南海控股 有限公司

二零一三年度 年報

CONTENTS

CORPORATE INFORMATION

Directors

Executive
Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Ms. LIU Rong

Non-executive
Mr. WANG Gang
Mr. LAM Bing Kwan

Independent Non-executive
Prof. JIANG Ping
Mr. HU Bin
Mr. LAU Yip Leung

Company Secretary

Mr. WATT Ka Po James

Auditor

BDO Limited
Certified Public Accountants
Hong Kong

Bermuda Legal Advisers

Appleby

Principal Place of Business in Hong Kong

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Wanchai
Hong Kong

Registered Office

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Hamilton HM 12
Bermuda

Principal Registrar

MUFG Fund Services (Bermuda) Limited
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Hamilton HM 11
Bermuda

Hong Kong Share Registrar and Transfer Office

Tricor Abacus Limited
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183 Queen's Road East
Hong Kong

Stock Code

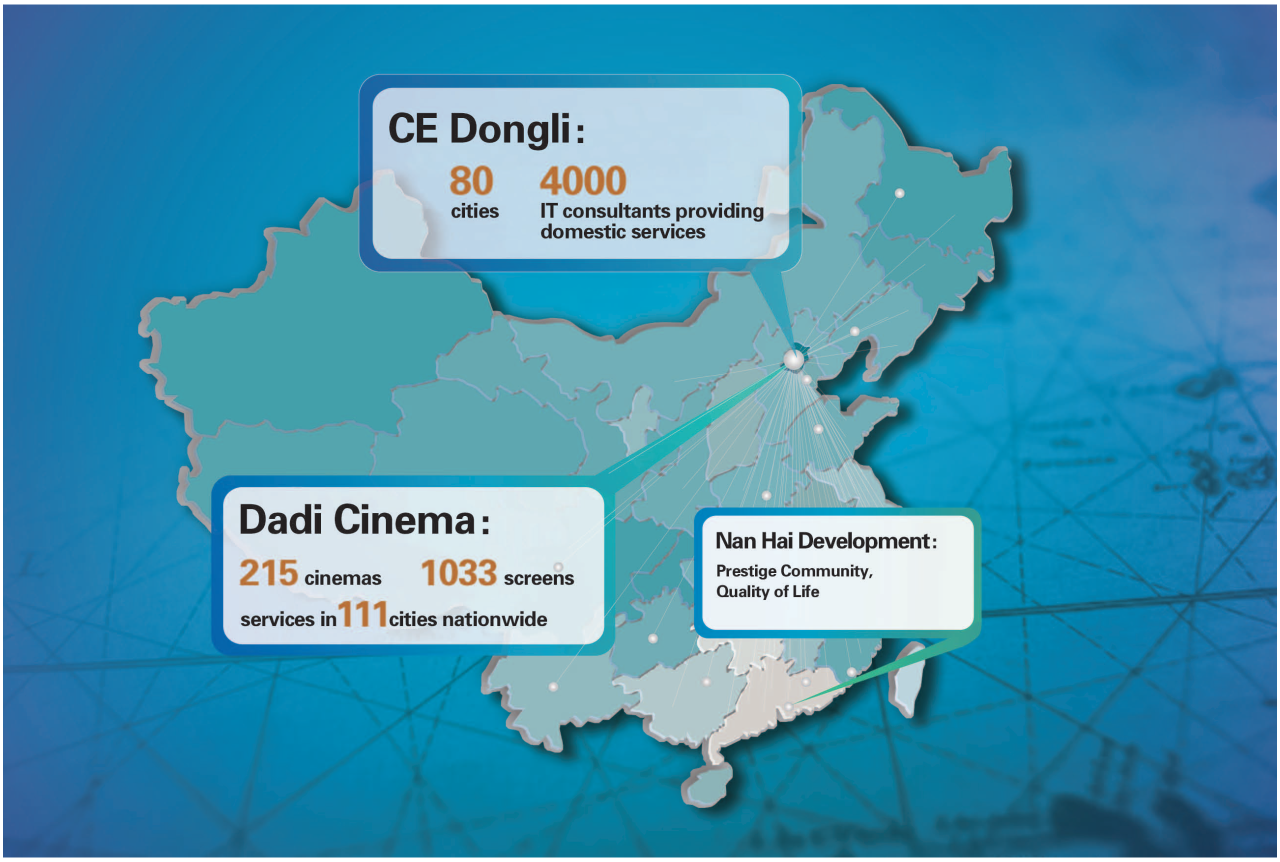
680

Principal Bankers

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Website Address

http://www.nanhaicorp.com



CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Nan Hai Corporation Limited (the "Company"), I am presenting to the shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

The year 2013 marked the milestone of the Group. In the first half of the year, 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited) ("Nanhai Yitian"), a property development project company of the Group, was ruled in favor of in the final trial. The development of "The Peninsula" project was revitalized from passive stagnation, which in turn became the bedrock for subsisting enhancement of the Group's operating results and cash flow in the future.

During the year, by establishing its strategic presence with diversified core businesses, the Group continued to focus on culture and media, property development and corporate IT application services. Driven by the rapid growth of the culture and media division, in 2013, the Group recorded an increase of approximately 18.69% in turnover over the previous year. Benefiting from the disposal of certain shares of its former subsidiary, Listar Properties Limited ("Listar"), the Group recorded a net profit attributable to owners of the Company of approximately HK$865.2 million in 2013. The proceeds from the disposal were entirely used for reducing the Group's debts, contributing to an improved overall capital structure of the Group.

CHAIRMAN'S STATEMENT

Business Review

Culture and Media

According to the notice issued by the director of the State Administration of Press, Publication, Radio, Film and Television on 3 January 2014, the film market in the PRC continued to grow rapidly and remained the second largest film market in the world in 2013. The gross box office receipts nationwide amounted to RMB21.769 billion, representing a growth of 27.51% over the corresponding period last year. In 2013, the Chinese film, "Journey to West: Conquering the Demons" (《西游•降魔篇》), achieved an outstanding performance and the box office receipts of which amounted to RMB1.246 billion. In 2013, the box office receipts of Chinese film increased by 54.32% to RMB12.767 billion as compared to the previous year, accounting for 58.65% of the gross box office receipts.

Leveraging on the supporting policies and enormous room for development of the Chinese film industry, the Group continued to focus on the commitment to and development of its businesses in culture and media division through its subsidiaries, Dadi group. In addition to expanding its presence in the second and third tier cities in the PRC, the Group's cinema business ("Dadi Cinema") aimed at those first tier cities with room for development and certain potential towns as well. In 2013, Dadi Cinema set up additional 64 cinemas with 340 screens in several cities, namely Beijing, Shanghai, Shenzhen, Dongguan, Foshan, Wuhan and Chongqing. According to the 2013 industry analysis disclosed by the National Film Development Funds Management Committee ("NFDFMC") in January 2014, Dadi Cinema was the top-rated cinema operator in terms of the number of newly opened cinemas and screens, and one of the operators with the fastest pace of development in the PRC.

Under the concerted efforts by the Group and Dadi Cinema, for the year ended 31 December 2013, Dadi Cinema operated 215 cinemas with 1,033 screens, representing an increase of approximately 49.1% in the total number of screens. The Group achieved another record high admission by serving over 34.56 million audiences in total with box office receipts of about RMB1.002 billion for the year. According to the 2013 industry analysis of NFDFMC, Dadi Cinema has become one of the top three mainstream branded cinema operators in the PRC at the end of 2013, with the largest number of cinemas, the second largest number of screens as well as the third largest number of audiences and box office receipts.

During the year, the Group continued to develop its film distribution business through its subsidiary, 大地時代電影發行（北京）有限公司 (Dadi Century Film Distribution (Beijing) Co. Ltd.) ("Dadi Distribution"). A professional team responsible for film distribution and promotion was established to equip the Group with the capability of distributing big-budget films nationwide on its own. During the year, Dadi Distribution participated in the production of "Fake Fiction" (《摩登年代》) starred by Xu Zheng (徐崢) and played a leading role in distribution of the film. The box office receipts of the film amounted to approximately RMB70 million.

In addition, given the competitive edge of its largest number of newly opened cinemas in the PRC, Dadi Cinema officially established 時代廣告（北京）有限公司 (Century Advertising (Beijing) Limited) ("Century Advertising"), a subsidiary of the Company, as a new business arm at the end of 2012. In 2013, Century Advertising has established a concrete foundation in the aspects of organization management system; sales team establishment, and business development, and has adopted the selling model combining sales channels and direct sales as well as commencement of sales business of both screen and cinema in-foyer advertising resources that generated satisfactory revenue for the Group.

Property Development

In 2013, in view of the controlling measures in various aspects in the property market adopted by the Chinese government, the transaction volumes and prices in certain cities in the PRC slid down. However, the property market in the PRC, particularly first tier cities, still recorded a considerable increase in the average transaction prices. At the backdrop of such crucial stage of economic transformation, the economic growth of the PRC was slow but stable. The urbanization and construction in the PRC because the key forces for domestic demand, which would motivate the property sector to accelerate its pace

CHAIRMAN'S STATEMENT

in reforming and therefore achieve rapid and healthy development. The Group is cautiously optimistic towards the outlook of the property development division.

In the first half of the year, the litigation in relation to "The Peninsula" in Shenzhen was ruled in favor of in the final trial. The property development business of the Group managed to shake off all adverse impacts in the recent years, and the follow-up development was back on track for healthy development. During the year, Phase 2 of the project was accredited the National Quality Project Award (國家優質工程獎). At the end of the year, the planning and adjustment works of Phases 3 to 5 of "The Peninsula" in Shenzhen were in the stage of public disclosure. Subsequent to the expiry of the public disclosure period, the regular registration and application process of Phase 3 began. It is expected that the construction of Phase 3 will commence in the second half of 2014.

During the year, "Free Man Garden" in Guangzhou got over the adverse effect arising from limitation in purchase of property policies issued by the PRC government and attained the annual sales expectation. The residential construction work of Phase 1 was completed and gradually examined by the government authorities. The enclosure construction and part of the temporary facilities of Phase 2 were also completed, and the construction works have been commenced in the first quarter of 2014.

Corporate IT Application Services

During the year, Sino-i Technology Limited ("Sino-i"), a listed subsidiary of the Company, continued to focus on the development of its corporate IT application services business through its main subsidiary 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli"). CE Dongli got over both internal and external adverse factors during the year, posting a growth in turnover as compared to the corresponding period last year. In the meantime, its operating result was also improved by further enhancing operating efficiency and reducing expenses.

During the year, CE Dongli still adhered to its strategies of innovation. R&D resources were committed to such areas as e-commerce, Zshop and webmail hosting services. ZTS, a new product, and the new version of Z+ were successfully launched to the market. In addition, products like AZshopS for different market segments, catering to the demands and characteristics of the industry were introduced. Attempts to tap into various market segments, especially specializing in identifying major customers in the industry, were made by establishing a key customer marketing team.

With respect to sales channel, for the year ended 31 December 2013, there were nearly 80 branches offices of CE Dongli. By means of the online operation of informatization system and the integration of its internal information resources during the year, CE Dongli achieved enhancement of the overall operating efficiency of its business network.

With respect to cost control, CE Dongli rationalized its lines of product and business to reduce cost of sales. Meanwhile, CE Dongli also commenced various administrative expenses reduction programmes. As a result, administrative expenses of CE Dongli, both at the levels of headquarters and sales branches, were significantly lower as compared to the corresponding period of the previous year.

During the year, Sino-i, through its subsidiary, 新網華通信息技術有限公司 (Xinnet Technology Information Company Limited), gained full control over the management, businesses and operations of 北京新網數碼信息技術有限公司(Beijing Xinnet Cyber Information Company Limited)("Beijing Xinnet") and became entitled to all benefits generated by the operations of Beijing Xinnet, in addition to an option to acquire the entire equity interest of Beijing Xinnet when necessary pursuant to a set of structured agreements. Given such benefits as Beijing Xinnet's existing virtual server hosting equipment; customer base; and valid license for providing internet content services in the PRC, the Group can provide virtual server hosting and maintenance services for its customers in the PRC in a more efficient and cost-effective manner, which are useful in broadening the scope of Sino-i's corporate IT application services and enhancing its core competitive strengths in the market. The Group disclosed details of the above transactions in its announcements dated 15 November 2013 and 6 December 2013 respectively.

CHAIRMAN'S STATEMENT

Business Opportunities and Development Strategies

The Group is confident in the future development of the PRC. In 2013, the annual gross domestic product (GDP) growth rate of the PRC was approximately 7.7%. The service sector showed a strong development momentum, the income proportion of which rose to 46.1%, surpassing the second largest sector (i.e. the industrial sector) for the first time. In the forthcoming five years, the annual GDP growth rate of the PRC is expected to maintain at 7.5% to 8.5%. The modern service sector in which culture and media and corporate IT application services, the core businesses of the Group, were categorized, would still remain in a rapid development stage. The Group believes that, alongside the gradually developed movie-watching habit of consumers in the PRC, the Chinese film market is expected to maintain an annual average growth rate of 30% in box office receipts in the coming five years, hopefully replacing the United States as the largest film market in the world. The property sector in the PRC was still under the impacts arising from the national key controlling policies, and the sales volume of property will be affected for a certain period of time. However, as the property sector was standardized and optimized, it would gradually become market-oriented. Meanwhile, given the improving living quality of consumers in the PRC, the Group adhered to the concept of establishing a high quality community which would eventually gain a more extensive recognition from the market. In addition, the new urbanization and construction in the PRC would also continue to derive enormous demand for property development.

It is expected that the Group will continue to strategically invest in its culture and media, property development and corporate IT application services businesses in the next three to five years so as to achieve subsisting rapid growth and long-term operating return.

With respect to culture and media, the Group will continue to input more resources in developing the market in the PRC for accelerating the expansion of its presence in the cinema market. The Group will establish the new urban culture and entertainment composite "Free Man", a new brand, in first and second tier cities in the PRC through expansion strategies such as self-development and acquisitions to enlarge its market share in those cities. In the second and third tier cities where Dadi Cinema has its competitive edges, the Group will continue to strengthen its leading position in the market. Looking forward, leveraging on its strong cinema network, the Group will build up a nationwide distribution network, with a view to steadily develop its middle and upper stream businesses and establish an industry chain covering film production, distribution, showing and advertising businesses.

With respect to property development, the Group will continue to carry forward the follow-up development of its "The Peninsula" in Shenzhen and "Free Man Garden" in Guangzhou, in a faster pace, including planning to optimize the business environment by spending more resources in developing and operating ancillary facilities for establishing a high quality landmark for the urban community. At the same time, the Group is also actively identifying potential quality projects for reserve and development to attain sustainable revenue and return in the long run.

With respect to corporate IT application services, the Group will enhance the synergy between CE Dongli and Beijing Xinnet, continue to focus on corporate IT application services business and to expand corporate IT infrastructure services as well as IT infrastructure application services. The Group will also strive to promote upgraded business operating model by establishing an informatization platform.

Furthermore, capitalizing on its competitive strength in resource and capability, the Group will cautiously select businesses from intellectual sector and chain operation for investment and development so as to optimize its strategic presence of diversified core businesses for continuous enhancement in the Group's value.

CHAIRMAN'S STATEMENT

Conclusion

Looking forward to the coming year, the Group will adhere to its middle to long-term development strategy and continue to focus on its three business segments, namely culture and media, property development and corporate IT application services. It will continue to strengthen its leading market position in the culture and media as well as corporate IT application services divisions. Meanwhile, the Group will carry forward the development of the property projects in a faster pace and improve operating efficiency, for maximizing value for shareholders of the Company.

Finally, I would like to express my gratitude to the shareholders for their concern and support, and also to the Board, executive committee and all staff of the Company for their dedication and contribution.

Yu Pun Hoi
Chairman

Hong Kong, 28 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

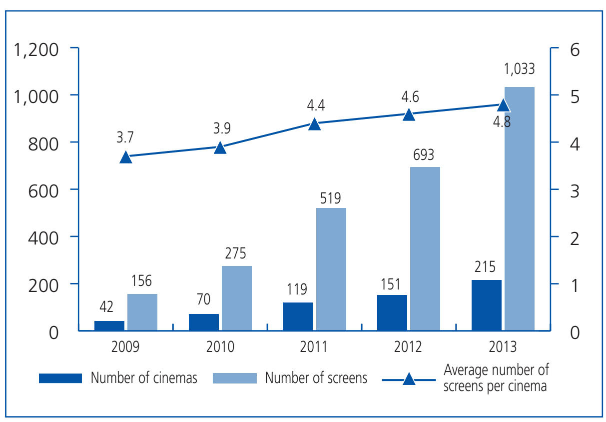
During the year under review, the Group was principally engaged in culture and media, property development and corporate IT application services as its core businesses. During the year, turnover was approximately HK$2,318.6 million (2012: HK$1,953.6 million), representing an increase of approximately 18.7% over the corresponding period last year. Net profit attributable to the owners of the Company was approximately HK$865.2 million (2012: net loss HK$346.1 million). Net assets attributable to the owners of the Company were approximately HK$3,979.0 million (2012: HK$3,136.5 million), representing a value of approximately HK$0.058 (2012: HK$0.046) per share.

