreign operations	-	-	-	-	-	(287,625)	-	(287,625)	(111,573)	(399,198)
Total comprehensive income for the year	-	-	-	-	-	(287,625)	120,453	(167,172)	(128,136)	(295,308)
Release of deferred tax liability upon conversion of convertible bonds	-	-	-	4,866	-	-	-	4,866	-	4,866
Conversion of convertible bonds	148,699	116,797	-	(94,982)	-	-	-	170,514	-	170,514
Recognition of equity settled share-based payments	-	-	-	-	49,359	-	-	49,359	-	49,359
Share options lapsed during the year	-	-	-	-	(10,833)	-	-	(10,833)	-	(10,833)
Recognition of equity component of convertible bonds	-	-	-	43,078	-	-	-	43,078	-	43,078
Deferred tax liability on recognition of equity component of convertible bonds	-	-	-	(7,108)	-	-	-	(7,108)	-	(7,108)
Issue of shares by way of placing	72,000	453,600	-	-	-	-	-	525,600	-	525,600
Transaction costs attributable to issue of shares	-	(7,575)	-	-	-	-	-	(7,575)	-	(7,575)
At 31 December 2015	2,976,476	4,573,491	9,404	35,970	66,013	(162,111)	(2,307,115)	5,192,128	1,894,168	7,086,296

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

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



Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Notes:

- (a) Under the Companies Act of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.
- (b) The contributed surplus of the Group represented the net amount arising from the reduction of share premium account, capital reduction and amounts transferred to write off the accumulated losses in prior years.
- (c) Under the Companies Act of Bermuda, the contributed surplus of a company is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:
 - (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.



Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Operating activities		
Profit for the year	103,890	117,823
Adjustments for:		
Depreciation of property, plant and equipment	14,861	3,426
Fair value change on investment properties	(19,452)	(161,082)
Fair value change on financial liabilities at fair value through profit or loss	17,160	–
Loss on disposal of available for sale investment	7,061	–
Finance costs	58,878	85,970
Equity settled share-based payments	38,526	27,487
Gain on bargain purchase	–	(4,407)
Income tax (credit)/expense	(8,162)	21,163
Interest income on bank and other deposits	(24,842)	(15,511)
Dividend income from listed investments	(51,386)	–
Gain on disposal of property, plant and equipment	(703)	(1,607)
Recognition in non-cash item of cost of sales	(30,616)	147,604
Share of loss of an associate	5,826	5,843
Operating cash flows before movements in working capital	111,041	226,709
Movements in working capital:		
Inventories	447,674	1,147,719
Trade receivables	(23,259)	(37,897)
Prepayments, deposits and other receivables	(599,845)	(1,471,128)
Financial assets at fair value through profit or loss	(690,133)	–
Trade payables	222,103	(60,317)
Deposits from customers	810,765	(1,044,881)
Accrued liabilities and other payables	(25,157)	(15,171)
Deferred income	(3,367)	–
Cash generated from/(used in) operating activities	249,822	(1,254,966)
Tax paid	(3,332)	–
Net cash generated from/(used in) operating activities	246,490	(1,254,966)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Investing activities			
Interest received		6,181	15,511
Dividend received from listed investment		2,281	–
Purchase of available for sale investment		(7,756)	–
Disposal of available for sale investment		695	–
Additions to property, plant and equipment		(1,256,498)	(195,420)
Additions to investment properties		(272,800)	(666,822)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	34	13,668	(100,000)
Acquisition of non-controlling interests of a subsidiary		–	(140,000)
Placement of pledge bank deposits		(2,359,831)	(107,418)
Proceeds from disposal of property, plant and equipment		961	2,210
Net cash used in investing activities		(3,873,099)	(1,191,939)
Financing activities			
Repayment to related companies		(48,159)	–
Interest paid		(784,730)	(662,208)
New bank and other borrowings		3,006,151	6,476,825
Repayment (to)/from non-controlling interests		(360,317)	261,602
Repayment of promissory notes		–	(163,575)
Repayment of bank and other borrowings		(1,826,717)	(4,238,369)
Repayment of obligation under finance lease		(353)	(152)
Proceeds on issue of ordinary shares		525,600	990,350
Proceeds on issue of senior bonds		414,000	642,875
Proceeds on issue of convertible bonds		2,223,261	–
Share issue expenses		(7,575)	(15,937)
Senior bonds issue expenses		(22,182)	(5,657)
Convertible bonds issue expenses		(46,193)	–
Net cash generated by financing activities		3,072,786	3,285,754
Net (decrease)/increase in cash and cash equivalents		(553,823)	838,849
Cash and cash equivalents at the beginning of the year		1,310,561	494,542
Effects of foreign exchange rate changes		(38,749)	(22,830)
Cash and cash equivalents at the end of the year	24	717,989	1,310,561

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in theme based leisure and consumption business, focusing on the design, development and operation of integrated large-scale tourist complex projects in key cities in and outside the People’s Republic of China (the “PRC”) that comprise of theme parks, hotels, shopping and leisure facilities as well as other theme based consumption such as food and beverages, edutainment and touring carnivals.

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

Except as described above, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the Group’s consolidated financial statements.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective date to be determined.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

HKFRS 9 “Financial instruments”

HKFRS 9 was amended in 2013 to include the new requirements for general 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:

- Certain financial assets held within a business model whose objective is achieved both collecting contractual cash flows and selling financial assets should be measured at FVTOCI (unless designated at fair value through profit and loss (“FVTPL”) to eliminate or significantly reduce a measurement mismatch). This applies to assets passing the contractual cash flow characteristics assessment (which is the same test used to determine whether financial assets are measured at amortised cost). Interest revenue, foreign exchange gains and losses and impairment gains and losses shall be recognised in profit or loss with all other gains or losses (i.e. the difference between those items and the total change in fair value) being recognised in other comprehensive income. Any cumulative gain or loss recorded in other comprehensive income would be reclassified to profit and loss on derecognition, or potentially earlier if the asset is reclassified because of a change in business model. Interest income and impairment gains and losses would be recognised and measured in the same manner as for assets measured at amortised cost such that the amounts in other comprehensive income represents the difference between the amortised cost value and fair value. This results in the same information in profit or loss as if the asset was measured at amortised cost, yet the consolidated statement of financial position would reflect the instrument’s fair value.
- In relation to the impairment of financial assets, HKFRS 9 requires 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 mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company is in the process of making an assessment of the potential impact of the application of 2014 Revised HKFRS 9 and it is not practicable to provide a reasonable estimate of the effect of 2014 Revised HKFRS 9 until the Group performs a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

HKFRS 15 “Revenue from contracts with customers”

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

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for 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 is in the process of making an assessment of the potential impact of the application of HKFRS 15 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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

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

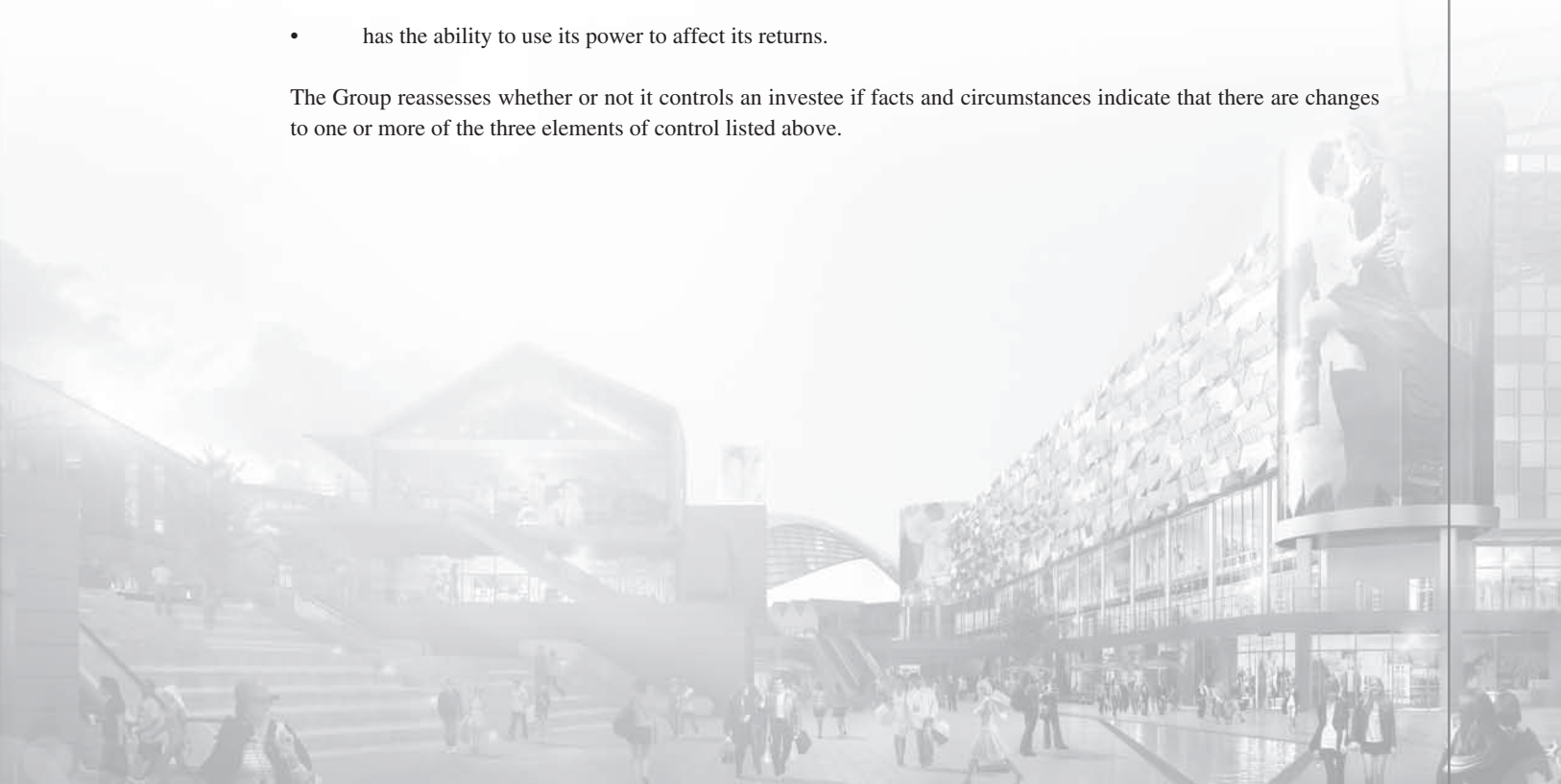
The principal accounting policies are set out below.

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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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:

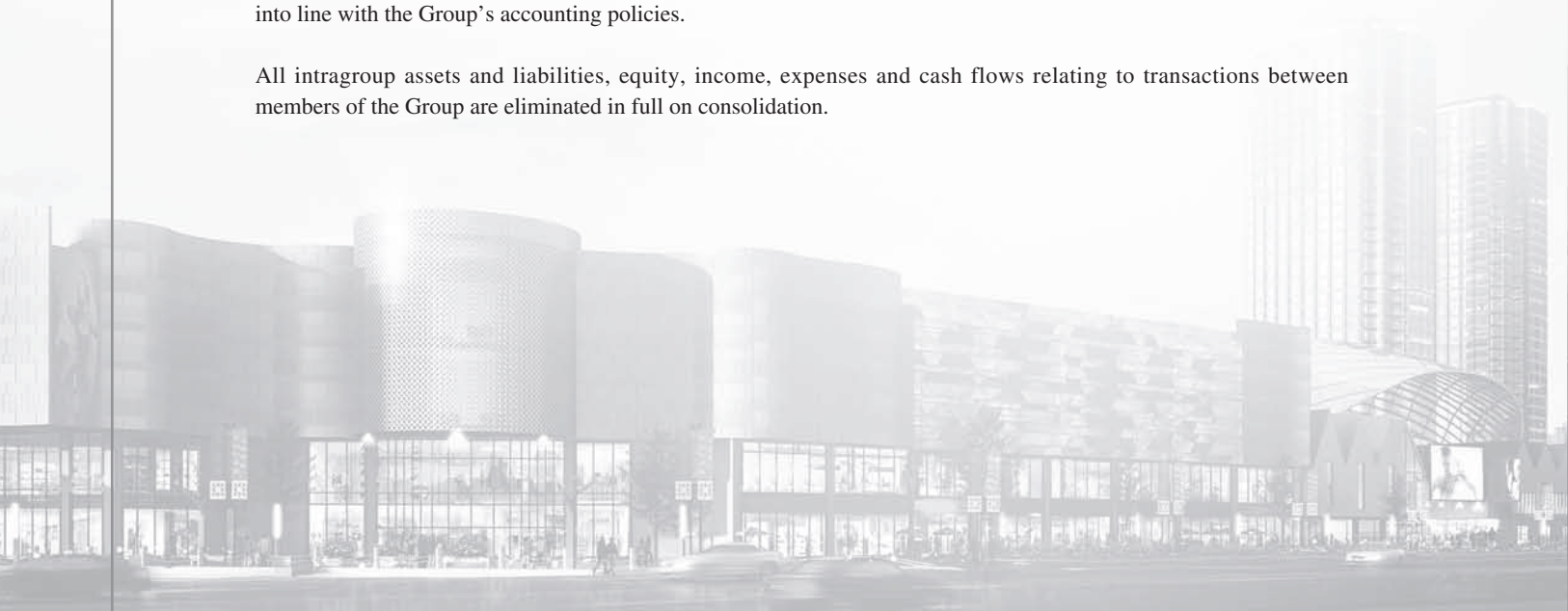
- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or others parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Investment in subsidiaries

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

Investments in associates

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 are measured in accordance with that standard.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