Culture and Media

In 2013, turnover of this division was approximately HK$1,516.6 million (2012: HK$1,166.0 million), representing a growth of approximately 30.1% over the corresponding period last year. Net loss before income tax was approximately HK$162.5 million (2012: net profit before income tax HK$17.4 million).

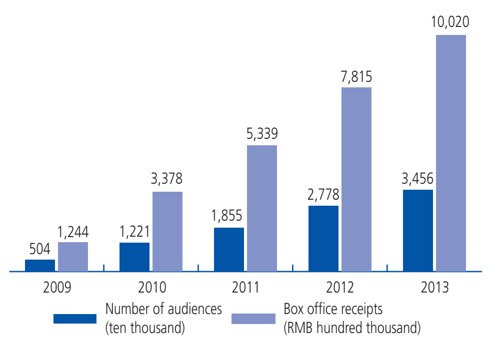
In order to capture the cinematic market, the Group accelerated its pace of development in 2013, and recorded a significant growth in number of both tenancy contracts signed for new cinemas and newly opened cinemas as compared with the previous year. As such, the liability of this business division has been increased and the finance costs will also be increased accordingly. In addition, most

Figure 1 — The number of cinemas and screens commencing operation and average number of screens per cinema of Dadi Cinema



MANAGEMENT DISCUSSION AND ANALYSIS

Figure 2 — The number of audiences and box office receipts of Dadi Cinema



of the newly opened cinemas commenced operation at the end of 2013, therefore, the ratio of cost to revenue will be higher in the short run. Despite the foregoing, all such investments are expected to realize revenue in the coming few years. In 2014, the Group will devote more resources to this division and optimize its capital structure in addition to continue to improve its workflow of development and opening of cinemas and enhance its efficiency.

During the year, the development momentum of the Chinese film industry remained strong, showing a continuing and rapid growth in construction of cinemas and box office receipts. According to statistics released by the State Administration of Press, Publication, Radio, Film and Television, as of the end of 2013, there were an addition of 5,077 screens commencing operation, having a total of 18,195 screens nationwide and representing a growth of 38.7% over the corresponding period last year. The gross box office receipts nationwide amounted to RMB21.769 billion, representing a growth of 27.51% over the corresponding period last year.

In the meantime, Dadi Cinema experienced a rapid development and outpaced the overall growth of the industry. During the year, the Group recorded an addition of 64 cinemas and 340 screens commencing operation, having a total of 1,033 screens and representing an increase of 49.1% over the corresponding period last year. Admissions to Dadi Cinema were over 34.56 million, representing an increase of 24.4% over the corresponding period last year. According to the information provided by EntGroup in January 2014, the box office receipts of Dadi Cinema ranked third nationwide amounted to approximately RMB1.002 billion, representing a growth of approximately 28.2% over the corresponding period last year, and a share of approximately 4.6% of the national box office receipts. Currently, Dadi Cinema has become one of the most rapidly developing and top ranked mainstream branded cinema investors and operators in the PRC.

Property Development

In 2013, turnover of this division was approximately HK$79.5 million (2012: HK$96.5 million), representing a decrease of approximately 17.6% over the corresponding period last year. Net profit before income tax was approximately HK$1,218.3 million (2012: net loss before income tax HK$88.7 million).

During the year, Phases 1 and 2 of "The Peninsula" in Shenzhen realized total income of approximately RMB63.0 million. The planning and adjustment works of Phases 3 to 5 of this project were at the stage of public disclosure at the end of the year, and Phases 3 and 4 had successfully obtained the construction land planning permit in February 2014. Phase 3 of the project is currently applying for other permits, and it is expected that Phase 3 will commence construction in the second half of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group disposed of 27% shareholding of Listar, a former subsidiary of the Group, to a subsidiary of CITIC Group Corporation at a consideration of RMB607 million, which was entirely used for reducing the debts of the Group. Upon completion of the transaction, Listar was no longer the subsidiary of the Group as the Group held only 43% of the issued share capital of Listar. The Group issued an announcement in relation to the above transaction on 3 July 2013.

The "Free Man Garden" in Guangzhou has been committed to get over the adverse effect arising from the policies of limitation in purchase of property issued by the PRC government. As of the end of 2013, an accumulated of 1,504 units of Phase 1 had been launched for sale, of which 1,214 units were sold (as at 31 December 2012: 960 units launched for sale with 746 units sold), posting accumulated sales of approximately RMB1.378 billion and accumulated area sold of approximately 157,000 sq.m.. There were 290 units remained unsold, of which 206 units had been contracted for sale with its customers. It is expected that all units of Phase 1 will be sold out in 2014. All sales proceeds from Phase 1 will be recognized as sales income according to the requirements of accounting standard.

In March 2014, the Group received letters from a professional party in respect of appointment of receivers and managers ("Appointments") by a financier under the loan facility agreements over the mortgaged shares of the Group's subsidiary which is an off-shore holding company of the property project namely "The Peninsula". The Company issued two announcements on 10 March 2014 and 14 March 2014 respectively, indicating that the Appointments were not appropriate and valid, and a writ of summons was issued against both the financier and the receivers and managers for, among other things, such reliefs as declaration that the Appointments were null, void and invalid; an injunction to restrain the financier and/or the receivers and managers from exercising any rights to sell, charge, transfer and/or in any other way dispose of any of the shares and/or assets of the subsidiary; and damages for breach of the share mortgages. The disputed amount is not a significant figure by comparing with the high book net asset value of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate IT Application Services

In 2013, turnover of the Group's corporate IT application services division was approximately HK$683.4 million (2012: HK$659.1 million), representing a growth of approximately 3.7% over the corresponding period last year. By means of such effective measures as streamlining expenses and tightening costs, the operating loss for the year had been remarkably narrowed down. Net loss before income tax was approximately HK$92.9 million (2012: HK$122.1 million).

During the year, the development of the Group's corporate IT application services division remained stable. Given the new products of CE Dongli – mobile platform and e-commerce applications were still at their infant stage, the turnover of this division showed no obvious improvement. Under the constraint on business growth, CE Dongli managed to lower down costs and expenses through various means. Firstly, CE Dongli carried out performance assessment and rationalization of lines of product and business so as to reduce its costs of sales. Secondly, the administrative expenses of CE Dongli, both at the levels of headquarters and sales branches, were significantly lower as compared with the corresponding period last year resulting from various expense control measures were carried out.

II. PROSPECTS

In 2013, the PRC's new leaders and their teams showed their determination to reform. In particular, following the Third Plenary Session of the 18th Communist Party of China Central Committee, the PRC government has promulgated a series of new policies and implemented certain actions to show the whole world their expectation of achieving stable and sustainable economic growth. In light of the favorable macro environment such as delegation of duties by the PRC government, acceleration in new urbanization, emphasis on development of culture industry, reinforcing protection of properties in private sector, the Group is confident about and determined to expand its business in the PRC.

In line with the market development trend, the Group has been focusing on its culture and media division of which Dadi Cinema has secured its leading position in the industry. The Group will continue to devote more resources to cinema business in the future and make breakthroughs in its distribution, advertising and production businesses. Meanwhile, the Group also noticed

MANAGEMENT DISCUSSION AND ANALYSIS

certain issues arising from rapid expansion. In the face of labor shortage and keen market competition, the Group is confident about and determined to rapidly expand its business in an appropriate manner. Capitalizing on informatization and delicacy chain management, the Group will be able to establish its core competitiveness and attain healthy and sustainable growth while effectively manage its risk and protect its investment in this division.

As for property development, the Group will strive to promote the development of "The Peninsula" in Shenzhen and "Free Man Garden" in Guangzhou in the premise of compromising the quality, and will spend more resources in developing and operating ancillary commercial facilities for maximizing the long-term return of both projects. The Group will also actively identify other high quality development projects to establish a sound foundation for the sustainable development of its property development business.

As for corporate IT application services, as one of the important measures to enhance efficiency and lower costs, application of information technology has gained recognition from the market and enterprises. The development and application of new technologies including cloud computing, mobile internet and 4G have further fostered the development and maturation of informatization market. In 2014, the Group will continue to accelerate its pace of research and development of new products for corporate IT application services and construction of informatization support platform. The Group will also strategically invest and develop its corporate IT infrastructure services and IT infrastructure application services with an aim to consolidate its position and influence in the corporate IT application services industry and establish a solid foundation for future growth.

III. FINANCIAL RESOURCES AND LIQUIDITY

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2013, net assets attributable to the owners of the Company amounted to approximately HK$3,979.0 million (2012: HK$3,136.5 million), including cash and bank balances of approximately HK$1,559.6 million (2012: HK$1,217.8 million) which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2013, the Group's aggregate borrowings were approximately HK$5,558.2 million (2012: HK$6,747.8 million), of which approximately HK$3,044.4 million (2012: HK$4,096.6 million) were bearing interest at fixed rates while approximately HK$2,513.8 million (2012: HK$2,651.2 million) were at floating rates. The gearing ratio of the Group which is calculated as net debt divided by the adjusted capital plus net debt, decreased from approximately 58.95% as at 31 December 2012 to approximately 46.02% as at 31 December 2013.

As at 31 December 2013, the Group's capital commitment was approximately HK$538.8 million, of which approximately HK$120.6 million would be used as the funding for the construction of the headquarters of corporate IT application services, and approximately HK$418.2 million would be used as capital expenditures for the expansion of its cinema business.

The Group's contingent liabilities as at 31 December 2013 were approximately HK$2,669.3 million in connection with the guarantees given to secure credit facilities and guaranteed return.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2013, certain interests in leasehold land, buildings, other property, plant and equipment, properties under development and completed properties held for sale, bank deposits and intangible assets with a total net carrying value of approximately HK$3,948.5 million were pledged to secure the credit facilities granted to the Group. In addition, trading securities with a carrying value of approximately HK$0.2 million and certain shares of several subsidiaries were pledged, bank accounts were charged and shareholders' loans of certain subsidiaries and an associate were assigned for securing the Group's credit facilities.

IV. EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The majority of the Group's borrowings and transactions were primarily denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The continued growth in the economy of the PRC is expected to warrant a continuing appreciation of Renminbi. The Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Group during the year under review, the Group will keep on reviewing and monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars. For the funding in US dollars, although Hong Kong dollars are adopted as the reporting currency of the Group, the management of the Group considers the exposure to exchange risk is insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Group may make appropriate foreign exchange hedging arrangements when necessary.

V. EMPLOYEES AND REMUNERATION POLICY

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 31 December 2013, the Group had approximately 12,461 employees (2012: 10,864 employees). The salaries of and allowances for employees for the year ended 31 December 2013 were approximately HK$803.8 million (2012: HK$801.2 million).

REPORT OF THE DIRECTORS

The Board of the Company herein presents their report and the audited financial statements of the Group for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is investment holding. During the year, the Group are principally engaged in property development, while culture and media through Dadi group and corporate IT application services through Sino-i.

Segment Information

Particulars of the Group's turnover and segment information for the year are set out in notes 5 and 6 to the financial statements respectively.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 42.

The directors do not recommend the declaration of the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 146.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and associates as at 31 December 2013 are set out in notes 15 and 16 to the financial statements respectively.

Bank and Other Borrowings and Financing

Details of the bank and other borrowings and financing of the Group as at 31 December 2013 are set out in notes 26 and 28 to the financial statements respectively.

REPORT OF THE DIRECTORS

Share Capital

Details of the share capital of the Company during the year are set out in note 30 to the financial statements.

Reserves

Details of the movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements.

Distributable Reserves

As at 31 December 2013, the amount of the Company's reserves available for distribution was approximately HK$914,564,000. In addition, the Company's share premium account with a balance of HK$965,911,000 may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

The Group's sales to the five largest customers for the year ended 31 December 2013 accounted for less than 30% of the Group's total turnover.

For the year ended 31 December 2013, the percentage of purchase attributable to the Group's five largest suppliers was 71.87% with the largest supplier accounted for 64.21%.

Neither the directors, any of their associates nor any shareholders (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2013.

Directors' Emoluments

Details of directors' emoluments are set out in note 37 to the financial statements.

Directors' Interest in Competing Business

As at 31 December 2013, none of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

Pension Costs

Details of retirement benefit plans in respect of the year are set out in note 36 to the financial statements.

REPORT OF THE DIRECTORS

Directors

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

Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Ms. LIU Rong
Mr. WANG Gang#
Mr. LAM Bing Kwan#
Prof. JIANG Ping*
Mr. HU Bin* (appointment with effect from 27 September 2013)
Mr. LAU Yip Leung*
Mr. HUANG Yaowen* (resignation with effect from 1 July 2013)

Non-executive directors
* Independent non-executive directors

The Company has received annual confirmation from each of the existing independent non-executive directors confirming his independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and the Company considers that such directors are independent of the Company.

In accordance with Bye-law 99 of the Company's Bye-Laws ("Bye-Laws"), Mr. Wang Gang and Mr. Lam Bing Kwan shall retire at the forthcoming annual general meeting (the "AGM") and, being eligible, will offer themselves for re-election.

In accordance with Bye-law 102 of the Bye-Laws, Mr. Hu Bin may hold office only until the AGM and, being eligible, will offer himself for re-election.

Biographical Details of Directors and Senior Management

Biographical Details of Directors

Executive Directors

Mr. YU Pun Hoi, aged 55, joined the Board of the Company in September 2000. Mr. Yu is the chairman of the Board, the chairman of executive committee and nomination committee of, and a controlling shareholder of the Company.

Mr. Yu is also the chairman of the Board of and nomination committee of Sino-i, and a director of a number of major subsidiaries of the Company and Sino-i.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Directors (Continued)

Executive Directors (Continued)

Ms. CHEN Dan, aged 45, graduated from Beijing Finance & Trade College and conferred a Bachelor degree in Trade & Economics, and obtained a degree of EMBA in China Europe International Business School, and is also a qualified lawyer in the PRC.

Ms. Chen joined the Group in October 2000. In February 2006, Ms. Chen has been appointed as an executive director and executive committee member of the Company. In September 2011, Ms. Chen has been appointed as a general manager of the Company. In March 2012, Ms. Chen has been appointed as a member of nomination committee of the Company.

Ms. Chen is also an executive director, nomination committee member and general manager of Sino-i. Ms. Chen is also a director of a number of major subsidiaries of the Company and Sino-i.

Ms. LIU Rong, aged 42, graduated from the Law School of Anhui University and obtained a Bachelor degree in Laws, and got a Master of Laws conferred by the Law Institute of Chinese Academy of Social Science, and is also a qualified lawyer in the PRC. Prior to joining the Group, Ms. Liu worked in Chinese government departments and law firms.

Ms. Liu joined Sino-i Group in April 2002 and has been appointed as an executive director and executive committee member of the Company in March 2009. Ms. Liu is also a general manager of Dadi group and is responsible for the businesses in culture and media of the Group.

Ms. Liu is also an executive director of Sino-i, and a director of a number of major subsidiaries of the Company and Sino-i.

Non-Executive Directors

Mr. WANG Gang, aged 58, graduated from Capital University of Economics and Business in the PRC and conferred a Bachelor degree in Business Economics and also obtained an MBA degree from National University of Singapore. Prior to joining the Group, Mr. Wang worked in the headquarters of China Agricultural Bank for many years, and was appointed as a general manager working in the bank's branch office in Singapore.

Mr. Wang joined the Group in December 2007 and has been appointed as an executive director of the Company in March 2009. In May 2012, Mr. Wang was re-designated as a non-executive director of the Company and Sino-i.

Mr. LAM Bing Kwan, aged 64, graduated from the University of Oregon in the United States of America and conferred a Bachelor degree in Business Administration in 1974. Prior to joining the Group, Mr. Lam had been in senior management positions in the banking and financial industry for more than 10 years.

Mr. Lam joined the Board of the Company in September 2000, and was re-designated as a non-executive director in April 2002. Mr. Lam is also a director of two subsidiaries of the Company and a non-executive director of Sino-i, and an independent non-executive director of Lai Sun Development Company Limited, Lai Fung Holdings Limited, eForce Holdings Limited and Lai Sun Garment (International) Limited.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Directors (Continued)

Independent Non-executive Directors

Prof. JIANG Ping, aged 83, graduated from Moscow University with a Bachelor degree in Laws in 1956. Prof. Jiang is the lifetime professor of China University of Political Science and Law, conducts lectures for doctoral degree class in civil and commercial laws, the honorary president of China Comparative Law Research Centre, chairman of Beijing Arbitration Commission, and honorary arbitrator in China International Economic and Trade Arbitration Commission.

In February 2006, Prof. Jiang joined the Board of the Company and has been appointed as a member of audit committee and remuneration committee of the Company. In March 2012, Prof. Jiang has been appointed as a member of nomination committee of the Company. Prof. Jiang is also an independent non-executive director, and members of audit committee, remuneration committee and nomination committee of Sino-i.