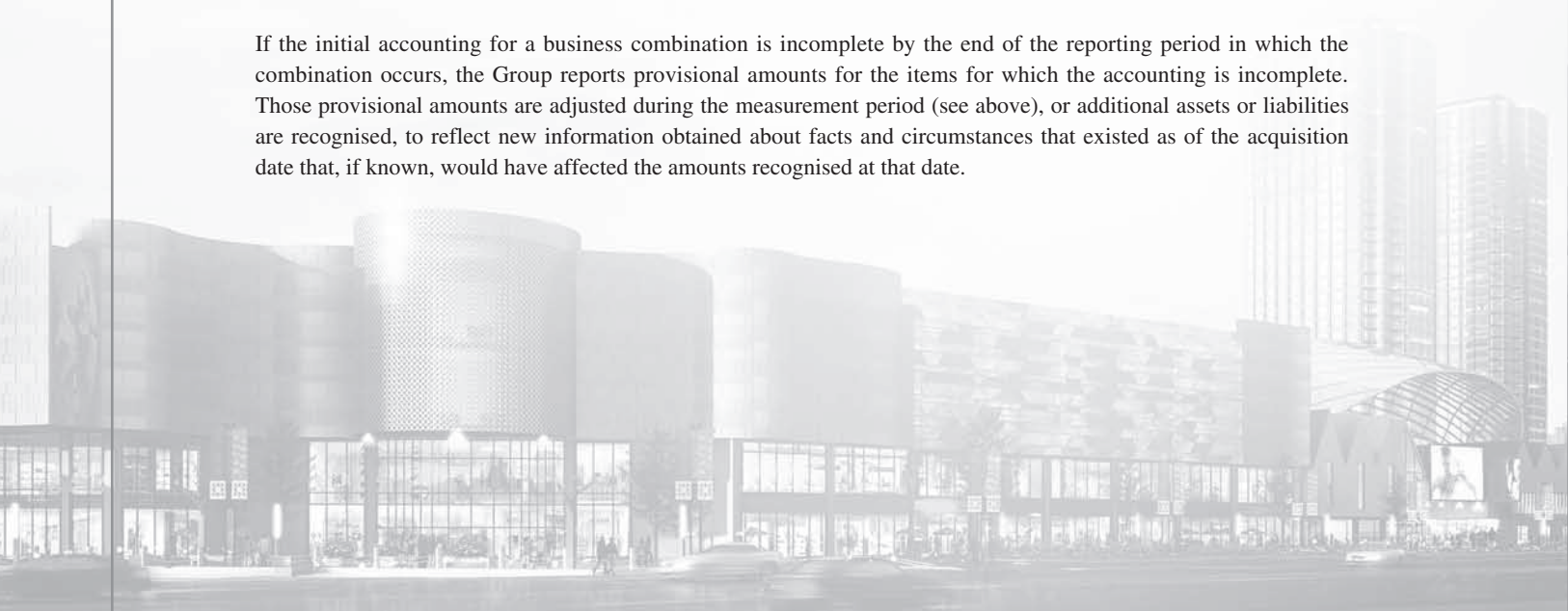
Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. 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 less accumulated impairment losses, if any.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss 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 profit or loss on disposal.

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

Revenue recognition

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

Revenue from restaurant operations is recognised when catering services have been provided to customers.

Revenue from the sale of foods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the foods sold.

Revenue from admission tickets sold is recognised when tickets are accepted and surrendered by the customers. Revenue from tickets sold for use at a future date is deferred until the tickets are surrendered or have expired.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Property, plant and equipment

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

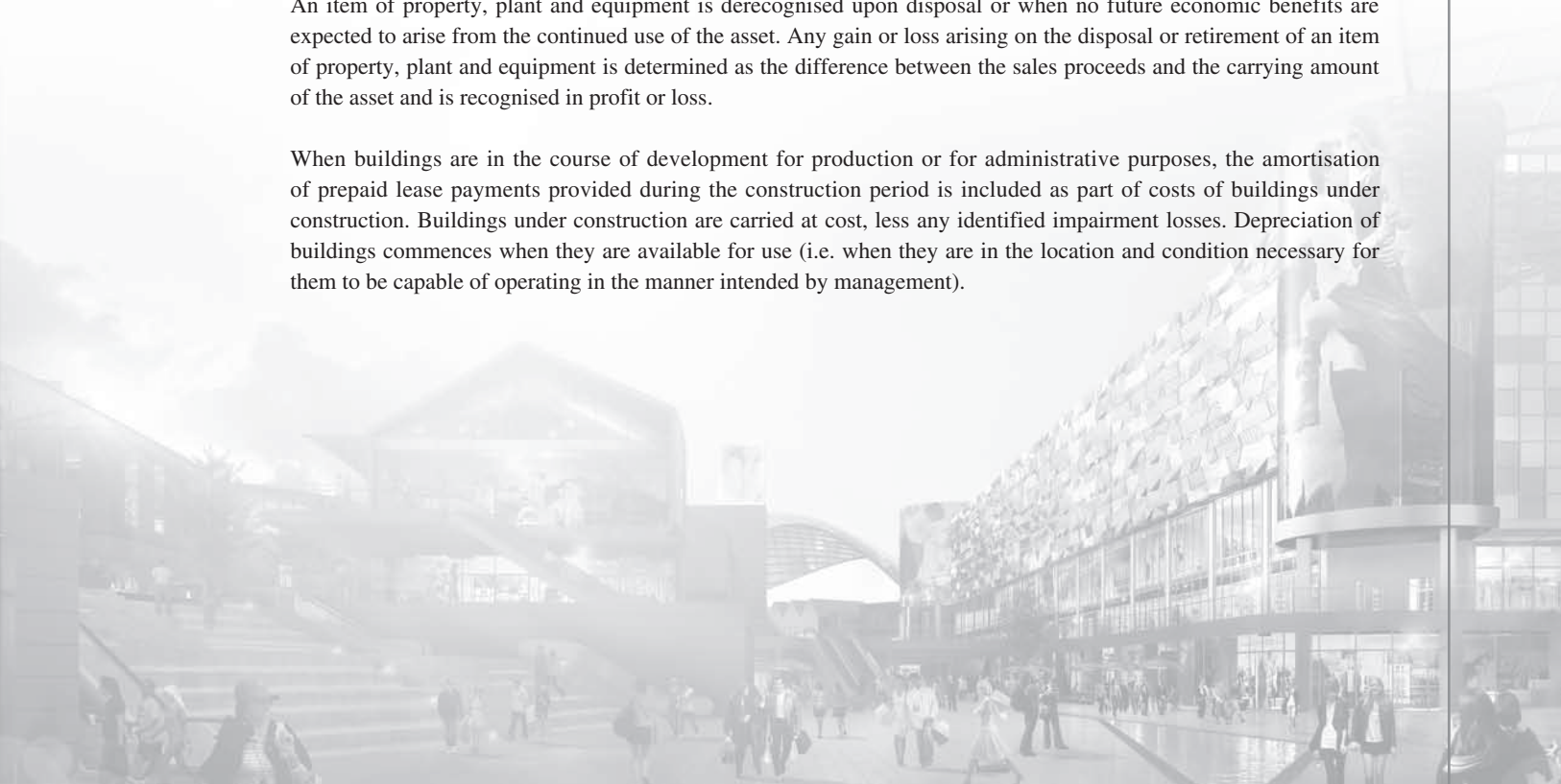
Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties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

Depreciation is recognised so as to write off the cost of assets other than construction-in-progress less their residual value 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.

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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

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

Properties for sale

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Intangible assets (*Continued*)

Intangible assets acquired in a business combination

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 acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leased.

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 on a straight-line basis over the lease term.

The Group as lessee

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Leasing (*Continued*)

The Group as lessee (Continued)

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

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

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefor forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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 an associate that includes a foreign operations 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.

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Current and deferred tax are recognised in profit or loss, except when they relate 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), available for sale (“AFS”) financial assets 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.

Effective interest method

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) 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 term; 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 or contingent consideration that may be paid by an acquirer as part of a business combination 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 stated 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/excludes any dividend or interest earned on the financial assets and is included in the "other income" line item. Fair value is determined in the manner described in note 20 and 41(c).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets

AFS 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 AFS 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 AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

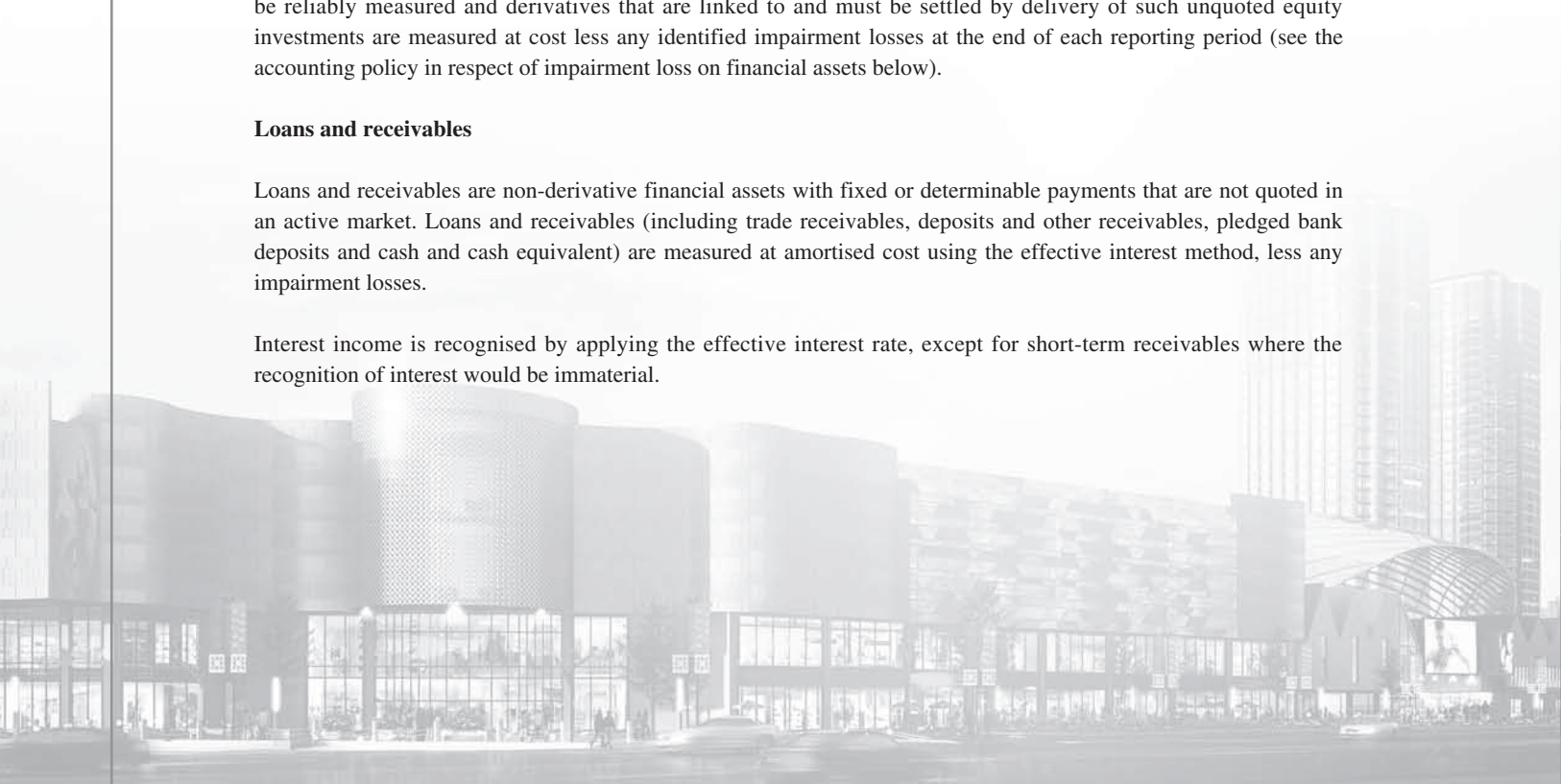
Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS 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. Loans and receivables (including trade receivables, deposits and other receivables, pledged bank deposits and cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment losses.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of 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 AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

For certain categories of financial assets, such as trade receivables deposits 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, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

When an AFS 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 asset 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 AFS 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 AFS 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.

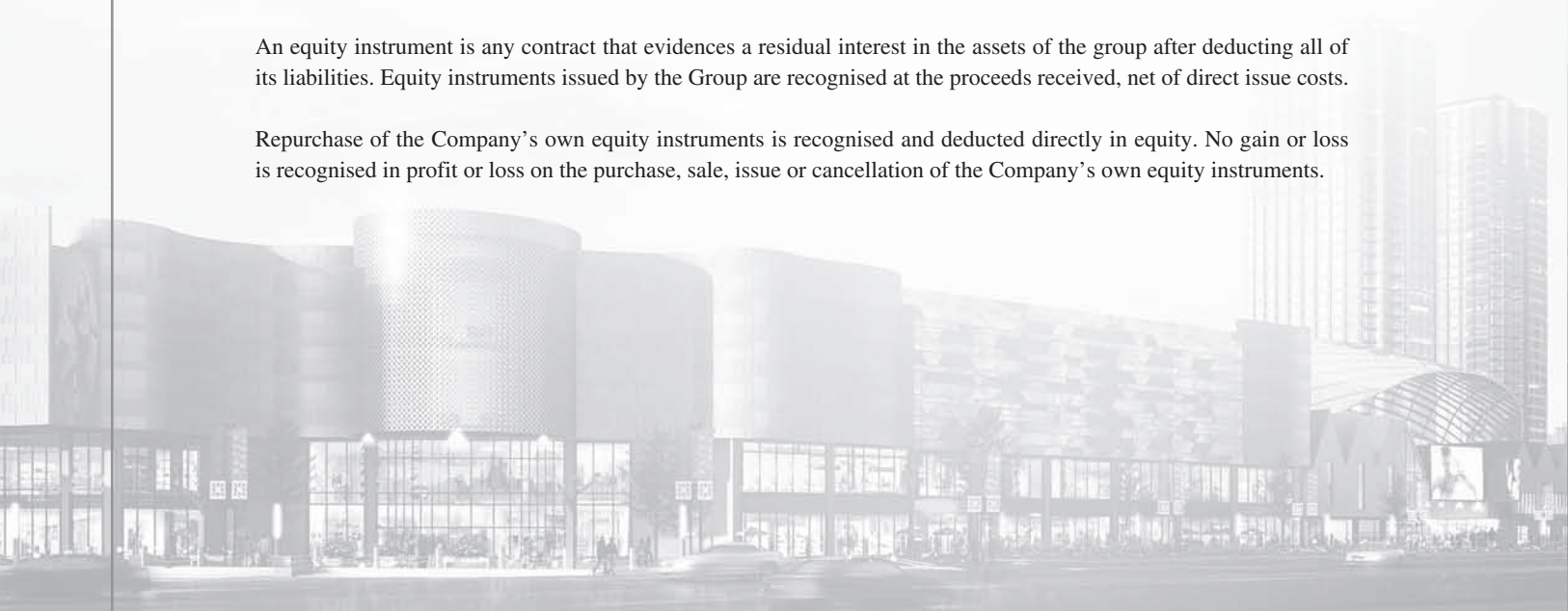
Financial liabilities and equity instruments