Mr. HU Bin, aged 42, is director of the Research Center for Financial Law and Regulations at Chinese Academy of Social Science (CASS). Mr. Hu got his doctoral degree in laws from the graduate school of CASS in 2002 and became a research professor in the Institute of Finance and Banking in 2009.

On 27 September 2013, Mr. Hu was appointed as independent non-executive director, chairman of remuneration committee, members of audit committee and nomination committee of both the Company and Sino-i. Moreover, Mr. Hu is also an independent non-executive director of Anhui Expressway Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and is an independent non-executive director of Shaanxi Baoguang Vacuum Electric Device Co., Ltd, a company listed on Shanghai Stock Exchange.

Mr. LAU Yip Leung, aged 53, graduated from the City University of Hong Kong and awarded an honours degree of Bachelor of Arts in Accountancy in 1991 and also holds an MBA conferred by the University of Hull, UK. Mr. Lau is a fellow member of The Association of Chartered Certified Accountants, member of The Institute of Chartered Accountants in England and Wales, and practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau started his public practice business in 1998, and has been a partner of Messrs. Fung Lau & Company, Certified Public Accountants, since October 2000.

Mr. Lau joined the Board of the Company in May 2006 and is also a member of audit committee and remuneration committee of the Company. In March 2012, Mr. Lau has been appointed as a member of nomination committee of the Company. Mr. Lau is also appointed as chairman of audit committee of the Company on 27 September 2013.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Senior Management

Ms. YU Xin (aged 37)
Executive Deputy General Manager
廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited)

Ms. Yu has over 10 years' experience in financial management, in addition to her in-depth experience and knowledge in media and culture sector. Prior to joining the Group, Ms. Yu was a director of China region of Emile Woolf International Ltd..

Ms. Yu joined the Company in January 2011, in the position of controller in fund management department. Ms. Yu was transferred to 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited) ("Dadi Construction"), a subsidiary of the Company, in August 2011 in the position of deputy general manager, and was then promoted to executive deputy general manager in December 2013, responsible for daily operation management.

Ms. TAN Jie (aged 48)
Deputy General Manager
廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited)

Ms. Tan holds a master's degree in laws conferred by the Peking University, and has been a qualified lawyer since 1995. Prior to joining the Group, Ms. Tan was practicing her professionalism in lawyer firms.

Ms. Tan joined the Group in August 2002, in the positions of legal manager, legal controller and executive deputy general manager in CE Dongli. Ms. Tan has been appointed as deputy general manager of Dadi Construction since March 2013 and has also been appointed as the secretary of board of directors of Dadi group.

Mr. ZHENG Hao (aged 38)
General Manager
時代廣告(北京)有限公司 (Century Advertising (Beijing) Limited)

Mr. Zheng holds an MBA of Peking University, and has gained substantial experience in business by his involvement in sales sector for over 10 years. Prior to joining the Group, Mr. Zheng was the general manager of sales of Nokia (China) Investment Co., Ltd.

Mr. Zheng joined the Group in October 2012, in the position of deputy general manager of Century Advertising and he was promoted to general manager on 1 January 2014.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Senior Management (Continued)

Mr. XUE Bo Ying (aged 45)
General Manager
Nan Hai Development Limited

General Manager
深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited)

Mr. Xue graduated from Huazhong University and conferred a Master degree in architecture from Tsinghua University, and is a certified first-level architect, and a certified town planner in the PRC. Prior to joining the Group, Mr. Xue worked in senior positions as deputy general manager, senior architect and architectural design director in a number of corporations, and also worked in Guangzhou City Construction Commission.

Mr. Xue joined the Group in January 2006 and was appointed as an architectural design director, and was responsible for overall architectural design of various property projects of the Group in the PRC. In February 2009, Mr. Xue has been appointed as an executive deputy general manager of Nan Hai Development Limited ("Nan Hai Development"), a subsidiary of the Company, and was promoted to a general manager in July 2010 and is also a general manager of Nanhai Yitian.

Mr. Xue is also a member of executive committee of the Company.

Mr. CHENG Chih Hung (aged 58)
Executive Director
Nan Hai Development Limited

Prior to joining the Group, Mr. Cheng was in senior position in United Task Marketing Ltd. and United Communication Inc., and has experience in management of international information and media business for many years, and extensive experience in management of marketing and media.

Mr. Cheng was a general manager of 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited), a former subsidiary of Sino-i, between 2004 and 2007 and was appointed as a deputy chairman in 2007, and subsequently has been appointed as an executive director of Nan Hai Development, and is responsible for marketing and sales.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Senior Management (Continued)

Mr. CHEN Ming Fei (aged 37)
General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

General Manager
北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited)

Mr. Chen has more than 10 years' sales and possesses with acute insight in IT business, and has extensive and professional experiences in product creation, business strategy planning and business management. Prior to joining Sino-i Group, Mr. Chen worked in Vorwerk of Co. KG, a German company.

In 2000, Mr. Chen joined CE Dongli, and was appointed as a national commercial director, sales deputy general manager, executive deputy general manager and business general manager. In January 2012, Mr. Chen was promoted to a general manager, and is responsible for operation management of CE Dongli. Mr. Chen was also the general manager of Beijing Xinnet and is responsible for operation management of Beijing Xinnet.

Mr. Chen is also a member of executive committee of the Company and a chairman of management committee of Sino-i.

Mr. ZHANG Bin (aged 48)
General Manager — Technology Research and Development
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Mr. Zhang graduated from the Computer Faculty of The University of Defence Technology and his research was in computer architecture. Mr. Zhang has extensive experience in software development and management.

Mr. Zhang joined Sino-i Group in 1999, and was appointed as a chief technology officer, deputy general manager of technology development, and deputy general manager of CE Dongli. In April 2011, Mr. Zhang has been appointed as a general manager of technology research and development in CE Dongli.

Mr. Zhang is also a member of management committee of Sino-i.

Mr. HAN Qi (aged 40)
Deputy General Manager
北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited)

Mr. Han was graduated from the faculty of computer science in Concordia University Canada (加拿大康考迪亞大學), who has an in-depth experience in computer technology and management. Prior to joining the Group, Mr. Han was working in the position of technology controller in several reputable IT corporations in the PRC during which he gained valuable experience in both technology and management.

Mr. Han joined Sino-i Group in 2011, and is now in the position of deputy general manager of Beijing Xinnet.

Mr. Han is also a member of management committee of Sino-i.

REPORT OF THE DIRECTORS

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2013, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

The Company

Long position in shares in issue

	Number of shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi ("Mr. Yu")	–	36,096,430,679 *(Note 1)*	3,811,819,898 *(Note 2)*	39,908,250,577	58.13%
Chen Dan	32,000,000	–	–	32,000,000	0.05%
Wang Gang	8,500,000	–	–	8,500,000	0.01%

Notes:

1. These 36,096,430,679 shares were collectively held by Rosewood Assets Ltd., Pippen Limited, Staverley Assets Limited and First Best Assets Limited, companies indirectly wholly owned by Mr. Yu through Dadi Holdings Limited, a company wholly owned by Mr. Yu.

2. Out of these 3,811,819,898 shares, 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu; 3,742,493,498 shares were held by Macro Resources Ltd., a company held as to 50% each by Ms. Kung Ai Ming and Mr. Yu Ben Hei, the son of Mr. Yu and Ms. Kung Ai Ming.

REPORT OF THE DIRECTORS

Directors' Interests and Short Positions in Shares and Underlying Shares (Continued)

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i. Sino-i is a company the shares of which are listed on the Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 31 December 2013, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

Sino-i

Long position in shares in issue

	Number of shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi	–	12,515,795,316 *(Note 1)*	44,000,000 *(Note 2)*	12,559,795,316	63.07%

Notes:

1. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.

2. These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

Save as disclosed above, as at 31 December 2013, none of the directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

REPORT OF THE DIRECTORS

Share Option Scheme

On 28 May 2012, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

During the year ended 31 December 2013, no share options have been granted under the Scheme by the Company.

A summary of the Scheme is as follows:

(1) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

(2) Participants

The participants include:

a. any employee (whether full time or part time employee, including any executive directors but not any non-executive director) of the Company, its subsidiaries and any Invested Entity;

b. any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

c. any supplier of goods or services to any member of the Group or any Invested Entity;

d. any customer of the Group or any Invested Entity;

e. any person or entity that provides research, development or technological support or other services to the Group or any Invested Entity;

f. any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

g. any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.

REPORT OF THE DIRECTORS

Share Option Scheme (Continued)

(3) Maximum number of shares

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue of the Company at the date of approval of the Scheme or 30% of the total number of shares in issue of the Company from time to time. No share options may be granted under the Scheme if this will result in such limit exceeded. As at the date of this report, the number of shares available for issue in respect thereof is 6,864,553,579 shares representing approximately 10% of the total number of shares in issue of the Company.

(4) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the share options granted under the Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the total number of shares in issue of the Company. Any grant of further share options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme.

(5) The period within which the shares must be taken up under a share option

The period within which the shares must be taken up a share option shall be determined by the Board of the Company in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant share option.

(6) Minimum period for exercising a share option

The Board of the Company may at its discretion determine the minimum period for which a share option must be held before it can be exercised.

(7) Acceptance and payment on acceptance

The share option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocable declined and lapsed automatically.

(8) Basis of determining the subscription price

The subscription price for shares under the Scheme shall be a price determined by the directors, but shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

(9) Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on 29 May 2012 up to 28 May 2022.

REPORT OF THE DIRECTORS

Arrangements to Purchase Shares or Debentures

Except for the Scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

Directors' Service Contracts

None of the directors who are proposed for re-election at the forthcoming AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

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

Directors' Interests in Contracts

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

REPORT OF THE DIRECTORS

Substantial Shareholders' Interests and Short Positions

As at 31 December 2013, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	*Notes*
Kung Ai Ming	Family and Corporate interest	39,908,250,577	58.13%	1&2
Yu Ben Hei	Corporate interest	3,742,493,498	5.45%	2
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2
Dadi Holdings Limited	Corporate interest	36,096,430,679	52.58%	3
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	3
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	3
Staverley Assets Limited	Beneficial interest	4,893,197,974	7.12%	3
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	3
CITIC Group Corporation	Corporate interest	10,100,000,000	14.71%	4
CITIC Limited	Corporate interest	10,100,000,000	14.71%	4
CITIC Capital Holdings Limited	Corporate interest	10,100,000,000	14.71%	4
CITIC Capital Credit Limited	Security interest	10,100,000,000	14.71%	4
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	5
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	5
Lee Tat Man	Beneficial interest Security interest	60,900,000 7,700,000,000	0.09% 11.22%	

REPORT OF THE DIRECTORS

Substantial Shareholders' Interests and Short Positions (Continued)

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.

2. Macro Resources Ltd. is held as to 50% each by Ms. Kung Ai Ming and Mr. Yu Ben Hei, the son of Mr. Yu and Ms. Kung Ai Ming. Its interest in shares was included as the corporate interests of Ms. Kung Ai Ming and Mr. Yu Ben Hei respectively.

3. Rosewood Assets Ltd., Pippen Limited, Staverley Assets Limited and First Best Assets Limited are companies indirectly wholly owned by Mr. Yu through Dadi Holdings Limited, a company wholly owned by Mr. Yu. Their interests in shares are disclosed as the corporate interests of Mr. Yu above.

4. CITIC Group Corporation, CITIC Limited and CITIC Capital Holdings Limited were each taken to be interested in those security interests of 10,100,000,000 shares in which CITIC Capital Credit Limited held an interest.

5. Empire Gate Industrial Limited is wholly owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Save as disclosed above, as at 31 December 2013, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

Related Party Transactions

Details of related party transactions of the Company and the Group are set out in note 42 to the financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Bye-Laws or the law in Bermuda.

Purchase, Sale or Redemption of Listed Securities

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

Public Float

Based on the publicly available information and to the best knowledge of the directors, the Company has maintained during the year sufficient public float as required under the Listing Rules.

REPORT OF THE DIRECTORS

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the "Corporate Governance Report" on pages 30 to 39.

Audit Committee

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Lau Yip Leung, Prof. Jiang Ping and Mr. Hu Bin. The Audit Committee has reviewed with the auditor of the Company and the management the accounting principles and practices adopted by the Group, the audited consolidated financial statements of the Group for the year ended 31 December 2013, and discussed the auditing, financial control, internal control and risk management systems.

Auditor

The financial statements for the years ended 31 December 2013 were audited by BDO Limited ("BDO"). A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO as auditor of the Company.

By order of the Board
Yu Pun Hoi
Chairman

Hong Kong, 28 March 2014

CORPORATE GOVERNANCE REPORT

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

Code on Corporate Governance Practices

In the opinion of the Board of the Company, the Company has complied with the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2013, except for the deviations from Code Provision A.2.1, A.4.1 and A.6.7. Explanation for such non-compliance are provided below.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the year ended 31 December 2013.

The Company has also established written guidelines on no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

Board of Directors

The current Board of the Company is made up of eight directors including three executive directors, two non-executive directors and three independent non-executive directors (the "INEDs"). The directors are, collectively and individually, aware of their responsibilities to the shareholders. The directors' biographical information is set out on pages 16 to 18 under the heading "Biographical Details of Directors and Senior Management". The Board consists of the following:

Executive Directors

Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Ms. LIU Rong

Non-executive Directors

Mr. WANG Gang
Mr. LAM Bing Kwan

Independent Non-executive Directors

Prof. JIANG Ping	
Mr. HU Bin	(appointment with effect from 27 September 2013)
Mr. LAU Yip Leung	
Mr. HUANG Yaowen	(resignation with effect from 1 July 2013)

CORPORATE GOVERNANCE REPORT

Board of Directors (Continued)

The overall management of the Company's businesses is vested in the Board of the Company, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and monitoring its affairs. All directors should take decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board of the Company prior to any significant transactions entered into by the abovementioned senior management of the Company.

The Board of the Company has the full support of its board committees and the senior management of the Company to discharge its responsibilities.

To the best knowledge of the Company, the Board members do not have any financial, business and family or other material/relevant relationship with each other. During the year, the Board held 14 meetings.

According to Code Provision A.5.6, the Company adopted a board diversity policy and updated the terms of reference of Nomination Committee in August 2013.

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual.

The Company has not appointed a CEO. The role of the CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board of the Company believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

Non-executive Directors

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Bye-Laws. As such, the Board of the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three INEDs of whom Mr. Lau Yip Leung is a certified public accountant in Hong Kong.

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

CORPORATE GOVERNANCE REPORT

Board of Directors (Continued)

Directors' Training

According to the Code Provision A.6.5, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board of the Company remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the directors.

From time to time, directors are provided with written materials to develop and refresh their professional skills on the latest development of applicable laws, rules and regulations for the directors to assist them in discharging their duties. The Company had received from each of the directors the confirmations on taking continuous professional training during the year.

Board Committees

The Board of the Company has established four board committees, namely Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

Executive Committee

The Company formulated written terms of reference for the Executive Committee, which consists of executive directors and senior management of the Company as follows:

Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Ms. LIU Rong
Mr. XUE Bo Ying*
Mr. CHEN Ming Fei*

* Senior Management

The duties of the Executive Committee are empowered to plan, determine, approve, implement, handle, arrange, review and amend all policies, operations and internal control of the Group, ensuring that the delegation of its powers to the senior management is clearly defined, and that a transparent reporting procedural system is in place and effectively monitored. The Executive Committee held 3 meetings during the year.

CORPORATE GOVERNANCE REPORT

Board Committees (Continued)

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of all INEDs as follows:

Mr. LAU Yip Leung *(Chairman of the Audit Committee)*	(appointment as Chairman with effect from 27 September 2013)
Prof. JIANG Ping	
Mr. HU Bin	(appointment with effect from 27 September 2013)
Mr. HUANG Yaowen	(resignation with effect from 1 July 2013)

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reports and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company.

During the year, the Audit Committee held 2 meetings, in particular, to review with management the accounting principles and practices adopted by the Group, the audited financial statements for the year ended 31 December 2012 and the unaudited interim results for the six months ended 30 June 2013, and discussed the auditing, financial control, internal control and risk management systems.

Remuneration Committee

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules. The Remuneration Committee consists of all the INEDs as follows:

Mr. HU Bin *(Chairman of the Remuneration Committee)*	(appointment with effect from 27 September 2013)
Prof. JIANG Ping	
Mr. LAU Yip Leung	
Mr. HUANG Yaowen	(resignation with effect from 1 July 2013)

The Remuneration Committee is responsible for making recommendations to the Board of the Company on the establishment of formal and transparent procedures for developing remuneration policies and the remuneration packages of individual executive directors and senior management. It takes into consideration on salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

During the year, the Remuneration Committee held 2 meetings, in particular, to review and recommend to the Board of the Company the remuneration of the new appointment of director; and to review the remuneration policies and the remuneration packages of the Company.

CORPORATE GOVERNANCE REPORT

Board Committees (Continued)

Remuneration Committee (Continued)

For the year ended 31 December 2013, the emoluments paid or payable to members of senior management was within the following band:

Emolument band	Number of individuals	
	2013	2012
HK$Nil — HK$1,000,000	**8**	6

Nomination Committee

The Company formulated written terms of reference for the Nomination Committee in accordance with the requirements of the Listing Rules. The Nomination Committee consists of the directors of the Company as follows:

Mr. YU Pun Hoi *(Chairman of the Nomination Committee)*
Ms. CHEN Dan
Prof. JIANG Ping*
Mr. HU Bin* (appointment with effect from 27 September 2013)
Mr. LAU Yip Leung*
Mr. HUANG Yaowen* (resignation with effect from 1 July 2013)

* INED

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board of the Company, identifying individuals suitably qualified to become directors, assessing the independence of INEDs, and making recommendations to the Board of the Company on relevant of appointment of directors, and review the board diversity policy annually. The Nomination Committee has the authority given by the Board of the Company to seek external professional advice in the selection and recommendation for directorship, when required, fulfilling the requirements for professional knowledge and industry experience of any proposed candidates.

During the year, the Nomination Committee held 2 meetings, in particular, to review and assessment of the independence of all independent non-executive directors of the Company; to consider and recommend to the Board of the Company for approval the list of retiring directors for re-election at the annual general meeting held on 3 June 2013 (the "2013 AGM"); to review the structure, size and composition of the Board of the Company; and to review and recommend to the Board of the Company for approval the appointment of Mr. Hu Bin as an independent non-executive director of the Company.

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

The Executive Committee of the Company is responsible for performing the duties on corporate governance functions set out below:

a. To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board of the Company;

b. To develop and monitor the training and continuous professional development of directors and senior management;

c. To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

e. To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

Number of Meetings and Directors' Attendance

The following table shows the individual attendance of each director at the meetings of the full Board ("BM"), the Shareholders ("GM"), the Executive Committee ("ECM"), the Audit Committee ("ACM"), the Remuneration Committee ("RCM") and the Nomination Committee ("NCM") for the year ended 31 December 2013:

	Attendance/Number of Meetings					
Name of Director	**BM**	**GM**	**ECM**	**ACM**	**RCM**	**NCM**
Executive Directors						
Mr. YU Pun Hoi	14	1	2	N/A	N/A	2
Ms. CHEN Dan	14	1	3	N/A	N/A	2
Ms. LIU Rong	14	–	3	N/A	N/A	N/A
Non-executive Directors						
Mr. WANG Gang	14	1	N/A	N/A	N/A	N/A
Mr. LAM Bing Kwan	14	2	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Prof. JIANG Ping	14	–	N/A	2	2	2
Mr. HU Bin (appointment with effect from 27 September 2013)	4	1	N/A	–	–	–
Mr. LAU Yip Leung	14	2	N/A	2	2	2
Mr. HUANG Yaowen (resignation with effect from 1 July 2013)	7	1	N/A	1	1	1
Number of meetings held during the year	14	2	3	2	2	2

Code Provision A.6.7 stipulates that independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

One independent non-executive director of the Company was unable to attend the 2013 AGM and the special general meeting held on 15 October 2013 due to his personal engagement. In addition, one non-executive director of the Company was also unable to attend the 2013 AGM due to his personal engagement.

CORPORATE GOVERNANCE REPORT

Responsibilities in Respect of the Financial Statements and Auditor's Remuneration

The Board of the Company is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 40 and 41.

The remuneration paid to the external auditors of the Group in respect of audit services and non-audit services for the year ended 31 December 2013 amounted to HK$6,800,000 and HK$1,385,000 respectively. An analysis of the remuneration paid to the external auditors of the Company is set out in note 8 to the financial statements.

Internal Controls

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibilities and authorities to the senior management.

During the year under review, the Board, Audit Committee and Executive Committee, have conducted regular reviews of the effectiveness of the internal control procedures of the Group.

Company Secretary

Mr. Watt Ka Po James was appointed as Company Secretary of the Company. According to Rule 3.29 of the Listing Rules, Mr. Watt will take no less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

1. Procedures for shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Bye-law 62 of the Bye-Laws, the board may, whenever it thinks fit, convene a SGM, and SGM shall also be convened on requisition, as provided by the Companies Act 1981 of Bermuda (the "Companies Act"), or, in default, may be convened by the requisitionists.

Under the Section 74 of the Companies Act, the directors of the Company, notwithstanding anything in its Bye-Laws shall, on the requisition of shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a SGM of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company and may consist of several documents in like form each signed by one or more requisitionists.

If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

A meeting convened under this Section 74 by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights (Continued)

2. Procedures for putting forward proposals at shareholders' meeting

Subject to the Section 79 of the Companies Act, it shall be the duty of the Company on the requisition in writing of such number of shareholders as is hereinafter specified, at the expense of the requisitionists unless the Company otherwise resolves:

— to give to the shareholders of the Company entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

— to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of shareholders necessary for a requisition under Section 79 of the Companies Act shall be:

(a) either any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(b) not less than one hundred shareholders.

Notice of any such intended resolution shall be given, and any such statement shall be circulated, to shareholders of the Company entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other shareholders of the Company by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights (Continued)

3. Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the branch share registrar of the Company in Hong Kong. Shareholders may at any time send their enquiries and concerns to the Board of the Company in writing through the Company Secretary at the Company's principal place of business in Hong Kong at 26/F., Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong, or to the Company by email at info@nanhaicorp.com. Shareholders may also make enquiries with the Board at the general meetings of the Company.

The details of the rights of shareholders of the Company can be found in the Company's website at www.nanhaicorp.com.

Investor Relations

The Company is committed to safeguard shareholders' interests and believes that effective communication with shareholders and other stakeholders is essential for enhancing investor relations and investor understanding of the business performance and strategies of the Group.

The Board of the Company adopted a Shareholders Communication Policy which aims to set out the provisions with the objective of ensuring that the shareholders of the Company and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders of the Company to exercise their rights in an informed manner, and to allow shareholders of the Company and potential investors to engage actively with the Company.

The Company endeavours to disclose all material information about the Group to all interested parties on a timely basis. All such publications together with additional information of the Group are timely updated on the Company's website at www.nanhaicorp.com.

Constitutional Documents

There is no significant change in the Company's constitutional documents during the year.

INDEPENDENT AUDITOR'S REPORT

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香港干諾道中111號
永安中心25樓

To the shareholders of Nan Hai Corporation Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Nan Hai Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 144, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number P04434

Hong Kong, 28 March 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue/Turnover	5(a)	**2,318,601**	1,953,568
Cost of sales and services provided	8	**(804,545)**	(738,189)
Gross profit		**1,514,056**	1,215,379
Other operating income	5(b)	**160,072**	121,940
Gain on disposal of subsidiaries	34(a)	**1,371,277**	49,793
Gain on restructuring of finance	28	**–**	12,173
Selling and marketing expenses		**(950,119)**	(702,594)
Administrative expenses		**(469,474)**	(422,923)
Other operating expenses		**(409,174)**	(363,222)
Finance costs	7	**(255,012)**	(147,416)
Fair value change on financial liability at fair value through profit or loss		**(32,046)**	–
Share of results of associates		**(18,989)**	(5,179)
Profit/(Loss) before income tax	8	**910,591**	(242,049)
Income tax expense	9	**(58,029)**	(130,244)
Profit/(Loss) for the year		**852,562**	(372,293)
Profit/(Loss) for the year attributable to:			
Owners of the Company	10	**865,197**	(346,063)
Non-controlling interests		**(12,635)**	(26,230)
		852,562	(372,293)
		HK cent	HK cent
Earnings/(Losses) per share for profit/(loss) attributable to the owners of the Company during the year	11		
— Basic		**1.2604**	(0.5041)
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit/(Loss) for the year	**852,562**	(372,293)
Other comprehensive income, including reclassification adjustments		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of financial statements of foreign operations	**139,980**	36,271
Exchange differences reclassified on disposal of subsidiaries	**(155,776)**	93
Other comprehensive income for the year, including reclassification adjustments	**(15,796)**	36,364
Total comprehensive income for the year	**836,766**	(335,929)
Total comprehensive income attributable to:		
Owners of the Company	**842,536**	(311,320)
Non-controlling interests	**(5,770)**	(24,609)
	836,766	(335,929)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**2,587,325**	1,795,921
Prepaid land lease payments under operating leases	14	**28,469**	28,213
Interests in associates	16	**775,154**	110,047
Loan receivable from an associate	25(g)	**283,611**	–
Available-for-sale financial assets		**324**	324
Deposits and other receivables	17	**338,129**	436,709
Intangible assets	18	**221,562**	310,004
Deferred tax assets	29	**115,758**	108,609
Pledged and restricted bank deposits	22	**46,759**	32,960
		4,397,091	2,822,787
Current assets			
Inventories	19	**5,863,146**	8,611,770
Financial assets at fair value through profit or loss	20	**931**	1,226
Trade receivables	21	**71,314**	52,278
Deposits, prepayments and other receivables	17	**811,554**	1,019,074
Prepaid tax		**–**	6,306
Amounts due from associates	25(c)	**5,631**	530
Pledged and restricted bank deposits	22	**999,233**	956,067
Time deposits maturing over three months	22	**653**	41,667
Cash and cash equivalents	22	**512,957**	187,116
		8,265,419	10,876,034
Current liabilities			
Trade payables	23	**205,747**	496,806
Other payables and accruals	24	**1,007,949**	1,184,836
Deferred revenue		**42,633**	45,664
Provision for tax		**1,023,608**	948,854
Amount due to a director	25(a)	**19,939**	94,563
Amounts due to shareholders	25(b)	**5,006**	5,006
Amounts due to associates	25(c)	**15,109**	5,501
Amount due to a former subsidiary	25(e)	**–**	49,085
Bank and other borrowings	26	**3,690,722**	2,682,088
Finance lease liabilities	27	**118**	126
Finance from a third party	28	**764,923**	–
Finance from a connected party	28	**–**	1,681,952
		6,775,754	7,194,481
Net current assets		**1,489,665**	3,681,553
Total assets less current liabilities		**5,886,756**	6,504,340

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Bank and other borrowings	26	**1,102,358**	1,306,001
Finance lease liabilities	27	**110**	228
Finance from a connected party	28	**–**	1,077,446
Deferred tax liabilities	29	**32,386**	269,074
Financial liability at fair value through profit or loss	28	**61,011**	–
		1,195,865	2,652,749
Net assets		**4,690,891**	3,851,591
EQUITY			
Share capital	30	**686,455**	686,455
Reserves	32	**3,292,590**	2,450,054
Equity attributable to the Company's owners		**3,979,045**	3,136,509
Non-controlling interests	33	**711,846**	715,082
Total equity		**4,690,891**	3,851,591

Yu Pun Hoi
Director

Chen Dan
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**1**	4
Interests in subsidiaries	15	**–**	–
Amounts due from subsidiaries	25(d)	**117,474**	164,139
		117,475	164,143
Current assets			
Amounts due from subsidiaries	25(d)	**4,865,675**	4,822,587
Amount due from an associate	25(c)	**139,264**	–
Other receivables and deposits		**296**	266
Cash and cash equivalents	22	**2,910**	477
		5,008,145	4,823,330
Current liabilities			
Other payables and accruals		**119,434**	31,070
Amount due to a former subsidiary	25(e)	**–**	108,333
Amount due to a director	25(a)	**39,266**	84,089
Amounts due to subsidiaries	25(e)	**490,425**	249,388
Loan from subsidiaries	25(f)	**–**	1,436,406
Finance lease liabilities	27	**3**	16
Bank and other borrowings	26	**534,863**	345,699
		1,183,991	2,255,001
Net current assets		**3,824,154**	2,568,329
Total assets less current liabilities		**3,941,629**	2,732,472
Non-current liabilities			
Loan from subsidiaries	25(f)	**1,367,219**	–
Finance lease liabilities	27	**–**	3
		1,367,219	3
Net assets		**2,574,410**	2,732,469
EQUITY			
Share capital	30	**686,455**	686,455
Reserves	32	**1,887,955**	2,046,014
Total equity		**2,574,410**	2,732,469

Yu Pun Hoi
Director

Chen Dan
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Cash flows from operating activities		
Profit/(Loss) before income tax	**910,591**	(242,049)
Adjustments for:		
Interest income	**(36,715)**	(19,575)
Interest expenses	**177,147**	77,701
Finance costs on finance from a third party/connected party	**77,865**	69,715
Gain on restructuring of finance	**–**	(12,173)
Depreciation of property, plant and equipment	**221,405**	156,225
Amortisation of intangible assets other than goodwill	**49,643**	39,787
Write-off of property, plant and equipment	**4,224**	2,521
Write-off of intangible assets	**2,594**	905
Gain on disposal of subsidiaries	**(1,371,277)**	(49,793)
Operating lease charges on prepaid land leases	**560**	365
Bad debt written off and provision for impairment of receivables	**36,038**	404
Write-back of long outstanding payables	**(19,027)**	–
Gain on disposal of property, plant and equipment	**(1,106)**	(5,165)
Net fair value loss on financial assets at fair value through profit or loss	**95**	707
Fair value loss on financial liability at fair value through profit or loss	**32,046**	–
Provision for impairment of available-for-sale financial assets	**–**	155
Share of results of associates	**18,989**	5,179
Operating profit before working capital changes	**103,072**	24,909
Increase in inventories	**(294,995)**	(356,219)
Increase in trade receivables, deposits, prepayments and other receivables	**(212,795)**	(33,851)
Increase in trade payables, other payables and accruals	**1,095,706**	594,194
(Decrease)/Increase in deferred revenue	**(4,338)**	1,002
Decrease in amount due to a former subsidiary	**–**	(9,950)
Decrease in amounts due to associates	**(92,121)**	(1)
Decrease/(Increase) in financial assets at fair value through profit or loss	**232**	(244)
Cash generated from operations	**594,761**	219,840
Interest received	**32,246**	15,330
Interest paid	**(239,718)**	(199,172)
Income taxes paid	**(44,929)**	(69,895)
Net cash generated from/(used in) operating activities	**342,360**	(33,897)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2013

		2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Payments to acquire intangible assets		**(26,182)**	(38,554)
Payments to acquire property, plant and equipment		**(815,900)**	(375,237)
Net cash inflow arising from acquisition of interest in subsidiaries	35	**4,897**	–
Decrease/(Increase) in deposits and other receivables		**110,092**	(318,902)
Increase in pledged and restricted bank deposits		**(278,792)**	(709,731)
Decrease/(Increase) in time deposits maturing over three months		**41,665**	(41,226)
Proceeds from disposal of property, plant and equipment		**1,573**	6,231
Net cash inflow/(outflow) arising from disposal of subsidiaries	34(a)	**733,284**	(5,567)
Payments for setting up an associate		**(1,922)**	–
Capital contribution by non-controlling equity holder of a subsidiary		**2,534**	–
Net cash used in investing activities		**(228,751)**	(1,482,986)
Cash flows from financing activities			
Repayments of bank and other borrowings		**(2,134,762)**	(802,109)
Repayments of finance lease liabilities		**(126)**	(120)
Repayments of finance from a third party/connected party		**(840,037)**	–
Proceeds from bank and other borrowings		**3,249,202**	2,398,473
Repayment to a director		**(76,363)**	(29,746)
Payment of arrangement fee for restructuring of finance		**–**	(3,458)
Net cash generated from financing activities		**197,914**	1,563,040
Net increase in cash and cash equivalents		**311,523**	46,157
Cash and cash equivalents at 1 January		**187,116**	138,675
Effect of foreign exchange rate changes, on cash held		**14,318**	2,284
Cash and cash equivalents at 31 December		**512,957**	187,116
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**512,957**	187,116

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Equity attributable to the Company's owners								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	686,455	965,911	1,911,436	171,684	700,980	(988,644)	3,447,822	739,698	4,187,520
Loss for the year	–	–	–	–	–	(346,063)	(346,063)	(26,230)	(372,293)
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	34,650	–	34,650	1,621	36,271
Exchange differences reclassified on disposal of subsidiaries	–	–	–	–	93	–	93	–	93
Total comprehensive income for the year	–	–	–	–	34,743	(346,063)	(311,320)	(24,609)	(335,929)
Transfer to general reserve	–	–	–	1,234	–	(1,234)	–	–	–
Released on deemed partial disposal of a subsidiary	–	–	–	–	–	7	7	(7)	–
At 31 December 2012	686,455	965,911*	1,911,436*	172,918*	735,723*	(1,335,934)*	3,136,509	715,082	3,851,591

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2013

	Equity attributable to the Company's owners								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	686,455	965,911	1,911,436	172,918	735,723	(1,335,934)	3,136,509	715,082	3,851,591
Profit/(Loss) for the year	–	–	–	–	–	865,197	865,197	(12,635)	852,562
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	133,115	–	133,115	6,865	139,980
Exchange differences reclassified on disposal of subsidiaries	–	–	–	–	(155,776)	–	(155,776)	–	(155,776)
Total comprehensive income for the year	–	–	–	–	(22,661)	865,197	842,536	(5,770)	836,766
Capital contribution by non-controlling equity holder of a subsidiary	–	–	–	–	–	–	–	2,534	2,534
At 31 December 2013	686,455	965,911*	1,911,436*	172,918*	713,062*	(470,737)*	3,979,045	711,846	4,690,891

* These reserve accounts comprise the consolidated reserves of HK$3,292,590,000 (2012: HK$2,450,054,000) in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. General information

Nan Hai Corporation Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and, its principal place of business is 26/F., Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in property development, culture and media services and corporate IT application services. Details of the principal activities of the Company's subsidiaries are set out in note 15.