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

Equity instruments

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; 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 liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination 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 excludes any interest paid on the financial liabilities and is included in the 'fair value changes on financial liabilities at fair value through profit or loss' line item. Fair value is determined in the manner described in note 32 and 41(c).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Senior bonds

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

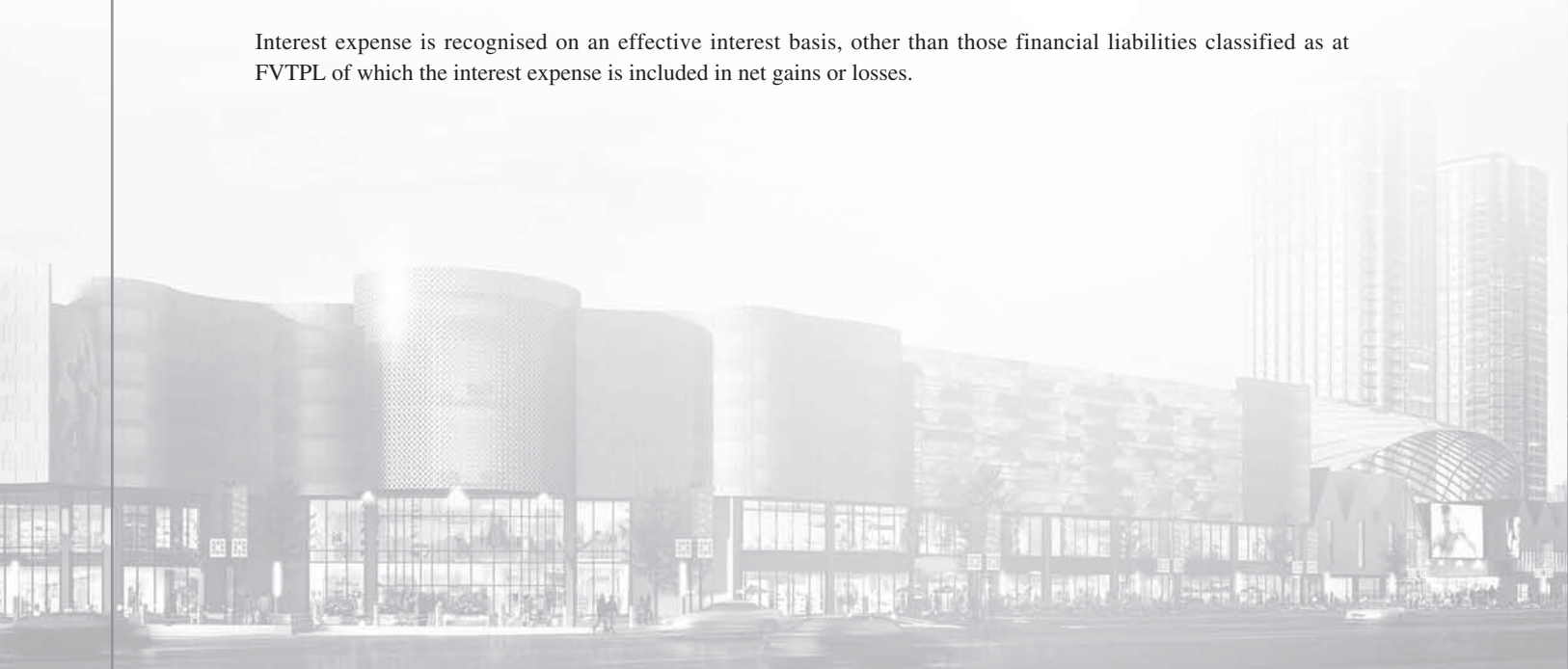
In subsequent periods, the liability component of the senior bonds is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

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

Effective interest method

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

Interest expense is recognised on an effective interest basis, other than those financial liabilities classified as at FVTPL of which the interest expense is included in net gains or losses.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds contain liability and equity components

(i) *Convertible bonds that contain an equity component*

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

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

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed. If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

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

(ii) *Other convertible bonds*

Convertible bonds other than that can be converted to a fixed number of the Company's own equity instruments at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as financial liabilities at fair value through profit or loss.

At initial and subsequent recognition, the convertible bonds 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 excludes any interest paid on the financial liabilities and is included in the 'fair value changes on financial liabilities' line item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

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

Derivative financial instruments

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

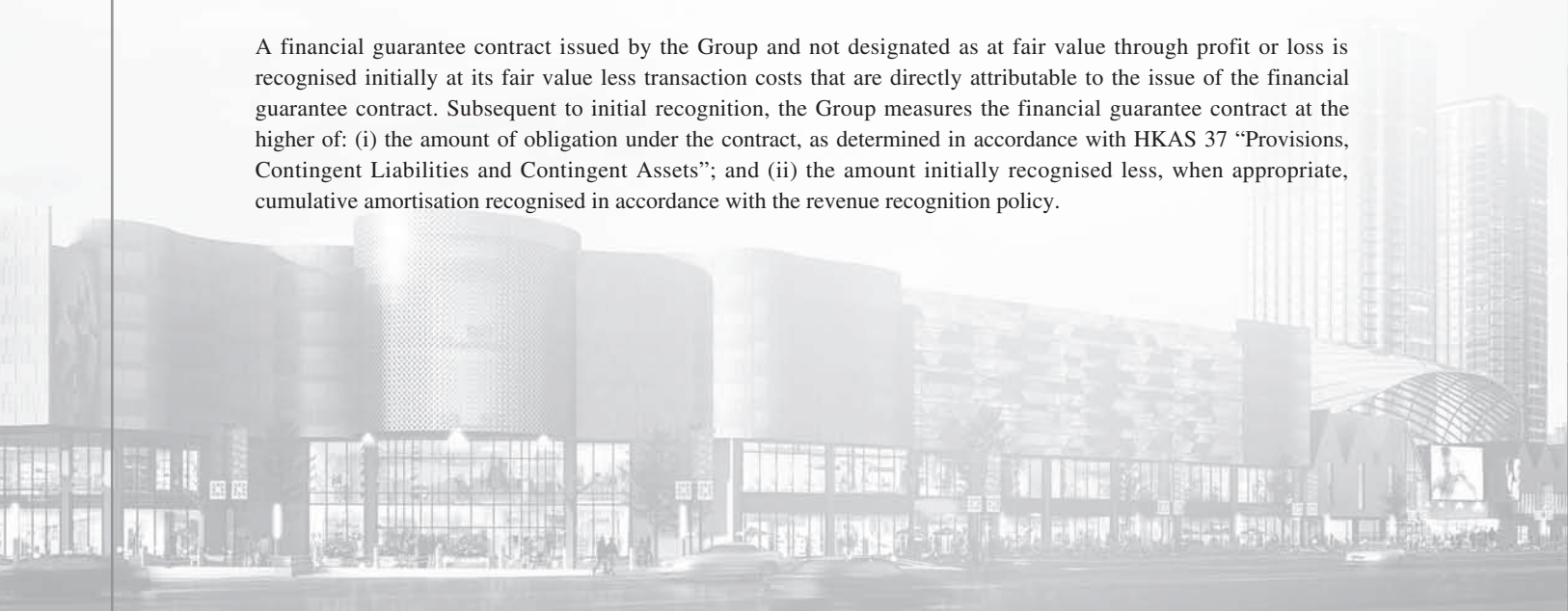
Embedded derivatives

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

Financial guarantee contracts

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

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

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

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

Provisions

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

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

Contingent liabilities acquired in a business combination

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 38.

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

or

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Estimated useful lives of property, plant and equipment

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

Deferred taxation on investment properties

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

Other intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's other intangible assets. The useful lives of other intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Other intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at least at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Key sources of estimation uncertainty

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

Valuation of investment properties under construction

As described in Note 17, investment properties under construction are stated at fair value based on the valuation performed by independent professional valuers.

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

Estimated impairment of intangible asset with indefinite useful life

Determining whether the intangible asset is impaired requires an estimation of the value in use of the cash-generating unit to which intangible asset has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is HK\$870,169,000 (2014: Nil).

Land appreciation tax ("LAT")

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Key sources of estimation uncertainty *(Continued)*

Impairment loss of trade and other receivables

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

Construction costs estimation for revenue recognition

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

Income taxes

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

Write-down of properties for sale under development

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Key sources of estimation uncertainty *(Continued)*

Fair value measurements and valuation processes

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

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

At the end of each reporting period, the management of the Group works closely with the independent qualified professional valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company. Information about the valuation technique and inputs used in determining the fair value of the Group's investment properties are disclosed in Note 17.

5. REVENUE

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

	2015 HK\$'000	2014 HK\$'000
Sale of properties	637,269	1,412,692
Rental income from investment properties	6,132	–
Restaurant operations of catering business	248,200	–
Realised and unrealised gains on financial assets at fair value through profit or loss	198,802	–
Dividend income from listed investments	51,386	–
Others	5,099	165
	1,146,888	1,412,857

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. SEGMENT INFORMATION

The management has determined the operating segments based on the reports reviewed by the directors of the Company, being the chief operating decision maker (the “CODM”) that are used to assess performance and allocate resources. The management assesses the performance of reporting segments as below:

- | | | |
|-------|-------------------------------------|--|
| (i) | Property development and investment | – Developing residential and commercial properties in PRC for sales and leasing; |
| (ii) | Catering business | – Operating restaurants in different provinces in PRC; |
| (iii) | Trading and investment business | – Investing on securities and financial instruments; and |
| (iv) | Others | – Providing retail-related consultancy and management services and operating kids edutainment centre and carnival. |

Following the changes of reporting segment from two to four during the year, the comparative segment information have been reclassified.

Segment revenues and results

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

For the year ended 31 December 2015

	Property development and investment segment HK\$'000	Catering business segment HK\$'000	Trading and investment business segment HK\$'000	Others segments HK\$'000	Total HK\$'000
REVENUE					
External sales	643,401	248,200	250,188	5,099	1,146,888
RESULTS					
Segment results	87,675	(51,706)	246,109	(19,695)	262,383
Finance costs					(58,878)
Unallocated income					68,889
Unallocated expenses					(176,666)
Profit before tax					95,728

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2014

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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: Nil).

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

Segment assets

	2015 HK\$'000	2014 HK\$'000 (Restated)
Property development and investment segment	17,896,098	16,571,615
Catering business segment	1,547,913	–
Trading and investment business segment	739,273	–
Other segments	208,052	8,421
Total segment assets	20,391,336	16,580,036
Unallocated corporate assets	2,629,053	956,870
Consolidated assets	23,020,389	17,536,906

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

Segment liabilities

	2015 HK\$'000	2014 HK\$'000 (Restated)
Property development and investment segment	8,941,817	4,377,606
Catering business segment	1,324,303	–
Trading and investment business segment	102,134	–
Other segments	27,721	2,713
Total segment liabilities	10,395,975	4,380,319
Unallocated corporate liabilities	5,538,118	6,542,884
Consolidated liabilities	15,934,093	10,923,203

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2015

	Property development and investment segment HK\$'000	Catering business segment HK\$'000	Trading and investment business segment HK\$'000	Other Segments HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Capital expenditure (Note)	2,164,562	223,221	–	86,292	47,534	2,521,609
Depreciation of property, plant and equipment	2,005	6,107	–	251	6,944	15,307
Net foreign exchange differences	(827)	(9,260)	(335)	69	(37,192)	(47,545)
Gain on disposal of property, plant and equipment	652	51	–	–	–	703
Fair value change on investment properties	19,452	–	–	–	–	19,452
Fair value change on financial liabilities at fair value through profit or loss	–	(17,160)	–	–	–	(17,160)
Share of loss of an associate	5,826	–	–	–	–	5,826
Loss on disposal of available for sales investment	–	–	–	–	7,061	7,061
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Interest income on bank and other deposits	1,321	–	4	11	23,506	24,842
Income tax expense/(credit)	(2,564)	–	–	34	(5,632)	(8,162)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2014

	Property development and investment segment HK\$'000	Other segments HK\$'000 (Restated)	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure (Note)	1,195,597	25	4,413	1,200,035
Depreciation of property, plant and equipment	3,475	2	426	3,903
Net foreign exchange differences	(77)	(29)	5,828	5,722
Gain on disposal of property, plant and equipment	1,607	–	–	1,607
Fair value change on investment properties	161,082	–	–	161,082
Share of loss of an associate	5,843	–	–	5,843
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Interest income on bank and other deposits	12,109	10	3,392	15,511
Income tax expense/(credit)	24,658	–	(3,495)	21,163

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

Geographic information

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. SEGMENT INFORMATION (Continued)

Information about major customers

During the years ended 31 December 2015 and 2014, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

7. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Interest income on bank and other deposits	24,842	15,511
Gain on disposal on property, plant and equipment	703	1,607
Net foreign exchange differences	47,545	–
Others	8,658	1,249
	81,748	18,367

8. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on bank and other borrowings:		
– wholly repayable within five years	710,780	652,515
Interest on obligation under finance lease	43	25
Effective interest expense on:		
– senior bonds	104,760	5,560
– bonds	424	–
– convertible bonds	119,754	21,183
– promissory notes	–	19,508
Total finance costs	935,761	698,791
Less: amounts capitalised (<i>Note</i>)	(876,883)	(612,821)
	58,878	85,970