The financial statements for the year ended 31 December 2013 were approved for issue by the board of directors (the "Board") on 28 March 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements on pages 42 to 144 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.2 Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal 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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2.3 Subsidiaries

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor joint arrangements. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.4 Associates (Continued)

Under the equity method, the Group's interest in the associates is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associates recognised for the year.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associates are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

2.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.5 Foreign currency translation (Continued)

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

2.6 Property, plant and equipment

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

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	5%
Leasehold improvements, furniture, fixtures and equipment	10% to 33-$^1/_3$% over lease terms whichever involves shorter period
Motor vehicles/Yachts	10% to 33-$^1/_3$%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the assets's estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Construction in progress represents assets under construction and is carried at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction during the period of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

The buildings comprise a portion that is held to earn rentals and the other portion that is held for administrative purpose. As the portion held to earn rentals cannot be sold separately and is insignificant, the building is classified as owner-occupied property rather than investment property.

2.7 Operating lease prepayments and land use right

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.15. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 2.4.

Goodwill represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is tested annually for impairment (see note 2.21).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.8 Goodwill (Continued)

If the consideration transferred and the amount recognised for non-controlling interests is less than the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.9 Other intangible assets and research and development activities

Other intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	4 years
Customer relationships	2 years
Development cost	4 years
Licenses	10 years

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the computer software to which it relates. All other expenditure is expensed as incurred.

Intangible assets, such as trademark and masthead, with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.21.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.9 Other intangible assets and research and development activities (Continued)

Research and development costs (Continued)

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

2.10 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below.

Financial assets are classified into the following categories:

— financial assets at fair value through profit or loss

— loans and receivables

— available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-making. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

— the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.18 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(ii) 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 are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

Impairment of financial assets (Continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group, national or local economic conditions that correlate with defaults on the assets in the group, and the failure to renegotiate the repayment terms of loan and receivables that would otherwise be past due or impaired.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit of loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

Impairment of financial assets (Continued)

Financial assets other than financial assets at fair value through profit or loss and loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

(i) *Properties under development*

The cost of properties under development for sale comprises the acquisition cost of land, materials, labour and other direct expenses and an appropriate proportion of overheads, and capitalised finance cost (see note 2.24).

(ii) *Completed properties held for sale*

Cost is determined by apportionment of the total land and development costs for that development project attributable to the unsold properties.

(iii) *Confectionery and merchandise goods*

Cost comprises the cost of purchased goods calculated using FIFO method.

(iv) *Movie projectors servers & spare parts*

Cost comprises the manufacturing cost of product and the cost of purchased raw materials calculated using FIFO method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks or other financial institutions, and short-terms highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.13 Financial liabilities

The Group's financial liabilities include bank and other borrowings, finance from a third party/connected party, trade and other payables, and finance lease liabilities. They are included in line items in the statement of financial position as bank and other borrowings, finance lease liabilities, finance from a third party/connected party, trade payables, other payables and accruals, amount due to a director, amounts due to shareholders, amounts due to associates, amount due to a former subsidiary, financial liability at fair value through profit or loss, amounts due to subsidiaries and loan from subsidiaries.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All related finance costs are recognised in accordance with the Group's accounting policy for finance costs (see note 2.24).

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

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.15).

2. Summary of significant accounting policies (Continued)

2.13 Financial liabilities (Continued)

Finance from a third party/connected party

The finance from a connected party is recognised initially at fair value, net of transaction costs incurred. The finance from a connected party is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the finance contract on a systematic basis.

2.14 Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred revenue is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.15 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.15 Leases (Continued)

(ii) *Assets acquired under finance leases (Continued)*

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) *Operating lease charges as the lessee*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

(iv) *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. 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 over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(v) *Assets leased out under finance leases as the lessor*

Amounts due from lessees under finance leases are recorded 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 leases.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.16 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition, unless the fair value cannot be measured reliably, and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from the sale of properties held for sale is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under other payables and accruals.

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.18 Revenue recognition (Continued)

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period of time unless there is evidence that some other method better represents the stage of completion.

Ticket income from the sale of tickets owned and controlled by the Group is recognised as income when the ticket is issued.

Sales of confectionery, merchandise and souvenir are recognised when goods are delivered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend is recognised when the right to receive payment is established.

2.19 Deferred revenue

Deferred revenue consists primarily of deferred revenue from prepaid service fees received from subscribers and fair value of bonus liabilities granted to customers in accordance with the announced bonus point scheme and the Group's past experience on the level of redemption of points. Revenue from prepaid service fees and bonus liabilities are recognised when the relevant services are rendered.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other operating income" in profit or loss.

2.21 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment, prepaid land lease payments under operating leases, non-current portion of deposits and, interests in subsidiaries and associates are subject to impairment testing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.21 Impairment of non-financial assets (Continued)

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.22 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of clarification.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.22 Non-current assets held for sale and disposal groups (Continued)

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

2.23 Employee benefits

(i) *Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) *Retirement benefits*

The Group operates several staff retirement schemes for employees in Hong Kong and Mainland China, the PRC, comprising defined contribution pension schemes and a Mandatory Provident Fund ("MPF") scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement schemes are generally funded by payments from employees and by the relevant subsidiaries of the Group.

The subsidiaries operating in Mainland China are required to participate in the defined contribution retirement scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 10% to 22% (depending on the locations of the subsidiaries) of basic salaries of their employees and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group was 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the scheme prior to vesting fully in the contributions. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.23 Employee benefits (Continued)

(ii) Retirement benefits (Continued)

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was also set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's monthly contribution will be 5% of the relevant employee's basic salaries with a maximum monthly contribution of HK$1,250. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(iii) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to capital reserve. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.24 Finance costs

Finance costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other finance costs are expensed as incurred.

Finance costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, finance costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

2.25 Accounting for income taxes

Income tax for the year comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.26 Segment reporting

The Group identifies operating segments and prepare segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

(a) Corporate IT application services

(b) Property development

(c) Culture and media services

Information about other business activities and operating segments that are not reportable are combined and disclosed in "all other segments". All other segments included trading of securities and property management.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- Share of results of certain associates
- Certain bank and other interest income
- Certain finance costs
- Income tax expense
- Corporate income and expenses which are not directly attributable to the business activities or any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but interest in certain associates, amount due from an associate, available-for-sale financial assets and deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. Summary of significant accounting policies (Continued)

2.26 Segment reporting (Continued)

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include provision for tax and amounts due to a director/shareholders/a former subsidiary/associates.

No asymmetrical allocations have been applied to reportable segments.

2.27 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of the employees of 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 key management personnel of the entity (or of a parent of the entity).

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

3. Adoption of new/amended HKFRSs

3.1 Impact of new/amended HKFRSs which are effective during the year

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2013:

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

HKFRSs (Amendments) — Annual Improvements 2009–2011 Cycle

HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy.

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

Amendments to HKFRS 7 — Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. Adoption of new/amended HKFRSs (Continued)

3.1 Impact of new/amended HKFRSs which are effective during the year (Continued)

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest.

The directors made an assessment as at the date of initial application of HKFRS 10, it is concluded that the adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in notes 15, 16 and 33 respectively. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. Adoption of new/amended HKFRSs (Continued)

3.1 Impact of new/amended HKFRSs which are effective during the year (Continued)

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively. HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

3.2 New/Amended HKFRSs early adopted

Amendments to HKAS 36 — Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or CGU to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period.

3.3 Impact of new/amended HKFRSs which are issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
HK(IFRIC) 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. Adoption of new/amended HKFRSs (Continued)

3.3 Impact of new/amended HKFRSs which are issued but not yet effective (Continued)

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

HK(IFRIC) 21 — Levies

HK(IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

Saves as the main changes described above, the Group is in the progress of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to state whether they could have material financial impact on the Group's financial statements.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation and amortisation

The Group depreciates and amortises property, plant and equipment and intangible assets other than goodwill on a straight-line basis over the estimated useful life, and after taking into account their estimated residual values, 5% to 33-$^{1}/_{3}$% per annum and 10% to 50% per annum, respectively, commencing from the date on which the assets are available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets other than goodwill.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Net realisable value of completed properties held for sale and properties under development

Management determines the net realisable value of completed properties held for sale and properties under development by using prevailing market data such as most recent sale transactions, anticipated costs to completion and valuation reports provided by independent qualified professional valuers.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.21. The recoverable amounts of CGUs have been determined based on value in use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of CGUs containing goodwill are disclosed in note 18.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Impairment of other assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of interests in associates

Management assesses impairment of interests in associates at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the management takes into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

Current tax and deferred tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

The Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to their understanding on the tax rules.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. Critical accounting estimates and judgements (Continued)

4.2 Critical judgements in applying the Group's accounting policies

Going concern

The Group's financial statements are prepared using the going concern basis which assumes the Group will be able to realise their assets and discharge their liabilities in the normal course of business. The application of the going concern basis requires the Company's directors making judgements in estimating future cashflows of the Group and likelihood of outcomes of contingent matters.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and financing by banks and other parties. The Group maintains a sufficient liquidity comprises cash and cash equivalents and other liquid assets. Taking into account of expected new banking facilities that will be finalised in 2014, the directors consider that all contractual and estimated obligations and operational requirements would be met. To the best of the knowledge of the Company's directors, the matters as set out in note 45 to these financial statements are not considered to have a material adverse impact on the application of the going concern basis.

Research and development costs

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Group's management.

Control through structured agreements

Notwithstanding the lack of equity ownership in Beijing Xinnet Group (as defined in note 35) as set out in note 35, the Group is able to control, recognise and receive all the economic benefits of the business of Beijing Xinnet Group as the Group (1) shall have all requisite power and unrestricted rights, acting as a principal, to control and manage all aspects, at its sole decision and its own benefit, over Beijing Xinnet Group by virtue of the power of attorney; and (2) shall have right to assume all profits of Beijing Xinnet Group under the management and technology services agreement. In view of the foregoing reasons, the Group has determined that it has the practical ability to unilaterally direct the relevant activities of the Beijing Xinnet Group and significant benefits derived from Beijing Xinnet Group and therefore has consolidated the Beijing Xinnet Group as subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. Revenue/Turnover and other operating income

(a) The Group's turnover represents revenue from its principal activities as set out below:

	2013 HK$'000	2012 HK$'000
Sales of properties and car parks	79,526	96,494
Corporate IT application services	683,401	659,106
Property management	39,059	32,000
Culture and media services	79,898	52,723
Cinema ticketing income	1,265,565	961,681
Confectionery sales	171,152	151,564
	2,318,601	1,953,568

(b) Other operating income:

	2013 HK$'000	2012 HK$'000
Bank interest income	22,130	5,442
Other interest income	14,585	14,133
Total interest income on financial assets not at fair value through profit or loss	36,715	19,575
Exchange gain	13,779	6,196
Gain on disposal of property, plant and equipment	1,106	5,165
Government grants*	42,600	6,025
Cinema advertising income	8,888	54,144
Write-back of long outstanding payables	19,027	–
Sundry income	37,957	30,835
	160,072	121,940

* Government grants have been received from the PRC governmental bodies in the form of the subsidies to cinema operations and design, research and development of new products by certain subsidiaries of the Group. The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities who are operating cinema/having research and development projects that meet certain criteria. There are no unfulfilled conditions or contingencies attaching to these grants.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. Segment information

The executive directors have identified the Group's three product and service lines as operating segments as further described in note 2.26.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

			2013		
	Corporate IT application services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000
Revenue					
From external customers	683,401	79,526	1,516,615	39,059	2,318,601
From inter-segments	–	–	13,516	2,654	16,170
Reportable and all other segments revenue	**683,401**	**79,526**	**1,530,131**	**41,713**	**2,334,771**
Reportable and all other segments (loss)/profit	**(92,883)**	**1,218,312**	**(162,522)**	**(2,195)**	**960,712**
Bank interest income	92	9,393	12,608	9	22,102
Other interest income	–	10,784	–	–	10,784
Interest income on financial assets not at fair value through profit or loss	92	20,177	12,608	9	32,886
Finance costs	(12,186)	(58,296)	(184,127)	(403)	(255,012)
Depreciation and amortisation of non-financial assets	(95,074)	(3,651)	(172,132)	(571)	(271,428)
Gain/(Loss) on disposal of property, plant and equipment	58	–	1,115	(67)	1,106
Gain on disposal of subsidiaries	–	1,371,277	–	–	1,371,277
Share of results of associates	–	(10,761)	–	–	(10,761)
Fair value change on financial liability at fair value through profit or loss	–	(32,046)	–	–	(32,046)
Reportable and all other segments assets	**1,151,332**	**7,426,026**	**3,641,429**	**196,186**	**12,414,973**
Interests in associates	–	668,232	1,922	–	670,154
Additions to non-current segment assets during the year	328,850	671,099	729,415	1,582	1,730,946
Reportable and all other segments liabilities	**(513,059)**	**(2,774,211)**	**(3,555,791)**	**(55,007)**	**(6,898,068)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. Segment information (Continued)

	2012				
	Corporate IT application services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000
Revenue					
From external customers	659,106	96,494	1,165,968	32,000	1,953,568
From inter-segments	–	–	–	3,058	3,058
Reportable and all other segments revenue	659,106	96,494	1,165,968	35,058	1,956,626
Reportable and all other segments (loss)/profit	(122,058)	(88,711)	17,350	(8,172)	(201,591)
Bank interest income	96	5,016	293	31	5,436
Other interest income	–	9,585	–	–	9,585
Interest income on financial assets not at fair value through profit or loss	96	14,601	293	31	15,021
Finance costs	(19)	(80,105)	(67,289)	–	(147,413)
Depreciation and amortisation of non-financial assets	(71,219)	(3,926)	(120,507)	(533)	(196,185)
Gain on restructuring of finance	–	12,173	–	–	12,173
(Loss)/Gain on disposal of property, plant and equipment	–	(80)	5,252	(7)	5,165
Gain on disposal of subsidiaries	–	–	49,793	–	49,793
Reportable and all other segments assets	1,081,290	9,889,939	2,454,242	20,480	13,445,951
Additions to non-current segment assets during the year	111,259	1,558	358,954	540	472,311
Reportable and all other segments liabilities	(424,052)	(5,531,272)	(2,717,024)	(11,970)	(8,684,318)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. Segment information (Continued)

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2013 **HK$'000**	2012 HK$'000
Reportable segment revenue	**2,293,058**	1,921,568
All other segments revenue	**41,713**	35,058
Elimination of inter-segment revenue	**(16,170)**	(3,058)
Group revenue	**2,318,601**	1,953,568
Reportable segment results	**962,907**	(193,419)
All other segments results	**(2,195)**	(8,172)
Bank interest income	**28**	6
Other interest income	**3,801**	4,548
Interest income on financial assets not at fair value through profit or loss	**3,829**	4,554
Depreciation and amortisation	**(180)**	(192)
Finance costs	**–**	(3)
Share of results of associates	**(8,228)**	(5,179)
Unallocated corporate expenses	**(45,542)**	(39,638)
Profit/(Loss) before income tax	**910,591**	(242,049)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. Segment information (Continued)

	2013 **HK$'000**	2012 HK$'000
Reportable segment assets	**12,218,787**	13,425,471
All other segment assets	**196,186**	20,480
Interests in associates	**105,000**	110,047
Amount due from an associate	**530**	530
Deferred tax assets	**115,758**	108,609
Prepaid tax	**–**	6,306
Available-for-sale financial assets	**324**	324
Other financial and corporate assets	**25,925**	27,054
Group assets	**12,662,510**	13,698,821
Reportable segment liabilities	**6,843,061**	8,672,348
All other segment liabilities	**55,007**	11,970
Amount due to a director	**19,939**	94,563
Amounts due to shareholders	**5,006**	5,006
Amounts due to associates	**15,109**	5,501
Amount due to a former subsidiary	**–**	49,085
Provision for tax	**1,023,608**	948,854
Other corporate liabilities	**9,889**	59,903
Group liabilities	**7,971,619**	9,847,230

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. Segment information (Continued)

The Group's revenues from external customers and its non-current assets (other than deferred tax assets, loan receivable from an associate, available-for-sale financial assets and pledged and restricted bank deposits) are divided into the following geographical areas:

Revenue from external customers

	2013 **HK$'000**	2012 HK$'000
Mainland China (domicile)	**2,317,813**	1,953,260
Hong Kong	**136**	15
Others	**652**	293
Total	**2,318,601**	1,953,568

Non-current assets

	2013 **HK$'000**	2012 HK$'000
Mainland China (domicile)	**3,949,258**	2,679,481
Hong Kong	**1,381**	1,413
Total	**3,950,639**	2,680,894

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities, the Group has the majority of its operations and workforce in Mainland China, and therefore, Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

7. Finance costs

	2013 HK$'000	2012 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**386,234**	191,586
Finance costs on finance from a third party/connected party wholly repayable within five years	**213,539**	150,977
Interest on finance leases	**15**	21
Total finance costs on financial liabilities not at fair value through profit or loss	**599,788**	342,584
Less: Amount capitalised to properties under development and construction in progress*	**(344,776)**	(195,168)
	255,012	147,416

* The finance costs have been capitalised at a rate of 5.50% to 12.27% (2012: 5.40% to 12.27%) per annum.

The analysis shows the finance costs of bank and other borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in loan agreements. For the year ended 31 December 2013, the interest on bank and other borrowings which contain a repayment on demand clause amounted to HK$15,868,000 (2012: HK$7,500,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. Profit/(Loss) before income tax

	2013 HK$'000	2012 HK$'000
Profit/(Loss) before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill*	**49,643**	39,787
Auditors' remuneration	**6,800**	9,795
Bad debts written off*	**1,192**	404
Cost of provision of corporate IT application services	**118,351**	162,950
Cost of sales of properties and car parks	**39,322**	37,783
Cost of confectionery sales	**52,165**	44,348
Cost of provision of culture and media services	**565,884**	469,292
Cost of provision of property management services	**28,823**	23,816
Cost of sales and services provided	**804,545**	738,189
Gross depreciation of property, plant and equipment — owned assets	**221,232**	156,048
Less: Amounts included in cost of sales and services provided	**(96)**	(541)
Amounts included in research and development expenses	**–**	(674)
Net depreciation of owned assets*	**221,136**	154,833
Depreciation of leased assets*	**173**	177
Write-off of property, plant and equipment*	**4,224**	2,521
Write-off of intangible assets*	**2,594**	905
Net fair value loss on financial assets at fair value through profit or loss*	**95**	707
Operating lease charges on land and buildings	**320,535**	171,162
Operating lease charges on prepaid land lease*	**560**	365
Provision for impairment of trade receivables*	**8,141**	–
Provision for impairment of other receivables*	**26,705**	–
Provision for impairment of available-for-sale financial assets*	**–**	155
Research and development expenses*	**62,793**	52,244

* included in other operating expenses

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

9. Income tax expense

	2013 HK$'000	2012 HK$'000
The income tax expense comprises:		
Current tax		
— Hong Kong Profits Tax		
Tax charge for the year	**10,557**	9,369
(Over)/Under-provision in respect of prior years	**(268)**	67
— PRC Enterprise Income Tax ("EIT")		
Tax charge for the year	**16,121**	6,940
— PRC LAT		
Tax charge for the year	**22,695**	18,942
Over-provision in respect of prior years	**(30,842)**	–
— PRC Capital Gain Tax on partial disposal of a subsidiary	**44,000**	91,000
	62,263	126,318
Deferred tax		
— (Credit)/Charge for the year	**(4,234)**	3,926
	58,029	130,244

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year.

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2012: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

PRC LAT is levied at progressive rates from 30% to 60% (2012: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

Certain subsidiaries of the Group are wholly-owned foreign enterprises in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years' tax losses.

In addition, certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15% (2012: 15%).

PRC capital gain tax has been provided at the rate of 10% (2012: 10%) on estimated capital gain from disposal of equity interests in a subsidiary as detailed in notes 28 and 34(a).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

9. Income tax expense (Continued)

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2013 **HK$'000**	2012 HK$'000
Profit/(Loss) before income tax	**910,591**	(242,049)
Tax on profit/(loss) before taxation, calculated at the rates applicable to profits/(losses) in the tax jurisdictions concerned	**130,468**	(60,238)
Tax effect of non-deductible expenses	**88,595**	58,136
Tax effect of non-taxable income	**(232,705)**	(20,320)
Tax effect of tax losses not recognised	**40,400**	50,499
Utilisation of tax loss previously not recognised	**(1)**	(1,296)
Tax effect on PRC LAT	**(3,838)**	(5,969)
Tax effect on temporary differences not recognised	**(475)**	(565)
PRC LAT	**22,695**	18,942
Capital gain tax on partial disposal of a subsidiary	**44,000**	91,000
(Over)/Under-provision in respect of prior years	**(31,110)**	67
Others	**–**	(12)
Income tax expense	**58,029**	130,244

10. Profit/(Loss) for the year attributable to the owners of the Company

Of the consolidated profit attributable to the owners of the Company of HK$865,197,000 (2012: loss attributable to the owners of the Company of HK$346,063,000), a loss of HK$158,059,000 (2012: HK$209,377,000) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. Earnings/(Losses) per share

(a) The calculation of basic earnings per share (2012: losses per share) is based on the profit attributable to the owners of the Company of HK$865,197,000 (2012: loss attributable to the owners of the Company: HK$346,063,000) and on 68,645,535,794 (2012: 68,645,535,794) ordinary shares in issue during the year.

(b) Diluted earnings/losses per share for both years was not presented as there was no potential dilutive ordinary shares in issue during the years.

12. Employee benefit expenses (including directors' emoluments)

	2013 **HK$'000**	2012 HK$'000
Directors' fee (note 37(a))	**1,082**	1,105
Wages and salaries	**685,818**	683,627
Pension costs — defined contribution plans	**78,674**	74,832
Staff welfare	**39,310**	42,727
	804,884	802,291
Less: Amounts capitalised in intangible assets	**(1,953)**	(35,836)
Total employee benefit expenses	**802,931**	766,455

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

13. Property, plant and equipment

Group

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Motor vehicles/ Yachts HK$'000	Total HK$'000
At 1 January 2012					
Cost	5,168	1,460,812	362,331	39,972	1,868,283
Accumulated depreciation	(101)	(346,774)	–	(9,447)	(356,322)
Net carrying amount	5,067	1,114,038	362,331	30,525	1,511,961
Year ended 31 December 2012					
Opening net carrying amount	5,067	1,114,038	362,331	30,525	1,511,961
Additions	–	368,608	63,840	1,515	433,963
Re-classification	186,909	–	(186,909)	–	–
Disposal of subsidiaries (note 34(a))	–	(4,694)	–	–	(4,694)
Disposals	–	(823)	–	(243)	(1,066)
Write-off	–	(511)	(2,010)	–	(2,521)
Depreciation	(3,067)	(149,031)	–	(4,127)	(156,225)
Exchange differences	2,007	10,794	1,502	200	14,503
Closing net carrying amount	190,916	1,338,381	238,754	27,870	1,795,921
At 31 December 2012 and 1 January 2013					
Cost	194,116	1,832,194	238,754	40,645	2,305,709
Accumulated depreciation	(3,200)	(493,813)	–	(12,775)	(509,788)
Net carrying amount	190,916	1,338,381	238,754	27,870	1,795,921
Year ended 31 December 2013					
Opening net carrying amount	**190,916**	**1,338,381**	**238,754**	**27,870**	**1,795,921**
Additions	**–**	**734,833**	**213,230**	**2,974**	**951,037**
Re-classification	**451,984**	**–**	**(451,984)**	**–**	**–**
Acquisition of subsidiaries (note 35)	**–**	**7,619**	**–**	**–**	**7,619**
Disposal of subsidiaries (note 34(a))	**–**	**(1,111)**	**–**	**(3,336)**	**(4,447)**
Disposals	**–**	**(467)**	**–**	**–**	**(467)**
Write-off	**–**	**(4,168)**	**–**	**(56)**	**(4,224)**
Depreciation	**(22,816)**	**(194,405)**	**–**	**(4,184)**	**(221,405)**
Exchange differences	**15,612**	**46,954**	**–**	**725**	**63,291**
Closing net carrying amount	**635,696**	**1,927,636**	**–**	**23,993**	**2,587,325**
At 31 December 2013					
Cost	**662,135**	**2,618,283**	**–**	**35,401**	**3,315,819**
Accumulated depreciation	**(26,439)**	**(690,647)**	**–**	**(11,408)**	**(728,494)**
Net carrying amount	**635,696**	**1,927,636**	**–**	**23,993**	**2,587,325**

The carrying amount of the Group's property, plant and equipment includes an amount of HK$58,000 (2012: HK$231,000) in respect of assets held under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

13. Property, plant and equipment (Continued)

Company

	Leasehold improvements, furniture, fixtures and equipment HK$'000
At 1 January 2012	
Cost	727
Accumulated depreciation	(686)
Net carrying amount	41
Year ended 31 December 2012	
Opening net carrying amount	41
Depreciation	(37)
Closing net carrying amount	4
At 31 December 2012 and 1 January 2013	
Cost	727
Accumulated depreciation	(723)
Net carrying amount	4
Year ended 31 December 2013	
Opening net carrying amount	**4**
Depreciation	**(3)**
Closing net carrying amount	**1**
At 31 December 2013	
Cost	**727**
Accumulated depreciation	**(726)**
Net carrying amount	**1**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. Prepaid land lease payments under operating leases

The Group's interests in leasehold land/land use rights represent prepaid operating lease payments and their carrying amounts are analysed as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Outside Hong Kong, held on land with:		
Unexpired terms of leases of between 10 to 50 years	**15,086**	14,788
Unexpired terms of leases over 50 years	**13,383**	13,425
	28,469	28,213

	Group	
	2013	2012
	HK$'000	HK$'000
Opening net carrying amount	**28,213**	28,365
Annual charges of prepaid operating lease payments	**(560)**	(365)
Net exchange differences	**816**	213
Closing net carrying amount	**28,469**	28,213

15. Interests in subsidiaries

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**116**	116
Less: Provision for impairment	**(116)**	(116)
	–	–

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

15. Interests in subsidiaries (Continued)

Particulars of the principal subsidiaries at 31 December 2013 are as follows:

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company Directly	Indirectly	Principal activities
China Enterprise ASP Limited ("CE ASP")	Hong Kong	9,000,000 ordinary shares of HK$1 each	–	62.85	Investment holding
Dadi Cinema (HK) Limited	Hong Kong	75,000 ordinary shares of HK$0.1 each	–	100	Investment holding, film distribution and production
Dadi Media Limited ("Dadi Media")	Hong Kong	2 ordinary shares of HK$1 each	–	62.85	Investment holding
Dadi Media (HK) Limited	Hong Kong	1 ordinary share of HK$1 each	100	–	Investment holding
Goalrise Investments Limited	British Virgin Islands ("BVI")	1 ordinary share of US$1 each	100	–	Trading of securities
Hongkong New Media Interactive Advertising Co., Limited (formerly known as CE Dongli Advertising (HK) Company Limited)	Hong Kong	100 ordinary shares of HK$1 each	–	62.85	Investment holding and information technology business
Liu Wan Development (BVI) Company Limited ("LWD")	BVI	215,000,000 ordinary shares of US$1 each	–	100	Investment holding
Liu Wan Investment Company Limited ("LWI")	Hong Kong	2 ordinary shares of US$1 each	–	100	Investment holding
Nan Hai Development Limited ("Nan Hai Development")	Hong Kong	2 ordinary shares of HK$1 each	100	–	Investment holding
Robina Profits Limited	BVI	1 ordinary share of US$1 each	–	62.85	Investment holding
Sino-i Technology Limited ("Sino-i")	Hong Kong	19,914,504,877 ordinary shares of HK$0.01 each	–	62.85	Investment holding
View Power Investments Limited	BVI	1 ordinary share of US$1 each	100	–	Investment holding
Wise Advance Investments Limited	BVI	1 ordinary share of US$1 each	100	–	Investment holding
中企動力科技股份有限公司 (note a)	PRC	RMB242,369,720	–	62.65	Information technology business

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

15. Interests in subsidiaries (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company Directly	Indirectly	Principal activities
北京中企動力廣告有限公司 (note b)	PRC	RMB1,000,000	–	62.85	Information technology business
北京新網數碼信息技術有限公司 (note b)	PRC	RMB30,000,000	–	62.85*	Information technology business
數碼慧谷置業管理股份有限公司 (formerly known as CE Dongli Technology Group Company Limited) (note a)	PRC	RMB689,171,334	–	58.05	Information technology business
深圳市半島城邦物業管理有限公司 (note b)	PRC	RMB10,000,000	–	100	Property management
深圳市金益田實業發展有限公司 (note b)	PRC	RMB18,000,000	–	100	Property development
深圳南海益田置業有限公司 (note c)	PRC	RMB110,000,000	–	100	Investment holding and property development
廣東大地影院建設有限公司 (note b)	PRC	RMB1,146,427,999	–	100	Operation of digital cinemas
大地影院發展有限公司 (note b)	PRC	RMB214,000,000	–	100	Operation of digital cinemas
大地時代電影文化傳播(北京)有限公司 (note b)	PRC	RMB40,000,000	–	100	Film distribution
時代廣告(北京)有限公司 (note b)	PRC	RMB1,000,000	–	100	Providing advertising services

* Controlled through structured agreements.

The above table lists out the subsidiaries of the Company as at 31 December 2013 which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) These subsidiaries are registered as joint stock limited company under the law of PRC.

(b) These subsidiaries are registered as limited liability company under the law of PRC.

(c) This subsidiary is registered as Sino-foreign co-operative joint venture under the law of PRC.

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16. Interests in associates

	Group 2013 HK$'000	2012 HK$'000
Share of net (liabilities)/assets other than goodwill	**(85,028)**	37,983
Goodwill	**860,182**	72,064
Balance at 31 December	**775,154**	110,047

Particulars of the associates at 31 December 2012 and 31 December 2013 are as follows:

Name	Country of incorporation/ establishment and operations	Particulars of issued capital/registered capital	Percentage of capital held by the Group 2013	2012	Nature of business
Listar Properties Limited ("Listar")** (note)	BVI	14,000,000 class A and 6,000,000 class B ordinary shares of US$1 each	**43**	N/A	Investment holding
中瑞大地影視(福建)有限公司**	PRC	RMB5,000,000	**30**	N/A	Operation of digital cinemas
Genius Reward Company Limited**	Hong Kong	2 ordinary shares of HK$100 each	**31**	31	Inactive
Loongson Technology Co., Ltd. ("Loongson")**	PRC	RMB210,000,000 (2012: RMB137,500,000)	**20**	20	Development of central processing unit

** unlisted limited liability company

Note:

Following the disposal of 27% equity interest in Listar to CITIC Real Estate (Hong Kong) Development Limited ("CITIC") (please refer to note 28 and 34(a)III for details), the Group retains only 43% equity interest in Listar and has lost control in Listar. Listar together with its subsidiaries (collectively the "Listar Group") engages in property development in the PRC. Listar indirectly holds 100% equity interests in 廣州東鏡新城房地產有限公司, a company registered as Sino-foreign co-operative joint venture under the law of PRC, with registered and paid-up capital of US$42,000,000, and principally engaged in property development.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. Interests in associates (Continued)

The summarised financial information of the Group's material associates extracted from their management accounts, adjusted for fair value adjustments made at the time of acquisition and for differences in accounting policies, are as follows:

	Listar (Note a)		**Loongson**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Summarised statement of financial position:				
Non-current assets	**4,330**	–	**14,883**	29,171
Current assets	**5,289,608**	–	**192,851**	239,694
Current liabilities (Note b)	**(2,532,338)**	–	**(23,595)**	(47,632)
Non-current liabilities (Note b)	**(3,035,381)**	–	**(30,259)**	(31,320)
Summarised statement of comprehensive income:				
Revenue	**–**	–	**53,874**	110,989
Losses for the year	**(25,026)**	–	**(41,139)**	(25,895)
Other comprehensive income for the year	**15,119**	–	**5,103**	1,403
Total comprehensive income for the year	**(9,907)**	–	**(36,036)**	(24,492)
Dividend received from associates	**–**	–	**–**	–
Reconciled to the Group's interests in the associates:				
Gross amounts of net (liabilities)/assets of the associate	**(273,781)**	–	**153,880**	189,913
Group's effective interest	**43%**	–	**20%**	20%
Group's share of net (liabilities)/assets of the associate	**(117,726)**	–	**30,776**	37,983
Goodwill	**785,958**	–	**74,224**	72,064
Carrying amount in the consolidated financial statements	**668,232**	–	**105,000**	110,047

Notes:

(a) The summarised statement of comprehensive income of Listar refers to the summarised financial information of Listar from the completion day of 27% Listar Disposal (the "27% Listar Disposal Completion Day") to the end of the year.

(b) The net liability of Listar was due to the recognition of the disposal consideration of 30% Listar Interest of approximately US$160,380,000 (approximately HK$1,243,637,000) and 27% Listar Interest of RMB607,000,000 (approximately HK$777,607,000 as a financial liability because there are mandatory dividend clauses for the profit sharing by Baitak Asian Shenzhen Peninsula Co., Ltd ("Baitak") and CITIC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. Interests in associates (Continued)

The summarised financial information of the Group's immaterial associates are as follows:

	2013 **HK$'000**	2012 HK$'000
The Group's share of losses	**–**	–
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**–**	–

The Group has discontinued recognition of its share of losses of an associate. The amount of unrecognised share of losses of the associate for the year and accumulated unrecognised share of losses of the associate amounted to HK$247,000 (2012: HK$248,000) and HK$3,651,000 (2012: HK$3,404,000) respectively.