The weighted average capitalisation rate on funds borrowed generally is 11.15% (2014: 12.14%) per annum.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. INCOME TAX (CREDIT)/EXPENSE

	2015 HK\$'000	2014 HK\$'000
Current tax:		
PRC Land Appreciation Tax ("LAT")	3,269	49,933
Enterprise Income Tax ("EIT")	5,850	–
Deferred tax: (Note 31)	(17,281)	(28,770)
Income tax (credit)/expenses	(8,162)	21,163

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. INCOME TAX (CREDIT)/EXPENSE (Continued)

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

	2015 HK\$'000	2014 HK\$'000
Profit before tax	95,728	138,986
Tax at PRC Enterprise Income Tax rate of 25% (Note)	23,932	34,746
Tax effect of share of results of an associate	1,457	1,461
Tax effect of income not taxable for tax purpose	(71,277)	(19,910)
Tax effect of expenses not deductible for tax purpose	23,691	59,562
Tax effect of temporary difference not recognised	(39,027)	240
LAT	3,269	49,933
Tax effect of LAT	(817)	(10,787)
Utilisation of tax losses previously not recognised	–	(107,004)
Tax losses not recognised	40,288	–
Effect of different tax rates of group entities operating in jurisdiction other than PRC	10,322	12,922
Income tax (credit)/expense for the year	(8,162)	21,163

Note: Majority of the assessable profits of the Group were derived from subsidiaries situated in the PRC and the applicable enterprise income tax rate of those subsidiaries is 25%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

10. PROFIT FOR THE YEAR

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

	2015 HK\$'000	2014 HK\$'000
Net foreign exchange differences	(47,545)	5,722
Auditors' remuneration		
– audit services	2,180	1,300
– non-audit services	200	350
	2,380	1,650
Rental income from investment properties	(6,132)	–
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	4,590	–
direct operating expenses incurred for investment properties that did not generate rental income during the year	242	–
	(1,300)	–
Cost of properties for sale included in cost of sales as expenses:		
– cash expenses item	487,692	1,015,900
– non-cash item	(30,616)	147,604
	457,076	1,163,504
Cost of inventories recognised as an expense	98,710	–
Total cost of sales	555,786	1,163,504
Rental expenses in respect of rented premises under operating leases	82,030	5,650
Employee benefits expense (including directors' emoluments)		
– salaries and other benefits	179,335	84,330
– contributions to retirement benefits schemes	15,768	3,765
– equity settled share-based payment	38,526	27,487
	233,629	115,582
Less: amounts capitalised (<i>Note</i>)	(25,051)	(28,892)
Total employee benefits expenses	208,578	86,690
Depreciation of property, plant and equipment	15,307	3,903
Less: amounts capitalised (<i>Note</i>)	(446)	(477)
	14,861	3,426

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors and the chief executive of the Company were as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Contributions to retirement benefits schemes HK\$'000	Equity settled share-based payment HK\$'000	Total HK\$'000
For the year ended 31 December 2015					
Executive directors					
Mr. King Pak Fu	–	7,933	18	–	7,951
Mr. Leung Wing Cheong Eric (Note (a))	–	6,189	18	22,521	28,728
Mr. Gong Xiao Cheng	–	1,500	18	–	1,518
Independent non-executive directors					
Ms. Hu Gin Ing	240	–	–	–	240
Mr. Chan Wai Cheung Admiral (Note (b))	240	–	–	–	240
Mr. Lie Chi Wing (Note (h))	217	–	–	–	217
	697	15,622	54	22,521	38,894

For the year ended 31 December 2014

Executive directors					
Mr. King Pak Fu	–	600	17	–	617
Mr. Wang Xiong (Note (f))	–	300	13	–	313
Mr. Hon Ming Sang (Note (g))	–	–	–	–	–
Mr. Leung Wing Cheong Eric (Note (a))	–	3,200	10	15,567	18,777
Mr. Gong Xiao Cheng	–	1,500	17	–	1,517
Independent non-executive directors					
Mr. Chan Wai Yip Freeman (Note (d))	100	–	–	–	100
Ms. Leung Po Ying Iris (Note (e))	100	–	–	–	100
Ms. Hu Gin Ing	240	–	–	–	240
Mr. Chan Wai Cheung Admiral (Note (b))	14	–	–	–	14
Ms. Pan Wei-Kang (Note (c))	–	–	–	–	–
	454	5,600	57	15,567	21,678

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (*Continued*)

Mr. Leung Wing Cheong Eric is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

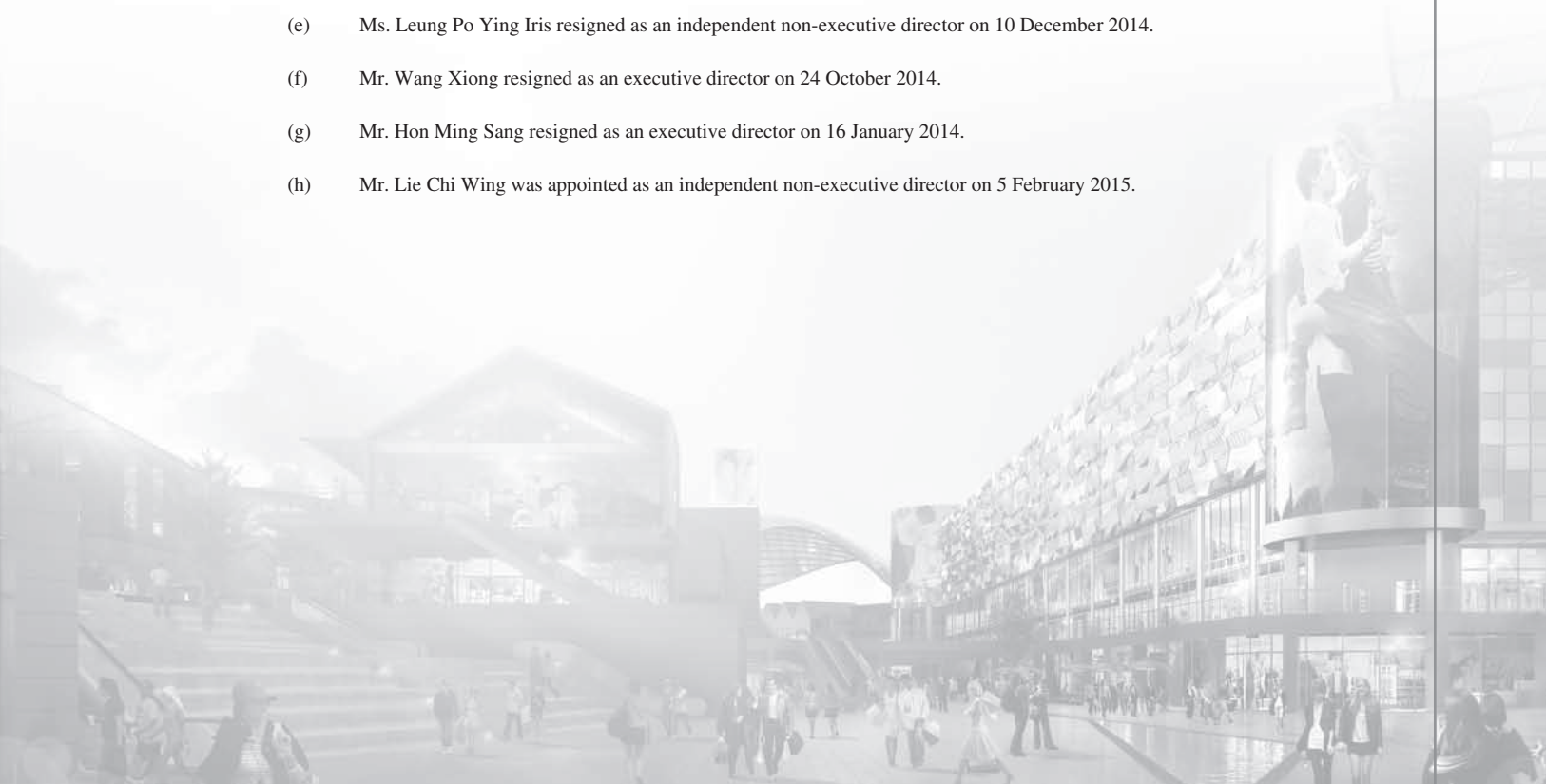
For the year ended 31 December 2014, Ms. Pan Wei-Kang, an independent non-executive director, waived emoluments of approximately HK\$14,000 due to the short period of service.

During the year ended 31 December 2015, neither the chief executive officer nor any of the directors waived any emoluments.

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

Notes:

- (a) Mr. Leung Wing Cheong Eric was appointed as an executive director and chief executive officer on 26 May 2014 and 1 July 2014 respectively.
- (b) Mr. Chan Wai Cheung Admiral was appointed as an independent non-executive director on 10 December 2014.
- (c) Ms. Pan Wei-Kang was appointed as an independent non-executive director on 10 December 2014 and resigned on 5 February 2015.
- (d) Mr. Chan Wai Yip Freeman resigned as an independent non-executive director on 10 December 2014.
- (e) Ms. Leung Po Ying Iris resigned as an independent non-executive director on 10 December 2014.
- (f) Mr. Wang Xiong resigned as an executive director on 24 October 2014.
- (g) Mr. Hon Ming Sang resigned as an executive director on 16 January 2014.
- (h) Mr. Lie Chi Wing was appointed as an independent non-executive director on 5 February 2015.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

12. EMPLOYEES' EMOLUMENTS

The five individuals with the highest emoluments in the Group, three (2014: two) were directors and the chief executive officer of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2014: three) individuals were as follows:

	2015 HK\$'000	2014 HK\$'0000
Salaries and other benefits	3,738	2,890
Contributions to retirement benefits schemes	18	114
	3,756	3,004

Their emoluments were within the followings bands:

	2015 No. of employees	2014 No. of employees
HK\$Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	1	–



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

13. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2015 (2014: Nil), nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

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

	2015 HK\$'000	2014 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	120,453	43,018
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	14,034,101,442	12,976,226,512

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. Convertible bonds of the Company are not dilutive as the exercise price of the convertible bonds exceeds the average market price of ordinary shares during the year ended 31 December 2015 (2014: Convertible bonds of the Company are not dilutive as conversion of the Company's convertible bonds would increase the earnings per share attributable to the owners of the Company). Share options of the Company are not dilutive as no contingently issuable shares would be issuable as at 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

15. INTERESTS IN AN ASSOCIATE

	2015 HK\$'000	2014 HK\$'000
Cost of investment, unlisted	100,000	100,000
Bargain purchase	4,407	4,407
Share of post-acquisition results and other comprehensive income, net of dividends received	(17,583)	(6,564)
	86,824	97,843

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

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

Aggregate information of associate that is not individually material:

	2015 HK\$'000	2014 HK\$'000
The Group's share of loss	(5,826)	(5,843)
The Group's share of other comprehensive expense	(5,193)	(721)
The Group's share of total comprehensive expense	(11,019)	(6,564)
Aggregate carrying amount of the Group's interests in this associate	86,824	97,843

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Machinery HK\$'000	Vehicles HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
COST						
At 1 January 2014	–	6,079	–	9,535	3,814,646	3,830,260
Additions	–	989	–	3,664	509,480	514,133
Transfer to properties for sales	–	–	–	–	(147,714)	(147,714)
Disposals	–	–	–	(4,076)	–	(4,076)
Exchange adjustments	–	(21)	–	(38)	(6,376)	(6,435)
At 31 December 2014 and 1 January 2015	–	7,047	–	9,085	4,170,036	4,186,168
Additions	4,842	6,935	81,541	47,537	1,713,461	1,854,316
Acquired on acquisition of a subsidiary	145,013	73,144	–	1,136	427	219,720
Disposals	–	(115)	–	(913)	–	(1,028)
Exchange adjustments	(5,999)	(3,629)	–	(483)	(190,918)	(201,029)
At 31 December 2015	143,856	83,382	81,541	56,362	5,693,006	6,058,147
DEPRECIATION AND IMPAIRMENT						
At 1 January 2014	–	2,274	–	5,109	56,536	63,919
Provided for the year	–	1,478	–	2,425	–	3,903
Eliminated on disposals	–	–	–	(3,473)	–	(3,473)
Exchange adjustments	–	(6)	–	(17)	6,510	6,487
At 31 December 2014 and 1 January 2015	–	3,746	–	4,044	63,046	70,836
Provided for the year	1,946	5,700	179	7,482	–	15,307
Eliminated on disposals	–	–	–	(770)	–	(770)
Exchange adjustments	72	(174)	–	(351)	(3,122)	(3,575)
At 31 December 2015	2,018	9,272	179	10,405	59,924	81,798
CARRYING AMOUNTS						
At 31 December 2015	141,838	74,110	81,362	45,957	5,633,082	5,976,349
At 31 December 2014	–	3,301	–	5,041	4,106,990	4,115,332

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

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

As at 31 December 2015, vehicles amounting to approximately HK\$1,150,000 (2014: approximately HK\$1,478,000) is held under finance lease.

The Group's construction-in-progress are situated in the PRC.

As at 31 December 2015, the Group has pledged construction-in-progress with a carrying amount of approximately HK\$5,632,673,000 (2014: approximately HK\$4,106,990,000) to secure the Group's borrowings (Note 30).

17. INVESTMENT PROPERTIES

	Investment properties under construction HK\$'000
FAIR VALUE	
At 1 January 2014	3,218,770
Additions	833,616
Net increase in fair value recognised in profit or loss	161,082
Exchange adjustments	(10,258)
	<hr/>
At 31 December 2014 and 1 January 2015	4,203,210
Additions	447,573
Net increase in fair value recognised in profit or loss	19,452
Exchange adjustments	(249,964)
	<hr/>
At 31 December 2015	4,420,271

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

17. INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties at 31 December 2015 and 2014 have been arrived at on the basis of a valuation carried out on that date by APAC Asset Valuation and Consulting Limited ("APAC"), a firm of independent qualified professional valuer not connected with the Group. APAC had appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations which conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties.

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

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

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

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 and 2014 are as follows:

	Level 3 HK\$'000	Fair value as at 31 December 2015 HK\$'000
Investment properties located in PRC	4,420,271	4,420,271
		Fair value as at 31 December 2014 HK\$'000
Investment properties located in PRC	4,203,210	4,203,210

There were no transfers into or out of Level 3 during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

17. INVESTMENT PROPERTIES (Continued)

As at 31 December 2015, the Group's investment properties under construction with a carrying amount of approximately HK\$4,420,271,000 (2014: approximately HK\$4,203,210,000) have been pledged to secure the Group's borrowings (Note 30).

The carrying amounts of investment properties shown above comprise:

	2015 HK\$'000	2014 HK\$'000
Outside Hong Kong:	4,420,271	4,203,210

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
At 31 December 2015					
Investment properties under construction in Qingdao	Level 3	Direct comparison method The key inputs are: i. Gross development value; and ii. Developer's profit.	Gross development value on completion basis, taking into account of time, location and individual factors such as view and size between the comparable and the property of approximately RMB4,137 million (2014: approximately RMB3,727 million). Developer's profit, taking into account of the progress of the property of 2% (2014: 2%).	The higher the gross development value, the higher the fair value. The higher the developer's profit, the lower the fair value.	If the gross development value to the valuation model is 1% higher/lower, while all the other variables were held constant, the fair value of the property would increase/decrease by approximately RMB37 million (2014: approximately RMB33 million). If the developer's profit to the valuation model is 1% higher/lower, while all the other variables were held constant, the fair value of the property would decrease by approximately RMB37 million (2014: approximately RMB32 million)/increase by approximately RMB37 million (2014: approximately RMB33 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

18. OTHER INTANGIBLE ASSET

	Trademark HK\$'000
COST AND CARRYING AMOUNT	
At 1 January 2014, 31 December 2014 and 1 January 2015	—
Acquired on acquisition of a subsidiary (<i>Note 34</i>)	206,931
	<hr/>
At 31 December 2015	206,931

The above intangible asset, represent trademark, with indefinite useful economics lives.

Trademark with the carrying amount of approximately HK\$206,931,000, acquired through the acquisition of Nice Race Management Limited (“Nice Race”) during the year, are assessed to have indefinite useful lives when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The recoverable amount of the trademark that has indefinite useful life is estimated annually whether or not there is any indication of impairment.

19. GOODWILL

	HK\$'000
COST AND CARRYING AMOUNT	
At 1 January 2014, 31 December 2014 and 1 January 2015	—
Arising on acquisition of a subsidiary (<i>Note 34</i>)	870,169
	<hr/>
At 31 December 2015	870,169



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

19. GOODWILL (Continued)

Impairment testing on goodwill

For the purposes of impairment testing, goodwill has been allocated to individual cash generating unit (“CGU”). The basis of the recoverable amounts of the CGU and its major underlying assumptions is summarised below:

On 6 June 2015, the Group entered into a share purchase and subscription agreement with an individual third party acquiring the entire equity interest in Nice Race, resulting in a goodwill of approximately HK\$870,169,000 for the operation of high-end restaurant chain under the brand of “Golden Jaguar (金錢豹)”.

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years are extrapolated by assuming 3% growth rate and a discount rate of 18.8% per annum. This growth rate is below the average growth rate of the retail industry for the past 10 years. Senior management of the Group believes that using a lower growth rate is a more conservative and reliable choice for the purpose of this impairment testing. The discount rate used is pre-tax and reflects management’s estimate of the risks specific to the CGU. In determining an appropriate discount rate for the unit, regard has been given to the applicable borrowing rate of the industry in the current year.

Assumptions were used in the value in use calculation of the catering business of CGU. The basis used to determine the future earnings potential are average historical sales and expected growth rates of the catering market in PRC. The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development. The basic factors used to determine the values assigned are staff costs, rental expenses and other expenses. Values assigned to the key assumptions reflect past experience and management’s commitment to maintain the Company’s operating expenses at an acceptable level.

In performing the impairment testing, the directors of the Company have also made reference to a valuation performed by an independent professional valuer. During the year ended 31 December 2015, management of the Group determined that there was no impairment of goodwill.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$'000	2014 HK\$'000
Financial assets		
Equity securities listed in Hong Kong (<i>Note (i)</i>)	409,238	–
Equity linked note (<i>Note (ii)</i>)	330,000	–
	739,238	–

Notes:

- (i) The fair value of equity securities are determined based on the quoted market prices at the end of the reporting period.
- (ii) The fair value of the equity linked note is determined with reference to the quoted price of the underlying listed equity securities in Hong Kong.

As at 31 December 2015, the Group had pledged equity securities listed in Hong Kong with a carrying amount of approximately HK\$364,778,000 (2014: Nil) to secure the Group's borrowings (Note 30).

21. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Properties under development for sale	674,065	584,509
Completed properties for sale	3,600,924	4,369,433
	4,274,989	4,953,942
Food and beverages, and other operating items for catering and related service operations	16,181	–
Finished goods	2,878	–
	4,294,048	4,953,942

The Group's properties for sale with a carrying amount of approximately HK\$4,274,989,000 as at 31 December 2015 (2014: approximately HK\$4,953,942,000) have been pledged to secure the Group's borrowings (Note 30).

The properties for sale are situated in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22. TRADE RECEIVABLES

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

Trade receivables arising from catering business are mainly due from credit card companies and corporate customers, which are normally settled in the following months. In view of aforementioned, there is no significant concentration of credit risk.

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

	2015 HK\$'000	2014 HK\$'000
0 – 30 days	24,686	27,199
31 – 60 days	1,211	–
61 – 90 days	5,163	3,836
91 – 180 days	5,854	3,595
Over 180 days	48,382	14,343
	85,296	48,973

As at 31 December 2015, included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK\$48,382,000 (2014: approximately HK\$21,774,000) which are past due for which the Group has not provided for impairment loss as there had not been a significant change in credit quality and the amounts were still considered recoverable. The Group has collateral over certain these balances from sale of properties. Trade receivables are non-interest bearing.

Ageing of trade receivables which are past due but not impaired

	2015 HK\$'000	2014 HK\$'000
61 – 90 days	–	3,836
91 – 180 days	–	3,595
Over 180 days	48,382	14,343
	48,382	21,774

Receivables that were neither past due nor impaired were mainly related to a number of corporate customers for whom there were no recent history of default. Accordingly, no provision for impairment of trade receivables is necessary as at 31 December 2015 (2014: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Long-term rental deposit	21,045	–
Current assets		
Prepayments:		
– construction contracts	2,019,414	2,011,443
– pre-sale related taxes	5,275	36,164
– others	76,324	16,499
Deposits	972,007	579,714
Other receivables	157,460	55,807
	3,230,480	2,699,627
	3,251,525	2,699,627

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

24. PLEDGE BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	2015 HK\$'000	2014 HK\$'000
Pledge bank deposits	2,371,305	107,418
Cash and cash equivalents	717,989	1,310,561
	3,089,294	1,417,979

Cash and bank balances of the Group comprise bank balances, cash held and pledge bank deposits that are interest-bearing at market interest rate and have original maturity of one year to three years. The Group's bank deposits carry interest rates ranging from Nil to 4.2% (2014: Nil to 3.8%) per annum.

At 31 December 2015, approximately 1% (2014: approximately 34%) of the Group's cash and bank balances are denominated in Hong Kong dollars ("HK\$"), approximately 14% (2014: Nil) in United States dollars ("US\$") and approximately 85% (2014: approximately 66%) in Renminbi ("RMB"). RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

24. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS *(Continued)*

As at 31 December 2015, the Group's cash and bank balances of approximately HK\$67,352,000 (2014: approximately HK\$197,965,000) are solely for certain designated property development projects in the PRC.

As at 31 December 2015, the Group had pledge bank deposits with a carrying amount of approximately HK\$2,371,305,000 (2014: approximately HK\$107,418,000) to secure the Group's borrowings in the PRC (Note 30).

25. TRADE PAYABLES

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

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

	2015 HK\$'000	2014 HK\$'000
0 – 30 days	62,355	99,288
31 – 60 days	18,789	–
61 – 90 days	20,297	309,208
Over 90 days	1,655,554	1,028,649
	1,756,995	1,437,145

26. DEPOSITS FROM CUSTOMERS AND ACCRUED LIABILITIES AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Deposits from customers:		
Deposits received from sales of properties	982,496	207,067
Advance from customers of catering business	507,201	–
	1,489,697	207,067

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

26. DEPOSITS FROM CUSTOMERS AND ACCRUED LIABILITIES AND OTHER PAYABLES (Continued)

	2015 HK\$'000	2014 HK\$'000
Accrued liabilities and other payables:		
Non-current liabilities		
Deferred income	80,786	—
Long-term payable	89,533	—
	170,319	—
Current liabilities		
Construction costs payable	102,658	108,682
Other payables	345,010	373,708
Accruals	116,190	28,410
	563,858	510,800
	734,177	510,800

27. AMOUNTS DUE TO NON-CONTROLLING INTERESTS/RELATED COMPANIES

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28. SHARE CAPITAL

	Notes	Ordinary shares of HK\$0.2 each	Amount HK\$'000
Authorised:			
At 1 January 2014		15,000,000,000	3,000,000
Increase on 20 May 2014	(a)	10,000,000,000	2,000,000
At 31 December 2014, 1 January 2015 and 31 December 2015		25,000,000,000	5,000,000
Issued and fully paid:			
At 1 January 2014		12,913,884,046	2,582,777
Issue of shares by way of placing	(b)	865,000,000	173,000
At 31 December 2014 and 1 January 2015		13,778,884,046	2,755,777
Conversion of the convertible bonds	(c)	743,494,422	148,699
Issue of shares by way of placing	(d)	360,000,000	72,000
At 31 December 2015		14,882,378,468	2,976,476

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28. SHARE CAPITAL (Continued)

Notes:

(a) Increase in authorised share capital

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

(b) Issue of shares by way of placing

- i. On 26 November 2014, the Company allotted and issued 220,000,000 ordinary shares of HK\$0.2 each in the capital of the Company by way of placing at a placing price of HK\$1.13 per share. The Company raised approximately HK\$247,653,000 (net of expenses).
- ii. On 9 December 2014, the Company allotted and issued 645,000,000 ordinary shares of HK\$0.2 each in the capital of the Company by way of placing at a placing price of HK\$1.15 per share. The Company raised approximately HK\$726,760,000 (net of expenses).

(c) Conversion of convertible bonds

On each day of 2 December 2015 and 8 December 2015, convertible bonds with outstanding principal amount of HK\$100,000,000 was converted at the conversion price of HK\$0.269 per share, resulting in the issue of 371,747,211 ordinary shares of HK\$0.2 each, respectively.

(d) Issue of shares by way of placing

On 12 June 2015, the Company allotted and issued 360,000,000 ordinary shares of HK\$0.2 each in the capital of the Company by way of placing at a placing price of HK\$1.46 per share. The Company raised approximately HK\$518,025,000 (net of expenses).



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

29. OBLIGATION UNDER FINANCE LEASE

	2015 HK\$'000	2014 HK\$'000
Analysis for reporting purpose as:		
Current liabilities	323	311
Non-current liabilities	681	1,003
	1,004	1,314

The Group's leased certain of its vehicle under finance lease. The lease term is 5 years (2014: 5 years). Interest rates underlying the obligation under finance lease are fixed at respective contract dates 3.57% (2014: 3.57%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Amounts payable under finance leases:				
Within one year	353	353	323	346
More than one year but not more than two years	353	353	334	334
More than two years but not more than five years	353	706	347	634
	1,059	1,412	1,004	1,314
Less: future finance charges	(55)	(98)	N/A	N/A
Present value of lease obligation	1,004	1,314		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(323)	(311)
Amount due for settlement after 12 months			681	1,003

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

Finance lease obligation is denominated in Hong Kong dollars.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. BORROWINGS

	2015 HK\$'000	2014 HK\$'000
Bank borrowings, secured (<i>Note (i)</i>)	2,304,497	103,627
Other borrowings, secured (<i>Note (i)</i>)	4,397,320	5,750,031
Senior bonds (<i>Note (ii)</i>)	1,010,090	631,816
Bonds (<i>Note (ii)</i>)	12,294	–
	7,724,201	6,485,474
Carrying amounts repayable:		
On demand or within one year	4,217,140	2,188,803
More than one year but not exceeding two years	3,083,984	4,296,671
More than two years but not exceeding five years	414,438	–
More than five years	8,639	–
	7,724,201	6,485,474

Notes:

- (i) Bank and other borrowings

As at 31 December 2015, bank and other borrowings of approximately HK\$6,601,817,000 (2014: approximately HK\$5,853,658,000) are denominated in RMB and carried at fixed interest rates of 1.62% to 13% (2014: 3.39% to 13%) per annum. Other borrowings of HK\$100,000,000 (2014: Nil) are denominated in HK\$ and carried at floating rate of HSBC prime rate plus 5% per annum.