17. Deposits, prepayments and other receivables

	Group	
	2013 **HK$'000**	2012 HK$'000
Deposits and prepayments	**583,643**	546,071
Outstanding consideration receivable arising from the disposal of a subsidiary	**–**	27,336
Loan receivables	**–**	124,378
Others	**618,936**	784,305
	1,202,579	1,482,090
Less: Provision for impairment of receivables	**(52,896)**	(26,307)
	1,149,683	1,455,783
Less non-current portion:		
Long term rental deposits	**200,700**	171,946
Deposits for purchase of property, plant and equipment	**137,429**	264,763
	338,129	436,709
	811,554	1,019,074

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

17. Deposits, prepayments and other receivables (Continued)

The outstanding consideration receivable arising from the disposal of a subsidiary was unsecured, bore interest at the rate of 5% per annum and was originally repayable on 24 September 2009. On 25 September 2009, the Group entered into supplemental agreement to extend the repayment period of the receivable, which bore interest at the rate of 5% per annum and was repayable on 24 September 2010. The repayment period of the receivable was further extended to 30 June 2011 after another supplemental agreement was signed on 25 September 2010. On 1 July 2011 the Group entered into supplemental agreement to further extend the repayment period of the receivable, which bore interest at rate of 5% per annum and would be repayable on 31 August 2012. The repayment period of the receivable was further extended to 30 June 2013 after another supplemental agreement signed on 31 August 2012. The balance was fully settled during the year.

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. The movement in the provision for impairment of other receivables is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At the beginning of the year	**26,307**	26,131
Provision for impairment (note 8)	**26,705**	–
Amount written off as uncollectible	**(2,040)**	–
Exchange differences	**1,924**	176
At the end of the year	**52,896**	26,307

At each of the reporting dates, the Group's other receivables were individually assessed for impairment. The Group encountered difficulties in collection of certain other receivables and appropriate provision for impairment had been made against these other receivables. The individually impaired receivables are recognised based on the credit history of these debtors, their financial positions and record of delinquency in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances. Except for the amount impaired, none of the above assets is either past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

18. Intangible assets

Group

	Computer software HK$'000	Development cost HK$'000	Goodwill HK$'000	Licenses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012						
Gross carrying amount/Cost	295,582	43,858	253,305	–	2,565	595,310
Accumulated amortisation	(230,100)	(965)	–	–	(1,144)	(232,209)
Accumulated impairment	–	–	(30,573)	–	–	(30,573)
Net carrying amount	65,482	42,893	222,732	–	1,421	332,528
Year ended 31 December 2012						
Opening net carrying amount	65,482	42,893	222,732	–	1,421	332,528
Additions	1,202	37,352	–	–	–	38,554
Disposal of subsidiaries (note 34(a))	–	–	(21,159)	–	(291)	(21,450)
Write-off	–	(905)	–	–	–	(905)
Amortisation charge for the year	(33,221)	(6,520)	–	–	(46)	(39,787)
Exchange differences	172	656	240	–	(4)	1,064
Closing net carrying amount	33,635	73,476	201,813	–	1,080	310,004
At 31 December 2012 and 1 January 2013						
Gross carrying amount/Cost	299,114	81,953	232,428	–	2,038	615,533
Accumulated amortisation	(265,479)	(8,477)	–	–	(958)	(274,914)
Accumulated impairment	–	–	(30,615)	–	–	(30,615)
Net carrying amount	33,635	73,476	201,813	–	1,080	310,004
Year ended 31 December 2013						
Opening net carrying amount	**33,635**	**73,476**	**201,813**	**–**	**1,080**	**310,004**
Additions	**41**	**26,141**	**–**	**–**	**–**	**26,182**
Acquisition of subsidiaries (note 35)	**55**	**3,953**	**31,535**	**40,665**	**–**	**76,208**
Disposal of subsidiaries (note 34(a))	**–**	**–**	**(143,111)**	**–**	**–**	**(143,111)**
Write-off	**–**	**(2,594)**	**–**	**–**	**–**	**(2,594)**
Amortisation charge for the year	**(31,665)**	**(17,642)**	**–**	**(336)**	**–**	**(49,643)**
Exchange differences	**552**	**2,286**	**1,391**	**287**	**–**	**4,516**
Closing net carrying amount	**2,618**	**85,620**	**91,628**	**40,616**	**1,080**	**221,562**
At 31 December 2013						
Gross carrying amount/Cost	**308,170**	**111,332**	**99,658**	**40,957**	**2,066**	**562,183**
Accumulated amortisation	**(305,552)**	**(25,712)**	**–**	**(341)**	**(986)**	**(332,591)**
Accumulated impairment	**–**	**–**	**(8,030)**	**–**	**–**	**(8,030)**
Net carrying amount	**2,618**	**85,620**	**91,628**	**40,616**	**1,080**	**221,562**

As at 31 December 2013, certain intangible assets amounting to HK$31,500,000 (2012: Nil) were charged to secure banking facilities as detailed in note 40(g).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

18. Intangible assets (Continued)

For the purpose of the annual impairment test, the carrying amount of goodwill is allocated to the following CGUs:

	2013 **HK$'000**	2012 HK$'000
Property development	–	143,111
Corporate IT application services	**86,496**	53,715
Culture and media services — Cinema business	**5,132**	4,987
Net carrying amount at 31 December	**91,628**	201,813

The recoverable amounts for the CGUs given above were determined based on value in use calculations, covering a detailed five to seven year financial budgets, cash flows for certain CGU were extrapolated for a further five-year period using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value in use calculations for the years are as follows:

	Property development		**Corporate IT application services**		**Culture and media services — cinema business**	
	2013	2012	**2013**	2012	**2013**	2012
Discount rates	**N/A**	20.0%	**15.0%–27.0%**	15.0%	**10.0%**	7.1%
Growth rates used to extrapolate cashflows beyond the budgeted period	**N/A**	N/A	**0%–3.0%**	0%	**0%**	0%

The budgeted gross margin and net profit margin were determined by the management for each individual CGU based on past performance and its expectations for market development.

The growth rate used for each of the above CGU is determined by reference to the average growth rate for the corresponding industry to which the CGU belongs.

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Apart from the considerations described in determining the value in use calculation of the CGUs above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

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19. Inventories

	Group 2013 HK$'000	2012 HK$'000
Property development:		
Properties under development	**5,587,191**	8,307,724
Completed properties held for sale	**266,896**	298,405
Other operations:		
Confectionery	**9,059**	5,641
	5,863,146	8,611,770

All the above inventories are stated at cost.

The amount of properties under development expected to be recovered after more than one year is HK$5,587,191,000 (2012: HK$8,307,724,000). All of the other inventories are expected to be recovered within one year.

20. Financial assets at fair value through profit or loss

	Group 2013 HK$'000	2012 HK$'000
Listed equity securities in Hong Kong, at fair value	**227**	241
Listed equity securities in PRC, at fair value	**704**	736
Unlisted mutual fund in PRC, at fair value	**–**	249
Market value	**931**	1,226

The above financial assets at fair value through profit or loss are classified as held for trading. The fair value of the Group's investments in listed securities has been determined by reference to their quoted bid prices at the reporting date.

Changes in fair values of the financial assets at fair value through profit or loss are recorded in other operating income/other operating expenses in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. Trade receivables

Based on the invoice dates, the aging analysis of the trade receivables is as follows:

	Group 2013 HK$'000	2012 HK$'000
0–90 days	**41,043**	27,276
91–180 days	**20,800**	10,859
181–270 days	**7,614**	7,057
271–360 days	**4,960**	3,921
Over 360 days	**16,138**	13,764
Trade receivables, gross	**90,555**	62,877
Less: Provision for impairment of receivables	**(19,241)**	(10,599)
Trade receivables, net	**71,314**	52,278

Trade receivables are due on presentation of invoices.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the provision for impairment of trade receivables is as follows:

	Group 2013 HK$'000	2012 HK$'000
At the beginning of the year	**10,599**	10,516
Provision for impairment (note 8)	**8,141**	–
Exchange differences	**501**	83
At the end of the year	**19,241**	10,599

At each of the reporting dates, the Group's trade receivables were individually assessed for impairment. The Group encountered difficulties in collection of certain trade receivables and appropriate provision for impairment has been made against certain trade receivables. The individually impaired receivables are recognised based on the credit history of these customers, their financial positions and record of delinquency in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

21. Trade receivables (Continued)

The aging analysis of trade receivables that are not considered to be impaired is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0–90 days past due	**40,725**	27,276
91–180 days past due	**19,112**	10,859
181–270 days past due	**5,606**	5,492
271–360 days past due	**3,951**	1,886
Overdue for more than 360 days	**1,920**	6,765
	71,314	52,278

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. Cash and cash equivalents, pledged and restricted bank deposits and time deposits maturing over three months

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**1,559,602**	1,217,810	**2,910**	477
Less: Pledged and restricted bank deposits presented as non-current assets	**(46,759)**	(32,960)	**–**	–
Less: Pledged and restricted bank deposits presented as current assets	**(999,233)**	(956,067)	**–**	–
Less: Time deposits maturing over three months presented as current assets	**(653)**	(41,667)	**–**	–
Cash and cash equivalents as stated in the statement of financial position	**512,957**	187,116	**2,910**	477

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For the year ended 31 December 2013

22. Cash and cash equivalents, pledged and restricted bank deposits and time deposits maturing over three months (Continued)

Included in bank and cash balance of the Group is an aggregate amount of approximately HK$1,291,412,000 (2012: HK$927,191,000), which represented Renminbi ("RMB") deposits placed with banks in Mainland China.

RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks which are authorised to conduct foreign exchange business.

Deposits and pledged and restricted bank deposits earn interest at floating rates based on daily bank deposit rates (2012: floating rates based on daily bank deposit rates). Time deposits maturing over three months earn fixed-rate interest ranging from 2.85% to 4.87% per annum (2012: 3.25% per annum).

Restricted bank deposits represented the pre-sale proceeds received by the Group relating to the property development business. The restricted bank deposits are monitored by local government, any usage of the deposits requires approval by local government. The restriction will be released upon the completion of the related pre-sale properties.

23. Trade payables

Based on invoice dates, the aging analysis of the trade payables is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0–90 days	**33,431**	275,995
91–180 days	**6,432**	7,540
181–270 days	**906**	1,573
271–360 days	**10,737**	2,924
Over 360 days	**154,241**	208,774
	205,747	496,806

All amounts are short term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of fair value.

24. Other payables and accruals

Included in other payables and accruals as at 31 December 2013 is HK$16,718,000 (2012: HK$4,057,000) in respect of deferred government grants mainly related to the Group's design, research and development of new products of the Group which contributes positively to the local industry environment. The government grant must be utilised for the development of products specified and be recognised upon conditions fulfilled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

25. Loan from/Loan receivable from/Amount(s) due from/(to) a director/ shareholders/subsidiaries/a former subsidiary/associates

(a) Amount due to a director

The amount due to a director is unsecured, interest-free and repayable on demand.

(b) Amounts due to shareholders

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

(c) Amounts due from/(to) associates

The amounts due from/(to) associates are unsecured, interest-free and repayable on demand.

(d) Amounts due from subsidiaries

	Company	
	2013	2012
	HK$'000	HK$'000
Amounts due from subsidiaries	**5,136,583**	5,140,160
Less: Amounts included in non-current assets	**(117,474)**	(164,139)
Amounts due from subsidiaries included in current assets	**5,019,109**	4,976,021
Less: Allowances for amounts due from subsidiaries	**(153,434)**	(153,434)
	4,865,675	4,822,587

The amounts due from subsidiaries included in current assets are unsecured, interest-free and repayable on demand.

The amounts due from subsidiaries included in non-current assets are unsecured, interest-free and repayable after one year.

(e) Amounts due to subsidiaries/a former subsidiary

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

25. Loan from/Loan receivable from/Amount(s) due from/(to) a director/shareholders/subsidiaries/a former subsidiary/associates (Continued)

(f) Loan from subsidiaries

On 29 May 2009, the Company entered into loan agreement with certain subsidiaries to advance a loan with principal of HK$1,645,530,000 which bore interest at 6.0% per annum, and would be repayable on or before 29 June 2011 and secured by share mortgage of a subsidiary.

On 20 May 2011, loan extension agreement in respect of loan agreement dated 20 May 2009 was signed and was conditional upon the Company having settled in full, the interest accrued on the outstanding principal amount under the loan agreement on or before 29 June 2011. It was further agreed that the repayment date for the outstanding principal is further extended for two years to 29 June 2013.

On 9 May 2013, loan extension agreement in respect of loan agreement dated 29 May 2009 was signed and was conditional upon the Company having settled in full, the interest accrued on the outstanding principal amount under the loan agreement on or before 29 June 2013. It was further agreed that the repayment date for the outstanding principal is further extended for two years to 29 June 2015.

As at 31 December 2013, included in the outstanding balance of approximately HK$1,317,149,000 (2012: HK$1,317,149,000) was interest bearing at 7.5% (2012: 6.0%) per annum and the remaining balance is interest-free, will be repayable on before or before 29 June 2015 (2012: 29 June 2013) and secured by share mortgage of a subsidiary.

(g) Loan receivable from an associate

Following the 27% Listar Disposal, the Group retained 43% of the shareholders loan due from the Listar Group amounted to HK$408,691,000. The amount due is unsecured, interest-free and have no fixed repayment term. The directors consider that the balance will not be recovered within twelve months from the end of the reporting period.

The fair value of the balance at the 27% Listar Disposal Completion Day, as calculated by the management using discounted cashflow method using a discount rate of 10%, was HK$279,142,000. The amount is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 10%.

26. Bank and other borrowings

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank loans, secured	(a)	**3,389,420**	2,726,171	**–**	–
Other borrowings, secured	(a),(b),(c)	**1,403,660**	1,261,918	**534,863**	345,699
		4,793,080	3,988,089	**534,863**	345,699

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

26. Bank and other borrowings (Continued)

At 31 December 2013, the bank and other borrowings of the Group and the Company are repayable as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**3,690,722**	2,682,088	**534,863**	345,699
In the second year	**877,220**	1,035,192	**–**	–
In the third to fifth years	**225,138**	270,809	**–**	–
Wholly repayable within 5 years	**4,793,080**	3,988,089	**534,863**	345,699
Less: Portion due within one year under current liabilities	**(3,690,722)**	(2,682,088)	**(534,863)**	(345,699)
Portion due over one year under non-current liabilities	**1,102,358**	1,306,001	**–**	–

(a) At 31 December 2013, bank and other borrowings amounted to HK$2,513,822,000 (2012: HK$2,651,280,000) carry interest at floating rates ranging from 2.54% to 8.00% per annum (2012: 2.61% to 8.70% per annum). The remaining balances carry interest at fixed rates ranging from 5.00% to 17.50% per annum (2012: 5.00% to 16.00% per annum). The carrying amounts of bank and other borrowings approximate their fair values.

(b) Included in other borrowings of HK$232,119,000 (2012: HK$321,876,000) is amounts due to financial institutions regarding five (2012: four) sales and leaseback arrangements for property, plant and equipment. The transactions are classified as loan financing and corresponding property, plant and equipment of HK$299,289,000 (2012: HK$309,302,000) are pledged under this arrangement.

(c) Included in other borrowings of HK$636,678,000 (2012: HK$594,343,000) is amount due to a financial institution secured by the properties under development of the Group, guarantee given by a director and repayable in eighteen months.

(d) The current liabilities include bank loans of HK$388,317,000 (2012: HK$338,336,000) that are not scheduled to repay within one year. They are classified as current liabilities as the related loan agreement contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans are due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

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26. Bank and other borrowings (Continued)

(e) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**3,692,967**	3,077,374	**–**	–
USD	**1,100,113**	910,715	**534,863**	345,699
	4,793,080	3,988,089	**534,863**	345,699

27. Finance lease liabilities

(a) Total minimum lease payments is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within one year	**127**	141	**4**	18
Due in the second to fifth years	**113**	240	**–**	4
	240	381	**4**	22
Future finance charges on finance leases	**(12)**	(27)	**(1)**	(3)
Present value of finance lease liabilities	**228**	354	**3**	19

(b) The present value of finance lease liabilities is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within one year, included under current liabilities	**118**	126	**3**	16
Due in the second to fifth years, included under non-current liabilities	**110**	228	**–**	3
	228	354	**3**	19

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For the year ended 31 December 2013

27. Finance lease liabilities (Continued)

The Group has entered into finance leases for item of office equipment and a motor vehicle (2012: office equipment and motor vehicles) with remaining lease terms of one to two years (2012: two to three years). Interest rate under the leases is fixed at 2.50% to 3.46% (2012: 2.50% to 3.46%) per annum. The lease does not have options to renew or any contingent rental provisions. Under the lease terms, the Group has the option to purchase the leased asset at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the leases.