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

- (a)

	2015 HK\$'000	2014 HK\$'000
Property, plant and equipment (<i>Note 16</i>)	5,632,673	4,106,990
Investment properties (<i>Note 17</i>)	4,420,271	4,203,210
Properties for sale (<i>Note 21</i>)	4,274,989	4,953,942
Equity securities listed in Hong Kong (<i>Note 20</i>)	364,778	–
Pledge bank deposits (<i>Note 24</i>)	2,371,305	107,418
	17,064,016	13,371,560

- (b) A personal guarantee was given by a substantial shareholder of the Company for the Group's certain borrowings.
- (c) Certain shares have been pledged by non-controlling interests of the Group's borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. BORROWINGS (Continued)

Notes: (Continued)

(ii) Bonds payable

- (a) On 5 December 2014, the Company issued senior bonds in the aggregate principal amount of RMB500,000,000 (“2014 Senior Bond”), which will mature on 4 December 2016 unless earlier redeemed pursuant to the terms thereof. The 2014 Senior Bonds will bear interest from and including, 4 December 2014 at the rate of 11.5% per annum, payable semi-annually in arrears on 4 June and 4 December in each year, commencing on 4 June 2015. The net proceeds of 2014 Senior Bonds, after deducting the issuance costs, amounted to approximately HK\$626,938,000. The 2014 Senior Bonds is denominated in RMB.
- (b) The Company issued two tranches of senior bonds on 5 January 2015 and 29 January 2015 respectively with aggregate principal amount of HK\$200,000,000 (“2015 Senior Bonds I”), which will mature on the date immediately following two years after the first issue date unless earlier redeemed pursuant to the terms thereof. The 2015 Senior Bonds I bear interest at the rate of 6% per annum, accrued daily on a 365 days basis and payable annually in arrears. The net proceeds of 2015 Senior Bonds I, after deducting the issuance costs, amounted to approximately HK\$189,974,000.
- (c) The Company issued two tranches of senior bonds on 6 February 2015 and 6 March 2015 respectively with aggregate principal amount of HK\$200,000,000 (“2015 Senior Bonds II”), which will mature on the date immediately following two years after the first issue date unless earlier redeemed pursuant to the terms thereof. The 2015 Senior Bonds II bear interest at the rate of 6% per annum, accrued daily on a 365 days basis and payable annually in arrears. The net proceeds of 2015 Senior Bonds II, after deducting the issuance costs, amounted to approximately HK\$189,974,000.
- (d) The Company issued five tranches of bonds on 24 July 2015, 19 July 2015, 10 August 2015, 27 August 2015 and 27 August 2015 respectively with aggregate principal amount of HK\$14,000,000 (“2015 Bonds”), which will mature on the date immediately following 48 or 90 months after the dates of issue of the 2015 Bonds. The 2015 Bonds bear interest at the rate of 6% per annum, payable on 31 May each year after the issue of the bonds. The net proceeds of 2015 Bonds, after deducting the issuance costs, amounted to approximately HK\$11,870,000.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. BORROWINGS (Continued)

Notes: (Continued)

(ii) Bonds payable (Continued)

The movements of the Group's bonds payable for the year ended 31 December 2015 and 2014 are as follows:

	2014 Senior Bonds Note (a) HK\$'000	2015 Senior Bonds I Note (b) HK\$'000	2015 Senior Bonds II Note (c) HK\$'000	2015 Bonds Note (d) HK\$'000	Total HK\$'000
Carrying amounts as at 1 January 2014	–	–	–	–	–
Net proceeds on date of issuance	626,938	–	–	–	626,938
Exchange adjustments	(682)	–	–	–	(682)
Effective interest charged to profit or loss (Note 8)	5,560	–	–	–	5,560
Carrying amounts as at 31 December 2014 and 1 January 2015	631,816	–	–	–	631,816
Net proceeds on date of issuance	–	189,974	189,974	11,870	391,818
Exchange adjustments	(35,487)	–	–	–	(35,487)
Interest paid	(70,947)	–	–	–	(70,947)
Effective interest charged to profit or loss (Note 8)	73,925	16,183	14,652	424	105,184
Carrying amounts as at 31 December 2015	599,307	206,157	204,626	12,294	1,022,384

The effective interest rate of the above bonds payable ranged from 8.84% to 12.02% per annum (2014: 12.02%).

31. DEFERRED TAXATION

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

	2015 HK\$'000	2014 HK\$'000
Deferred tax assets	(444)	(10,800)
Deferred tax liabilities	1,529,191	1,644,647
	1,528,747	1,633,847

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

31. DEFERRED TAXATION (Continued)

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

Deferred tax (asset)/liabilities:	Convertible bonds HK\$'000	Revaluation of properties HK\$'000	Deductible temporary differences arising from LAT provisions HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2014	12,156	1,656,350	–	–	1,668,506
Credited to profit or loss	(3,493)	(14,490)	(10,787)	–	(28,770)
Exchange adjustments	–	(5,876)	(13)	–	(5,889)
At 31 December 2014 and 1 January 2015	8,663	1,635,984	(10,800)	–	1,633,847
Acquisition of a subsidiary (Note 34)	–	–	–	(463)	(463)
Credited to profit or loss	(5,632)	(10,832)	(817)	–	(17,281)
Release upon conversion of convertible bonds	(4,866)	–	–	–	(4,866)
Recognition of equity component of convertible bonds	7,108	–	–	–	7,108
Exchange adjustments	–	(90,248)	631	19	(89,598)
At 31 December 2015	5,273	1,534,904	(10,986)	(444)	1,528,747

Deferred tax assets:

At the end of the reporting period, except for the provision of the above, the Group has unused tax losses of approximately HK\$487,118,000 (2014: HK\$298,855,000) available for offset against future profits that certain amount may be carried forward indefinitely in Hong Kong and within 5 years under other jurisdiction. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. CONVERTIBLE BONDS

Convertible bonds at amortised costs:

The movement of liability component at amortised costs of the convertible bonds are as follows:

	2011 Convertible Bonds (Note (a)) HK\$'000	2015 Convertible Bonds II (Note (b)) HK\$'000	Total HK\$'000
Carrying amount as at 1 January 2014	126,316	–	126,316
Interest charged (<i>Note 8</i>)	21,183	–	21,183
Carrying amount as at 31 December 2014 and 1 January 2015	147,499	–	147,499
Liability components on initial recognition	–	2,138,123	2,138,123
Interest charged (<i>Note 8</i>)	23,015	96,739	119,754
Exchange adjustments	–	(201)	(201)
Conversion of convertible bonds	(170,514)	–	(170,514)
Carrying amount as at 31 December 2015	–	2,234,661	2,234,661

Notes:

- (a) On 21 December 2011, the Company issued unlisted convertible bonds with a principal amount of HK\$1,500,000,000 (“2011 Convertible Bonds”) to the Better Joint Venture Limited (“Better Joint”) as part of the consideration for the acquisition of the entire equity interest in Easy Linkage Development Limited (“Easy Linkage”). The 2011 Convertible Bonds are unsecured, non-interest bearing and have a term of 5 years.

The 2011 Convertible Bonds are convertible at the option of the holder into ordinary shares of the Company on or before maturity at a conversion price of HK\$0.346 (“First Conversion Price”) per share (subject to anti-dilutive adjustment). As the Company further issue an unlisted convertible bonds with a principal amount of \$400,000,000 at a conversion price of HK\$0.30, which had been fully converted as of the year ended 31 December 2013. The First Conversion Price of the 2011 Conversion Bonds was adjusted from HK\$0.346 per share to HK\$0.30 (“Second Conversion Price”) per share (subject to anti-dilutive adjustment). Further the completion and issuance of share by way of open offer, the Second Conversion was adjusted from HK\$0.30 per share to HK\$0.269 per share (subject to further adjustment).

The Company has the right to early redeem the 2011 Convertible Bonds at the redemption amount before maturity. If the conversion right is not exercised by the holder, the 2011 Convertible Bonds not converted will be redeemed on maturity at 100% of their principal amount. On each day of 2 December 2015 and 8 December 2015, the 2011 Convertible Bonds in an amount of HK\$100,000,000 were converted into 371,747,211 ordinary shares, respectively.

Upon the issuance of 743,494,422 ordinary shares in total, the equity element which is presented under the heading of “convertible bonds equity reserve” is transferred to “share premium” (note 47).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. CONVERTIBLE BONDS (*Continued*)

Convertible bonds at amortised costs: (*Continued*)

Notes: (*Continued*)

- (b) On 3 July 2015, the Company, as issuer, entered into a placing agreement with China Minsheng Banking Corp., Ltd. Hong Kong Branch (“China Minsheng”), as lead manager, pursuant to which the Company has conditionally agreed to issue, and China Minsheng has conditionally agreed to use its best efforts to procure other investors to subscribe for the convertible bonds (“2015 Convertible Bonds II”) in the principal amount of up to US\$200,000,000 (or up to US\$300,000,000 if the option is exercised) at the initial conversion price of HK\$1.39 per share. The 2015 Convertible Bonds II are secured, interest being at 8% per annum and have a term of 3 years.

The number of shares to be issued upon exercise of the conversion right attaching to 2015 Convertible Bonds II will be determined by translating the principal amount of 2015 Convertible Bonds II (with the agreed exchange rate of US\$1 = HK\$7.755) into Hong Kong Dollars and dividing at the conversion price.

On 14 August 2015, the Company and China Minsheng entered into a supplemental letter to amend and supplement the terms of the placing agreement pursuant to which it was agreed that, among others, the initial conversion price under the terms and conditions of the 2015 Convertible Bonds II would be amended from HK\$1.39 per share to HK\$1.26 per share subject to and in accordance with the terms and conditions thereof.

As at 31 December 2015, the Company completed on issuance the 2015 Convertible Bonds II with an aggregate amount of US\$285,000,000 diving into four series on 16 July 2015 (referring as “Series 1”), 21 August 2015 (referring as “Series 2”), 2 September 2015 (referring as “Series 3”) and 9 September 2015 (referring as “Series 4”) respectively, to several investors and financial institutes in Hong Kong and PRC.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. CONVERTIBLE BONDS (Continued)

Convertible bonds at amortised costs: (Continued)

2011 Convertible Bonds and 2015 Convertible Bonds II contained two components, liability (together with embedded derivative for early redemption option by the Company which is closely related to the host debt) and equity elements. The equity elements are presented in equity under the heading of “convertible bonds equity reserve”. The effective interest rate of the liability component for 2011 Convertible Bonds is 16.59% per annum, 2015 Convertible Bonds II including Series 1 to 4 are ranged from 8.85% to 9.32% per annum at the date of initial recognition respectively.

The movement of equity component of the convertible bonds is as follows:

	2011 Convertible Bonds HK\$'000	2015 Convertible Bonds II HK\$'000	Total HK\$'000
Carrying amounts as at 1 January 2014, 31 December 2014 and 1 January 2015	90,116	–	90,116
Release of deferred tax liabilities upon conversion of convertible bonds	4,866	–	4,866
Conversion of convertible bonds	(94,982)	–	(94,982)
Equity component on initial recognition	–	43,078	43,078
Deferred tax liability on recognition of equity component of convertible bonds	–	(7,108)	(7,108)
Carrying amounts as at 31 December 2015	–	35,970	35,970

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. CONVERTIBLE BONDS (*Continued*)

Convertible bonds designated at fair value through profit or loss:

	2015 Convertible Bonds I HK\$'000
FAIR VALUE	
At 1 December 2014, 31 December 2014 and 1 January 2015	–
Liability components on initial recognition (<i>Note 34</i>)	240,740
Fair value change for the year	17,160
	257,900

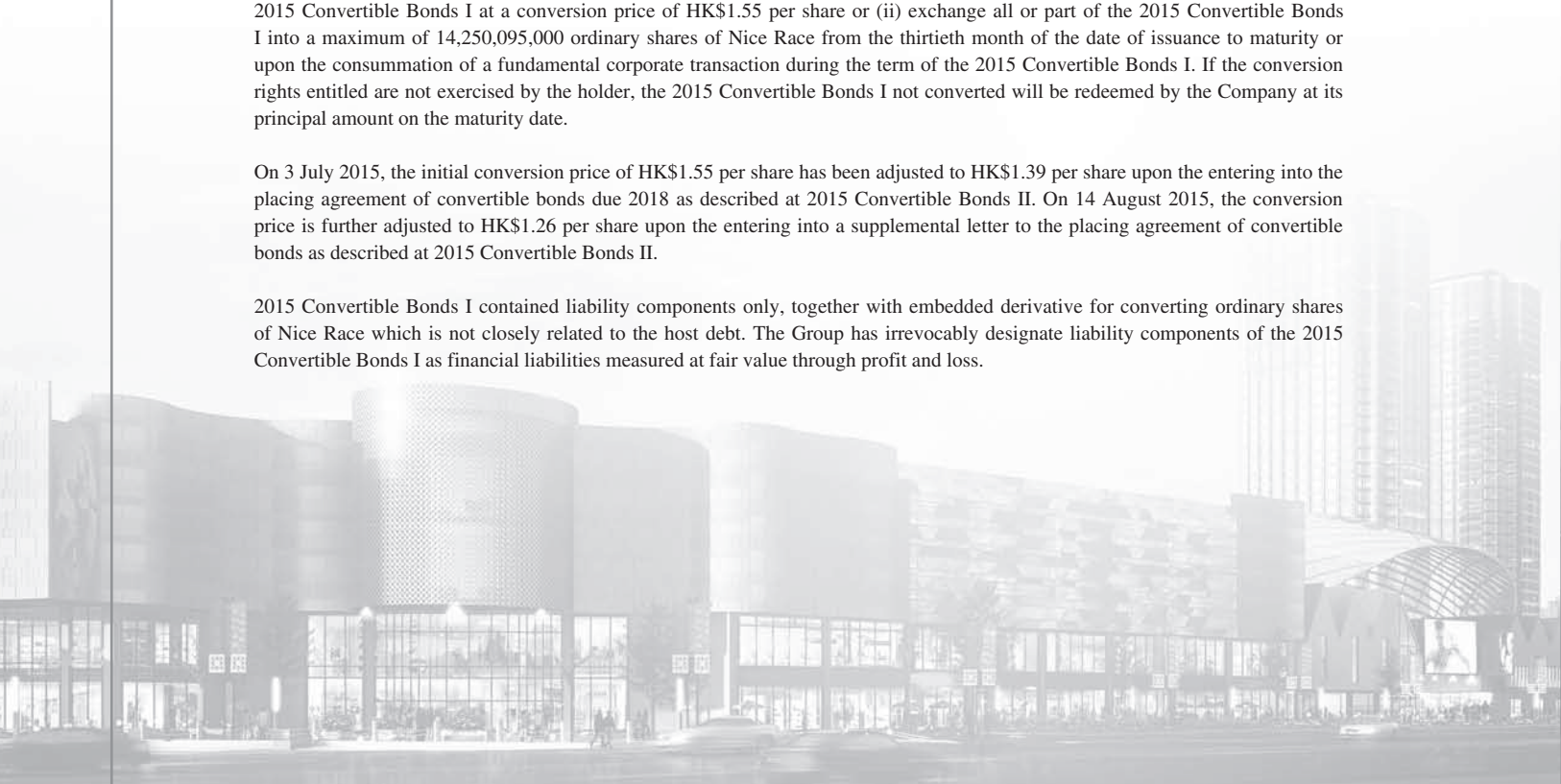
Note:

On 17 June 2015, the Company issued an exchangeable convertible bonds (“2015 Convertible Bonds I”) in principal amount of HK\$240,740,000 in favour of BFT Acquisition Guernsey L.P. (“BFT”) as a consideration in relation to the acquisition of 99.99% equity interests in Nice Race and its subsidiaries. The 2015 Convertible bonds I are unsecured, non-interest bearing and have a term of 3 years.

The BFT are entitled to (i) convert all or part of the 2015 Convertible Bonds I into ordinary shares of the Company from the thirtieth month of the date of issuance to maturity or upon the consummation of a fundamental corporate transaction during the term of the 2015 Convertible Bonds I at a conversion price of HK\$1.55 per share or (ii) exchange all or part of the 2015 Convertible Bonds I into a maximum of 14,250,095,000 ordinary shares of Nice Race from the thirtieth month of the date of issuance to maturity or upon the consummation of a fundamental corporate transaction during the term of the 2015 Convertible Bonds I. If the conversion rights entitled are not exercised by the holder, the 2015 Convertible Bonds I not converted will be redeemed by the Company at its principal amount on the maturity date.

On 3 July 2015, the initial conversion price of HK\$1.55 per share has been adjusted to HK\$1.39 per share upon the entering into the placing agreement of convertible bonds due 2018 as described at 2015 Convertible Bonds II. On 14 August 2015, the conversion price is further adjusted to HK\$1.26 per share upon the entering into a supplemental letter to the placing agreement of convertible bonds as described at 2015 Convertible Bonds II.

2015 Convertible Bonds I contained liability components only, together with embedded derivative for converting ordinary shares of Nice Race which is not closely related to the host debt. The Group has irrevocably designate liability components of the 2015 Convertible Bonds I as financial liabilities measured at fair value through profit and loss.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

33. PROVISIONS

	Litigation HK\$'000
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Arising on acquisition of a subsidiary (<i>Note 34</i>)	92,092
Additional provision for the year	1,186
Exchange adjustments	(3,845)
At 31 December 2015	89,433

The Group's subsidiaries are subject to a variety of lawsuits and claims in the ordinary course of its business. As at 31 December 2015, there were several claims filed against the Group's subsidiaries contesting breaches of contract terms and non-payment of existing obligations. Management has reviewed the circumstances and estimated that the amount of probable outflow related to these claims should not exceed approximately HK\$89,433,000 (2014: Nil). At each reporting date, the management has assessed the provisions for litigation and claims and concluded that the provisions and disclosures are adequate.

34. ACQUISITION OF A SUBSIDIARY

(a) Acquisition of Nice Race and its subsidiaries (the "Nice Race Group")

On 4 August 2015, the Group completed the acquisition of 99.99% equity interests in Nice Race. Goodwill arising on the acquisition was approximately HK\$870,169,000. The Nice Race Group is principally engaged in the operation of high-end restaurant chain under the brand of "Golden Jaguar (金錢豹)".

Consideration transferred

	HK\$'000
Cash paid	12,670
Convertible bonds (<i>Note 32</i>)	240,740
Total	253,410

Acquisition-related costs amounting to approximately HK\$4,493,000 have been excluded from the consideration transferred and have been recognised as an expense in the year, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

34. ACQUISITION OF A SUBSIDIARY (Continued)

(a) Acquisition of the Nice Race Group (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK\$'000
Property, plant and equipment (Note 16)	219,720
Long-term rental deposits	21,974
Other intangible assets (Note 18)	206,931
Deferred tax assets (Note 31)	463
Inventories	15,741
Trade receivables	16,844
Prepayment, deposits and other receivables	64,724
Cash and bank balances	26,338
Trade payables	(198,763)
Accrued liabilities and other payables	(652,004)
Bank borrowings	(37,392)
Tax payable	(27,114)
Deferred income	(88,012)
Provisions (Note 33)	(92,092)
Long-term payables	(94,117)
	<hr/>
Net liabilities	(616,759)
	<hr/>
Goodwill arising on acquisition:	
Consideration transferred	253,410
Less: net liabilities acquired	(616,759)
	<hr/>
Goodwill arising on acquisition (Note 19)	870,169
	<hr/>

Goodwill arose in the acquisition of the Nice Race Group because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Nice Race Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

34. ACQUISITION OF A SUBSIDIARY (Continued)

(a) Acquisition of the Nice Race Group (Continued)

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

	HK\$'000
Net cash inflow on acquisition of the Nice Race Group:	
Cash consideration paid	12,670
Less: cash and bank balances acquired	(26,338)
	<u>13,668</u>

The Nice Race Group had contributed to the Group's revenue and loss for the year between the date of acquisition and 31 December 2015 amount to approximately HK\$248,200,000 and approximately HK\$53,143,000 respectively.

Had the acquisition been completed on 1 January 2015, total Group's revenue for the year would have been approximately HK\$1,572,970,000 and loss for the year would have been approximately HK\$170,360,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

34. ACQUISITION OF A SUBSIDIARY (Continued)

(b) Acquisition of Netspac Investments Limited (“Netspac”)

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

Assets and liabilities recognised at the date of acquisition:

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

35. ACQUISITION OF NON-CONTROLLING INTERESTS OF A SUBSIDIARY

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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. OPERATING LEASES

The Group as lessor

At the end of the reporting period, the Group did not have any commitments for the future minimum lease income as the lease commitments become effective base on fulfillment of certain capacity for the investment properties as at 31 December 2015 (2014: Nil).

The Group as lessee

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

	2015 HK\$'000	2014 HK\$'000
Within one year	142,731	9,256
In the second to fifth years inclusive	541,882	23,998
Over five years	568,116	42,462
	1,252,729	75,716

Operating lease payments represent rentals payable by the Group for certain offices premises and retail shops. Leases are negotiated for periods arranging from 3 to 20 years (2014: 3 to 20 years) with fixed rentals.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

37. CAPITAL COMMITMENTS

	2015 HK\$'000	2014 HK\$'000
Capital expenditure		
– Contracted but not provided for	2,342,523	4,898,158
– capital injection of subsidiaries in PRC	345,948	54,530
	2,688,471	4,952,688

The above commitments include mainly:

- (i) the construction related costs on development of the Group's property, plant and equipment, investment properties, and properties for sale in the PRC;
- (ii) the consideration on acquisition of the Group's property, plant and equipment in Hong Kong.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

38. SHARE OPTION SCHEME

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

- (a) The purpose was to provide incentives to eligible participants as incentives or rewards for their contributions to the Group.
- (b) The participants included any employee, whether full time or part time, director of the Company, consultant, adviser or agent of any member of the Group, subsidiary or any invested entity.
- (c) The maximum number of shares in respect of which options might be granted under the Share Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.
- (d) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Share Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.
- (e) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors and provided in the offer of grant of option.
- (f) The exercise period should be any period fixed by the board of directors upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (g) The acceptance of an option, if accepted, must be made within 21 days from the date of grant with a non-refundable payment of HK\$1 from the grantee to the Company.
- (h) The exercise price of an option must be the highest of:
 - (i) the closing price of the shares on the date of grant which day must be a trading day;
 - (ii) the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
 - (iii) the nominal value of the share.
- (i) The life of the Share Option Scheme is effective for 10 years from the date of adoption until 30 May 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

38. SHARE OPTION SCHEME (Continued)

The following table discloses movements of the share options granted under the Share Option Scheme during the year ended 31 December 2015 and 2014:

As at 31 December 2015:

Grantee	Date of grant	Adjusted exercise price	Exercise periods	Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	Outstanding as at 31 December 2015
Share Option Scheme:								
Executive Directors and Chief Executive Officer								
Mr. Leung Wing Cheong Eric	26 May 2014	0.63	26 May 2016 to 30 May 2023	129,138,840	-	-	-	129,138,840
	8 June 2015	1.596	8 June 2015 to 30 May 2023	-	137,788,840	-	-	137,788,840
Employees	29 September 2014	1.264	1 October 2016 to 30 September 2019	158,500,000	-	-	(60,000,000) [^]	98,500,000
	16 March 2015	1.37	17 March 2017 to 16 March 2020	-	40,000,000	-	-	40,000,000
Total				287,638,840	177,788,840	-	(60,000,000)	405,427,680

As at 31 December 2014:

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

[^] The 60,000,000 (2014: 500,000) share options granted under the Share Options Scheme lapsed upon the resignation of the employees of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

38. SHARE OPTION SCHEME (*Continued*)

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

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

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

The fair value of option granted on 16 March 2015 (“Option 3”) was determined by using Binomial options pricing model at the date of grant; no subsequent revaluation at the year ended is required. The significant inputs into the model were closing share price of HK\$1.37 at the grant date, exercise price of HK\$1.37, expected volatility of 71%, expected dividend yield of nil, option live of 5 years, and annual risk free rate of 1.2%.

The fair value of option granted on 8 June 2015 (“Option 4”) was determined by using Binomial options pricing model at the date of grant; no subsequent revaluation at the year ended is required. The significant inputs into the model were closing share price of HK\$1.45 at the grant date, exercise price of HK\$1.596, expected volatility of 75%, expected dividend yield of nil, option live of 8 years, and annual risk free rate of 1.7%.

The exercise of options are subject to exercise in whole or in part at any time during the exercise periods upon the fulfillment of certain prescribed performance targets set to the Group.

During the year ended 31 December 2015, employee share-based payment of approximately HK\$38,526,000 (2014: approximately HK\$27,487,000) has been included in the consolidated statement of profit or loss and other comprehensive income with a corresponding credit to the share options reserve.

39. RETIREMENT BENEFIT PLANS

Defined contribution plan

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

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

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of approximately HK\$15,231,000 (2014: approximately HK\$3,371,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

40. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt, which included borrowings, obligation under finance lease, and convertible bonds, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

Net debt to equity ratio

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

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

	2015 HK\$'000	2014 HK\$'000
Debt (<i>Note (i)</i>)	10,217,766	6,634,287
Cash and bank balance (<i>Note 24</i>)	(3,089,294)	(1,417,979)
Net debt	7,128,472	5,216,308
Equity (<i>Note (ii)</i>)	7,086,296	6,613,703
Net debt to equity ratio	101%	79%

Notes:

- (i) Debt is defined as obligation under finance lease, borrowings and convertible bonds, as detailed in Notes 29, 30 and 32 respectively.
- (ii) Equity includes all capital and reserves of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	4,325,102	2,051,313
FVTPL	739,238	–
Financial liabilities		
Amortised cost	12,357,685	9,079,074
FVTPL	257,900	–

(b) Financial risk management objectives and policies

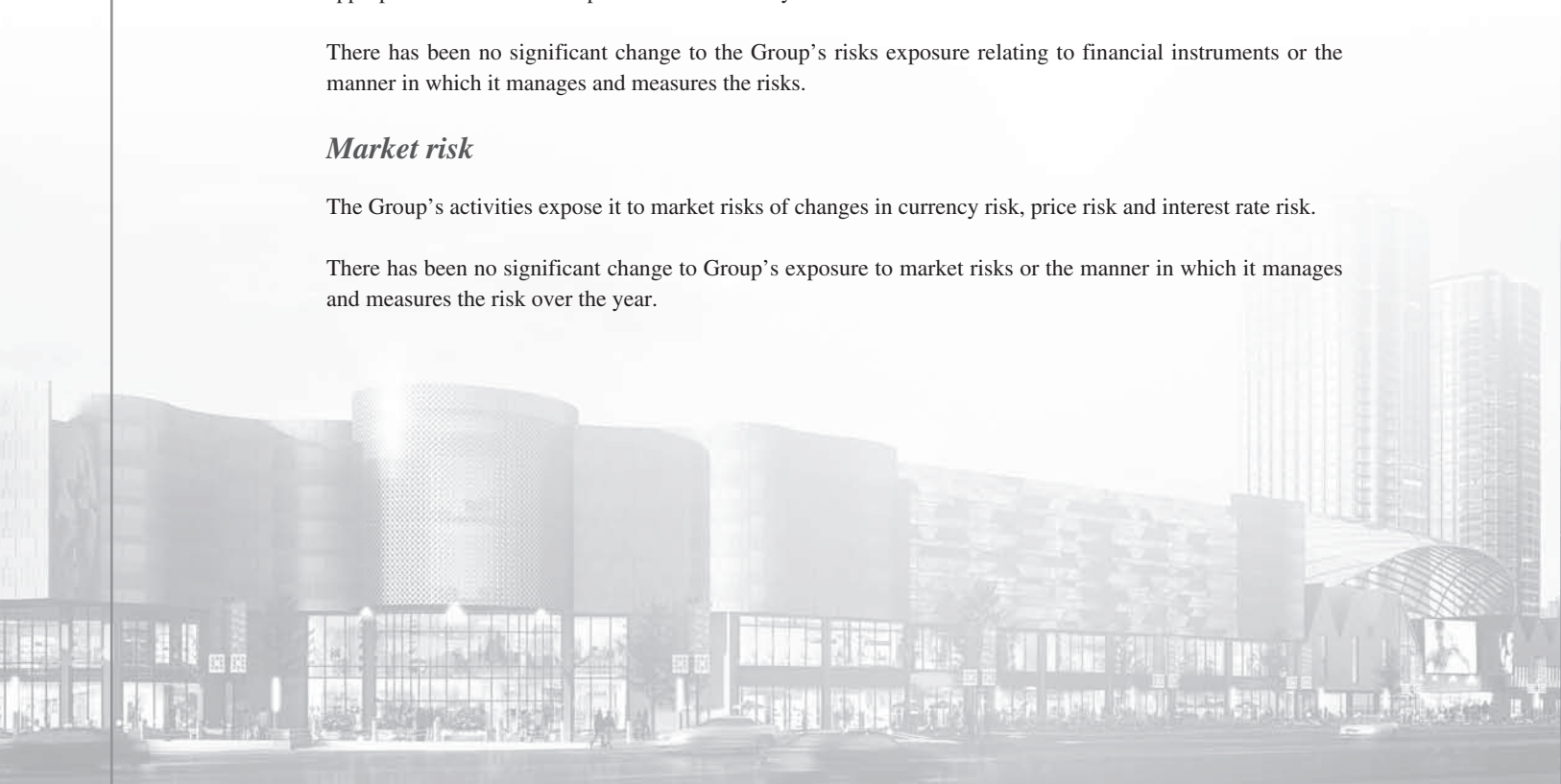
The Group's major financial instruments include bank balances and deposits, trade receivables, deposits and other receivables, financial instruments at fair value through profit or loss, trade payables, accrued liabilities and other payables, amounts due to non-controlling interests and related companies,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

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

Market risk

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

41. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Currency risk

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

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

Equity price risk

The Group is exposed to equity price risk arising from trading of listed securities included in financial assets at fair value through profit or loss. The sensitivity analysis has been determined based on the exposure to equity price risk.

At the end of the reporting period, if the quoted stock prices had been 10% higher or lower while all other variables were held constant, the Group's net profit would increase or decrease by approximately HK\$73,924,000 (2014: Nil) as a result of changes in fair value of investments.

Interest rate risk

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

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

Credit risk

At 31 December 2015 and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

41. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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

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

At 31 December 2015 and 2014, the Group has concentration of credit risk on the deposits paid for acquisition of a property project and subsidiaries paid to counterparties which are all engaged in PRC property development business with good reputation, the directors of the Company consider that the credit risk is limited.

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

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

Liquidity risk

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

Liquidity tables

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

41. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	Less than 1 year HK\$'000	1 to 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2015						
Non-derivative financial liabilities						
Trade payables	–	1,756,995	–	–	1,756,995	1,756,995
Accrued liabilities and other payables	–	563,858	–	–	563,858	563,858
Borrowings:						
– Bank and other borrowings	1.62-13	4,158,569	3,360,333	–	7,518,902	6,701,817
– Bonds	8.84-12.02	690,171	431,156	11,626	1,132,953	1,022,384
Obligation under finance lease	3.57	353	706	–	1,059	1,004
Amounts due to non-controlling interests	–	60,076	–	–	60,076	60,076
Amount due to related companies	–	16,890	–	–	16,890	16,890
Convertible bonds	8.85-9.32	176,709	2,802,982	–	2,979,691	2,492,561
At 31 December 2014						
Non-derivative financial liabilities						
Trade payables	–	1,437,145	–	–	1,437,145	1,437,145
Accrued liabilities and other payables	–	510,800	–	–	510,800	510,800
Borrowings:						
– Bank and other borrowings	3.39-13	2,857,204	3,840,285	–	6,697,489	5,853,658
– Bonds	12.02	72,665	704,537	–	777,202	631,816
Obligation under finance lease	3.57	353	1,059	–	1,412	1,314
Amounts due to non-controlling interests	–	429,990	–	–	429,990	429,990
Amount due to a related company	–	66,852	–	–	66,852	66,852
Convertible bonds	16.59	–	200,000	–	200,000	147,499

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

41. FINANCIAL INSTRUMENTS (Continued)

(c) Fair values

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

At 31 December 2015:	Carrying amount HK\$'000	Fair value HK\$'000
Financial liabilities:		
Convertible bonds	2,234,661	2,379,990
At 31 December 2014:	Carrying amount HK\$'000	Fair value HK\$'000
Financial liabilities:		
Convertible bonds	147,499	162,289

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

42. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Transaction

During the year, the Group had entered into the following significant transactions with the following party:

	2015 HK\$'000	2014 HK\$'000
Nature of related parties transaction:		
Purchase of computer equipment	2,361	–

Note: The related company is controlled by the controlling shareholder.

(b) Compensation to key management personnel of the Group

	2015 HK\$'000	2014 HK\$'000
Short-term employee benefits	16,319	6,054
Post-employment benefits	54	57
Equity settled share-based payment	22,521	15,567
	38,894	21,678

43. CONTINGENT LIABILITIES

Saved as disclosed in Note 33 regarding the provisions of probable outflow of a variety of lawsuits and claims. The Group had no other material contingent liabilities identified.

44. EVENTS AFTER THE REPORTING PERIOD

On 15 March 2016, the Company entered into a subscription agreement with, among others, AMTD Asset Management Limited, Haitong International Securities Company Limited, Quam Securities Company Limited and CCB International Capital Limited as joint global coordinators and joint bookrunners in connection with the issue of USD180,000,000 8% listed senior bonds due 2019 (“Senior Bonds”). The issue of the Senior Bonds were completed on 22 March 2016.

The Senior Bonds was permitted for listing and dealing on 23 March 2016.

Further details regarding the issue of the Senior Bonds have been set out in the announcements of the Company dated 3 March 2016, 16 March 2016 and 23 March 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2015

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued share capital/paid up capital	Proportion of ownership interests held by the Company	Principal activities
Easy Linkage Development Limited	British Virgin Islands ("BVI")	Ordinary US\$1	100% (Direct)	Investment holding
Nice Race Management Limited	BVI	Ordinary US\$30,612,451	100% (Direct)	Investment holding
Golden Jaguar International Co., Ltd.	Samoa	Ordinary US\$10,000,000	100% (Indirect)	Investment holding
Huang-Jun International Co., Ltd.	Cayman Islands	Ordinary US\$50,000	100% (Indirect)	Investment holding
Cheertex Investment Limited	Hong Kong	Ordinary HK\$10	100% (Indirect)	Investment holding
Genius Choice Investments Limited	Hong Kong	Ordinary HK\$1	100% (Indirect)	Investment holding
Carnival Group (Hong Kong) Holdings Limited	Hong Kong	Ordinary HK\$1	100% (Indirect)	Provision of management services in Hong Kong
Sino Ever Investment Limited	BVI	Ordinary US\$100	99.01% (Indirect)	Investment holding
Ever Lead Holdings Limited	Hong Kong	Ordinary HK\$1	99.01% (Indirect)	Investment holding
Golden Jaguar Restaurant Management (Group) Co., Ltd.	Hong Kong	Ordinary HK\$1	100% (Indirect)	Investment holding
Huang-Jun International (Hong Kong) Co., Ltd.	Hong Kong	Ordinary HK\$10,000	100% (Indirect)	Investment holding
海上嘉年華 (青島) 置業有限公司	PRC (Note (i))	Registered capital RMB900,000,000	64% (Indirect)	Property development in the PRC
青島海灣豪庭物業管理有限公司	PRC (Note (ii))	Registered capital RMB1,000,000	64% (Indirect)	Property management in the PRC

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2015 (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued share capital/paid up capital	Proportion of ownership interests held by the Company	Principal activities
成都市嘉錦置業有限公司	PRC (Note (iii))	Registered capital RMB70,600,000	100% (Indirect)	Property development in the PRC
上海金錢豹國際美食有限公司	PRC (Note (iii))	Registered capital US\$1,200,000	100% (Indirect)	Catering business
上海金錢豹宴會餐飲管理有限公司	PRC (Note (iii))	Registered capital US\$12,500,000	100% (Indirect)	Catering business
北京金錢豹國際美食有限公司	PRC (Note (iii))	Registered capital US\$1,000,000	100% (Indirect)	Catering business
北京金錢豹餐飲有限公司	PRC (Note (iii))	Registered capital US\$2,000,000	100% (Indirect)	Catering business
北京金錢豹餐飲管理有限公司	PRC (Note (iii))	Registered capital US\$1,500,000	100% (Indirect)	Catering business
瀋陽金錢豹麵包烘焙坊有限公司	PRC (Note (iii))	Registered capital US\$200,000	100% (Indirect)	Bakery service
南京金錢豹餐飲管理有限公司	PRC (Note (iii))	Registered capital US\$5,000,000	100% (Indirect)	Catering business
皇郡國際餐飲(深圳)有限公司	PRC (Note (iii))	Registered capital US\$1,000,000	100% (Indirect)	Catering business
皇郡金錢豹餐飲管理(無錫)有限公司	PRC (Note (iii))	Registered capital US\$54,175,967	100% (Indirect)	Catering business

Notes:

- (i) The company is a sino-foreign equity joint venture established in the PRC.
- (ii) The company is a limited liability company established in the PRC.
- (iii) The company is a wholly foreign-owned enterprise established in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
海上嘉年華(青島)置業有限公司	PRC	36%	36%	(107,848)	63,102	1,918,359	2,026,207

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

海上嘉年華(青島)置業有限公司	2015 HK\$'000	2014 HK\$'000
Current assets	5,007,069	6,248,096
Non-current assets	9,122,788	7,646,749
Current liabilities	(4,743,637)	(3,770,391)
Non-current liabilities	(4,057,445)	(4,496,101)
Equity attributable to owners of the Company	3,410,416	3,602,146
Non-controlling interests	1,918,359	2,026,207
Revenue	172,382	969,473
Profit for the year	12,884	180,477
Total comprehensive (expense)/income for the year	(299,578)	161,476
Profit for the year attributable to the non-controlling interests	4,638	70,703
Total comprehensive (expenses)/income attributable to the non-controlling interests	(107,848)	63,102
Net cash inflow/(outflow) from operating activities	2,949,281	(590,565)
Net cash outflow from investing activities	(1,391,010)	(790,685)
Net cash (outflow)/inflow from financing activities	(1,885,031)	1,698,154
Net cash outflow	(326,760)	(316,904)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Investments in subsidiaries	3,360,891	2,843,952
Current assets		
Financial assets at fair value through profit or loss	170,835	–
Prepayments and other receivables	19,342	15,607
Amounts due from subsidiaries	4,115,176	1,607,446
Bank balances and deposits	246,158	51,928
	4,551,511	1,674,981
Total assets	7,912,402	4,518,933
Current liabilities		
Accrued liabilities and other payables	4,535	3,479
Amounts due to subsidiaries	46,562	46,282
Borrowings	699,306	–
	750,403	49,761
Net current assets	3,801,108	1,625,220
Total assets less current liabilities	7,161,999	4,469,172
Capital and reserves		
Share capital	2,976,476	2,755,777
Share premium and reserves	1,264,611	925,417
Total equity	4,241,087	3,681,194
Non-current liabilities		
Borrowings	423,078	631,816
Deferred tax liabilities	5,273	8,663
Convertible bonds	2,492,561	147,499
	2,920,912	787,978
	7,161,999	4,469,172

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible bonds equity reserve HK\$'000	Share Options Reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2014	3,209,256	9,404	90,116	–	(3,083,921)	224,855
Loss for the year	–	–	–	–	(128,338)	(128,338)
Recognition of equity settled share-based payments	–	–	–	27,524	–	27,524
Share options lapsed during the year	–	–	–	(37)	–	(37)
Issue of shares by way of placing	817,350	–	–	–	–	817,350
Transaction costs attributable to issue of shares	(15,937)	–	–	–	–	(15,937)
At 31 December 2014 and 1 January 2015	4,010,669	9,404	90,116	27,487	(3,212,259)	925,417
Loss for the year	–	–	–	–	(208,008)	(208,008)
Release of deferred tax liability upon conversion of convertible bond	–	–	4,866	–	–	4,866
Conversion of convertible bonds	116,797	–	(94,982)	–	–	21,815
Recognition of equity settled share-based payments	–	–	–	49,359	–	49,359
Share option lapsed during the year	–	–	–	(10,833)	–	(10,833)
Recognition of equity component of convertible bonds	–	–	43,078	–	–	43,078
Deferred tax liability on recognition of equity component of convertible bonds	–	–	(7,108)	–	–	(7,108)
Issue of shares by way of placing	453,600	–	–	–	–	453,600
Transaction costs attributable to issue of shares	(7,575)	–	–	–	–	(7,575)
At 31 December 2015	4,573,491	9,404	35,970	66,013	(3,420,267)	1,264,611

48. COMPARATIVE FIGURE

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

Particulars of the Major Properties Held

Details of the Group's major properties held as at 31 December 2015 under development for sale, investment or own use are as follows:

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



Financial Summary

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

RESULTS

Year ended 31 December	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Continuing operations					
Revenue					
From continuing operations	1,146,888	1,412,857	545,287	(17,808)	(12,605)
From discontinued operations	–	–	–	–	14,344
	1,146,888	1,412,857	545,287	(17,808)	1,739
Profit/(loss) before tax	95,728	138,986	(2,134,690)	(384,404)	(61,101)
Income tax credit/(expense)	8,162	(21,163)	323,121	22,992	(217)
	103,890	117,823	(1,811,569)	(361,412)	(61,318)
Discontinued operations					
Profit/(loss) for the year from discontinued operations	–	–	–	9,470	(16,136)
Profit/(loss) for the year	103,890	117,823	(1,811,569)	(351,942)	(77,454)
Profit/(loss) for the year attributable to:					
Owners of the Company	120,453	43,018	(1,485,874)	(307,965)	(69,547)
Non-controlling interests	(16,563)	74,805	(325,695)	(43,977)	(7,907)
	103,890	117,823	(1,811,569)	(351,942)	(77,454)
ASSETS AND LIABILITIES					
At 31 December	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Assets	23,020,389	17,536,906	14,763,907	13,195,776	12,829,541
Liabilities	(15,934,093)	(10,923,203)	(9,087,136)	(7,509,529)	(6,982,428)
Net assets	7,086,296	6,613,703	5,676,771	5,686,247	5,847,113
Equity attributable to:					
Owners of the Company	5,192,128	4,591,399	3,491,809	3,250,655	3,385,282
Non-controlling interests	1,894,168	2,022,304	2,184,962	2,435,592	2,461,831
	7,086,296	6,613,703	5,676,771	5,686,247	5,847,113