Finance lease liabilities are secured by the underlying assets where the lessor has the rights to revert in event of default. The carrying amount of the finance lease liabilities are denominated in Hong Kong dollars and approximates their fair values.

28. Finance from a third party/connected party

At 31 December 2013, the finance from a third party (2012: connected party) is repayable as follows:

	2013	2012
	HK$'000	HK$'000
Due within one year	**764,923**	1,681,952
Due in the second to fifth years	**–**	1,077,446
	764,923	2,759,398

The Group disposed of 30% issued share capital of Listar, a subsidiary of the Company, which indirectly holds 100% of the Guangzhou property project; and 30% shareholder's loan due from Listar (collectively, "30% Listar Interest") to Baitak, an independent third party financier, for partial settlement of the indebtedness to Baitak, on 31 December 2012 (the transaction is referred to as the "30% Listar Disposal"). Details of the transaction please refer to the announcement and circular issued by the Company on 31 October 2012 and 21 November 2012 respectively. After the completion of the 30% Listar Disposal, Baitak has become a substantial shareholder of Listar, and thus become a connected party to the Company as per the Listing Rules. Summary of the aforesaid transaction is shown as follows:

A finance from Baitak in the amount of approximately HK$2,544,618,000 was due in July 2011. In July 2011, the Group and Baitak entered into two agreements for the amount of US$275,000,000 (equivalent to approximately HK$2,136,063,000) and US$52,598,000 (equivalent to approximately HK$408,555,000) respectively for the purpose of full repayment of the aforesaid amount due in July 2011.

As per the terms of those two agreements, the new facilities together with profit (interest, in substance) (collectively "New Finance") shall be paid in instalments, with the last instalment falling on 31 December 2013. However, the Group did not make any instalment due for payment other than an interest payment of approximately US$7,644,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

28. Finance from a third party/connected party (Continued)

In order to facilitate the payment of the New Finance, both Baitak and the Group further entered into a letter agreement in October 2012 (as supplemented in November 2012) (collectively the "2012 Letter Agreement") for setting out arrangements as regards settlement of the New Finance. Under the 2012 Letter Agreement, the New Finance was superseded by a total amount of approximately US$356,119,000 of which approximately US$308,571,000 should be paid on or before 31 December 2012 and the balancing amount of approximately US$47,548,000 should be paid on or before 30 June 2013.

On 31 October 2012, Baitak and the Group entered into a sale and purchase agreement (the "Baitak SPA"), pursuant to which the Group shall sell and Baitak shall purchase 30% Listar Interest at a total consideration of approximately US$160,380,000 which shall be settled by way of dollar-for-dollar set-off against the aforesaid indebtedness of approximately US$308,571,000.

The 30% Listar Disposal was completed on 31 December 2012 (the "30% Listar Disposal Completion Day").

Details of the transactions contemplated in the Baitak SPA and all other documents incidental thereto have been disclosed in the announcement and circular of the Company dated 31 October 2012 and 21 November 2012 respectively.

The 30% Listar Disposal was considered as disposal from legal perspective, however, such disposal should be considered as restructuring of indebtedness ("Financial Restructuring") of the Group and recognition of new debt from accounting perspective after considering such terms disclosed in the sale and purchase agreement and all documents incidental thereto as the guarantee of Internal Rate of Return ("IRR") of 12% on consideration for the 30% Listar Disposal; mandatory interim cash distribution to Baitak conditional upon cash available for distribution and Put Option (as defined in the aforesaid announcement and circular) of 30% Listar Interest granted to Baitak.

The financial effects of the Financial Restructuring are as follows:

(1) A derecognition of the original liability and recognition of a new liability initially measured at fair value — a change in the amortised cost of liability (referred to as the "liability component", included in the "Finance from a connected party" in current liabilities and non-current liabilities in 2012);

(2) Recognition of a gain on the Financial Restructuring of HK$12,173,000 in 2012;

(3) Recognition of capital gain tax on disposal of the 30% Listar Interests of HK$91,000,000 in 2012;

(4) As determined by the directors of the Company, the value of the Call Option and Put Option as disclosed more particularly in the aforesaid announcement and circular is zero to the Company on 30% Listar Disposal Completion Day; and

(5) The 30% Listar Interest transferred to Baitak is treated as being collateralised for the new liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

28. Finance from a third party/connected party (Continued)

On 15 October 2013, the Group disposed of 27% equity interests in Listar together with 27% of the total shareholders' loan due by Listar to the Group and Baitak (collectively the "27% Listar Interest") to CITIC (the transaction is referred to as the "27% Listar Disposal", please refer to note 34(a) III for further details). Approximately US$73,490,000 (approximately HK$569,991,000), which is mainly from the sale proceeds of the 27% Listar Disposal, was used to repay the finance from Baitak up to 31 December 2013.

After the 27% Listar Disposal, the Group has retained only 43% equity interests and has lost the control in Listar. Given the above, Listar has become an associate of the Group thereafter, and Baitak has no longer been a connected party to the Group.

Subsequent to the 30% Listar Disposal, Listar has effectively taken up the indebtedness in the amount of approximately US$160,380,000 of a fellow subsidiary, LWD, owing to Baitak. Following the 27% Listar Disposal, Listar would not be consolidated as a subsidiary of the Group, therefore the aforesaid indebtedness taken up by Listar would not be recognised. Please refer to 34(a) III for further details of the disposal.

After taking into account of a valuation by an independent professional valuer, the Company's directors are of the view that there is no commercial value for the Call Option as at 31 December 2013 (2012: no commercial value), and the fair value of the Put Option as at the 27% Listar Disposal Completion Day and 31 December 2013 amounted to HK$28,965,000 and HK$61,011,000 respectively. The aforesaid amounts are recorded as financial liability at fair value through profit or loss and the difference of HK$32,046,000 between such amounts was charged to profit or loss. Since the Put Option is exercisable 36 months after the 30% Listar Disposal Completion Day, i.e. after 31 December 2015, its fair value was recorded as a non-current liability.

The finance from Baitak is secured by shares mortgage of certain subsidiaries, bank accounts charges, assignment of shareholders' loan of certain subsidiaries and an associate (2012: certain subsidiaries), corporate guarantee of the Company and personal guarantee of a director.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

29. Deferred tax

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

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Temporary difference on receipt in advance HK$'000	Total HK$'000
At 1 January 2012	245,259	22,288	267,547
Deferred tax credited to the income statement (note 9)	–	(565)	(565)
Exchange differences	1,923	169	2,092
At 31 December 2012 and 1 January 2013	**247,182**	**21,892**	**269,074**
Deferred tax credited to the income statement (note 9)	**–**	**(396)**	**(396)**
Disposal of subsidiaries (note 34(a))	**(252,746)**	**–**	**(252,746)**
Acquisition of subsidiaries (note 35)	**10,166**	**–**	**10,166**
Exchange differences	**5,637**	**651**	**6,288**
Gross deferred tax liabilities at 31 December 2013	**10,239**	**22,147**	**32,386**

Deferred tax assets

Group

	Provision of PRC LAT HK$'000
At 1 January 2012	112,268
Deferred tax charged to the income statement (note 9)	(4,491)
Exchange differences	832
At 31 December 2012 and 1 January 2013	**108,609**
Deferred tax credited to the income statement (note 9)	**3,838**
Exchange differences	**3,311**
Gross deferred tax assets at 31 December 2013	**115,758**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

29. Deferred tax (Continued)

At 31 December 2013, the amount of unused tax losses for which no deferred tax assets is recognised in the consolidated statement of financial position is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Temporary differences attributable to:		
— unused tax losses	**586,576**	591,727

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Mainland China amounted to HK$528,930,000 (2012: HK$534,492,000) can be carried forward for five years while tax losses of the subsidiaries operating in Hong Kong amounted to HK$57,646,000 (2012: HK$57,235,000) can be carried forward indefinitely under the current tax legislation.

30. Share capital

	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:		
At 1 January 2012, 31 December 2012 and **31 December 2013**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and **31 December 2013**	**68,645,535,794**	**686,455**

31. Share option scheme

The Company operates a share option scheme.

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

Under the ordinary resolution passed at the annual general meeting on 28 May 2012, the Board of the Company adopted a new share option scheme and simultaneously terminated the share option scheme adopted on 29 August 2002. Under the new share option scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

There are no outstanding share options at 31 December 2013 (2012: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

32. Reserves

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 49 and 50 of the financial statements.

Notes:

(a) Capital reserve of the Group mainly represented the reserves arising from capital reduction pursuant to a special resolution passed on 30 April 2002 and the amount previously recognised in share option reserve arising from the exercise of share options.

(b) General reserve of the Group includes capital reserve arising from acquisitions of subsidiaries in prior years and statutory reserves. Subsidiaries of the Company established in Mainland China are required to transfer 10% of their profit after tax calculated in accordance with the PRC accounting regulations to the statutory reserve until the reserve reaches 50% of their respective capital upon which any further appropriation will be at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

(c) During the year ended 31 December 2012, transfer from the non-controlling interest of HK$7,000 to accumulated losses was related to the Group's deemed disposal of 0.1% interest in an existing subsidiary.

Company

	Share premium HK$'000	Contributed surplus (note a) HK$'000	Capital reserve (note b) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	965,911	1,971,857	7,480	(689,857)	2,255,391
Loss for the year	–	–	–	(209,377)	(209,377)
At 31 December 2012 and 1 January 2013	**965,911**	**1,971,857**	**7,480**	**(899,234)**	**2,046,014**
Loss for the year	**–**	**–**	**–**	**(158,059)**	**(158,059)**
At 31 December 2013	**965,911**	**1,971,857**	**7,480**	**(1,057,293)**	**1,887,955**

Notes:

(a) Contributed surplus of the Company includes the difference between the aggregate net asset value of the subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition and the reserves arising from capital reduction pursuant to a special resolution passed on 30 April 2002. Under the Bermuda Companies Act, the contributed surplus is distributable to the shareholders under certain circumstances.

(b) Capital reserve of the Company represents the amount of equity-settled share-based compensation previously recognised transferred from the share options reserve when the share options are exercised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. Non-controlling interests

Sino-i, a 62.85% owned subsidiary of the Company, has material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of Sino-i, before intra-group eliminations, is presented below:

	2013 **HK$'000**	2012 HK$'000
Non-current assets	**2,286,950**	2,234,669
Current assets	**317,660**	361,859
Current liabilities	**(625,273)**	(565,458)
Non-current liabilities	**(127,823)**	(164,365)
Net assets	**1,851,514**	1,866,705
Accumulated NCI	**707,764**	713,514
Revenue	**683,401**	659,106
Loss for the year	**(30,376)**	(63,948)
Total comprehensive income for the year	**(15,191)**	(60,229)
Loss allocated to NCI	**(12,270)**	(26,293)
Divided paid to NCI	**–**	–
Cash flows generated from operating activities	**112,530**	50,171
Cash flows generated from/(used in) investing activities	**56,605**	(230,093)
Cash flows (used in)/generated from financing activities	**(122,205)**	156,316
Net cash inflows/(outflows)	**46,930**	(23,606)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

34. Notes to the consolidated statement of cash flows

(a) Disposal of subsidiaries

I. On 8 June 2012, the Group entered into a sale and purchase agreement to dispose of the entire equity interests in wholly-owned subsidiary, 數碼辰星科技發展（北京）有限公司 (formerly named as 大地辰星科技發展（北京）有限公司) and its subsidiary to an independent third party at a consideration of HK$1. The transaction was completed on 4 July 2012.

II. On 30 October 2012, the Group entered into a sale and purchase agreement to dispose of the entire equity interests in wholly-owned subsidiary, 哈票網絡科技（北京）有限公司 to an independent third party at a consideration of HK$1,153,000. The transaction was completed on 30 October 2012.

III. As disclosed in note 28, the Group has completed the 27% Listar Disposal on 15 October 2013 (the "27% Listar Disposal Completion Day"). Following the 30% Listar Disposal in 2012 and the 27% Listar Disposal in current year, the Group retains 43% equity interests in Listar. The Company's directors consider that the Group's control in the Listar Group was lost following the disposals. The two disposals collectively constituted a Very Substantial Disposal, details of which have been disclosed in the announcement and circular of the Company dated 3 July 2013 and 24 September 2013 respectively.

The consideration for the 27% Listar Disposal is RMB607,000,000 (equivalent to approximately HK$748,597,000) (the "27% Consideration").

According to the sales and purchase agreement entered into with CITIC, the Company and a subsidiary have provided joint and several guarantee to CITIC to ensure that CITIC will receive from the Listar Group annual distribution of 15% of the 27% Consideration together with a return on the balance of the 27% Consideration at a rate of return of 10% per annum. After CITIC has fully recovered its investment cost, CITIC will unconditionally transfer its 9% dividend entitlement out of its total entitlement of 27% to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

34. Notes to the consolidated statement of cash flows (Continued)

(a) Disposal of subsidiaries (Continued)

The carrying amount of the net assets/(liabilities) of the above subsidiaries at the date of disposal were:

	2013 HK$'000	2012 HK$'000
Net assets/(liabilities) disposed of:		
Property, plant and equipment	**4,447**	4,694
Intangible assets	**143,111**	21,450
Inventories	**3,553,150**	11,616
Trade receivables	**–**	1,963
Deposits, prepayments and other receivables	**230,295**	12,909
Prepaid tax	**33,778**	–
Pledged and restricted bank deposits	**253,623**	–
Cash and cash equivalents	**15,313**	6,720
Trade payables	**(187,918)**	(9,592)
Other payables and accruals	**(1,481,677)**	(110,252)
Bank and other borrowings	**(584,637)**	–
Amounts due from group companies	**97,003**	11,759
Finance from a connected party	**(1,367,977)**	–
Deferred tax liabilities	**(252,746)**	–
	455,765	(48,733)
Exchange reserve released on disposal	**(155,776)**	93
Fair value of the remaining 43% equity interest in the Listar Group (note i)	**(672,492)**	–
43% shareholder loan due from the Listar Group retained	**(279,142)**	–
Fair value of the Put Option (note i)	**28,965**	–
Gain on disposal of subsidiaries (note ii)	**1,371,277**	49,793
Total consideration	**748,597**	1,153

	2013 HK$'000	2012 HK$'000
Satisfied by		
Cash	**748,597**	1,153

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

34. Notes to the consolidated statement of cash flows (Continued)

(a) Disposal of subsidiaries (Continued)

The analysis of the net cash flow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2013 **HK$'000**	2012 HK$'000
Cash received	**748,597**	1,153
Cash and cash equivalents disposed of	**(15,313)**	(6,720)
Net cash inflow/(outflow) on disposal	**733,284**	(5,567)

Notes:

(i) The fair value of the remaining 43% equity interest, including the potentially additional 9% dividend entitlement in the Listar Group and the fair value of the Put Option, are determined with reference to the valuation report dated 27 March 2014 prepared by an independent professional valuer. The fair values of such equity interest and the Put Option are approximately HK$672,492,000 and HK$28,965,000 respectively. Key parameters adopted for the discounted cashflow method are summarised as follows:

— The five phases of properties are completed and fully sold by end of 2018.

— Profit margin 16% – 31%

— Discount rate 20.17%

The profit margin of 16% – 31% was derived by reference to the cash flow and profit forecast prepared by the Group. In determining the discount rate, the capital asset pricing model was used, which is determined with reference to the yield of China bond, the market return in the stock market of PRC and the return on holding shares of listed company which engaged in properties operation or similar line of business in the PRC, and other specific risks of the Listar Group.

(ii) Included in the gain on disposal of subsidiaries, there is a gain of HK$596,544,000 that is attributable to the remeasuring any remaining interest to fair value.

(b) Major non-cash transactions

During the year ended 31 December 2013, deposits of HK$135,137,000 (2012: HK$47,484,000) was reclassified to property, plant and equipment due to completion of works.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

35. Business combinations

On 15 November 2013, 新網華通信息技術有限公司 (Xinnet Technology Information Company Limited), a subsidiary of the Company, entered into various contractual agreements (the "Structured Agreements") with 北京中企華通信息科技有限公司 (Beijing Zhong Qi Hua Tong Information Technology Limited) ("ZQHT") and its ultimate beneficial owner to obtain an effective control over 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Beijing Xinnet"), a company incorporated in the PRC and also a wholly-owned subsidiary of ZQHT (the "Acquisition"). Beijing Xinnet and its existing subsidiary (collectively as "Beijing Xinnet Group") are principally engaged in the provision of virtual server hosting and maintenance services, provision of email services and registration of domain names in the PRC. The Acquisition was completed on 15 November 2013.

The fair values of the identifiable assets and liabilities of Beijing Xinnet Group as at the Acquisition Date and the corresponding carrying amounts immediately prior to the Acquisition are as follows:

	Carrying amount HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Property, plant and equipment	7,639	(20)	7,619
Intangible assets	4,008	40,665	44,673
Trade and other receivables, prepayments and deposits (note c)	19,381	–	19,381
Cash and cash equivalents	6,805	–	6,805
Trade and other payables	(71,302)	–	(71,302)
Provision for tax	(1,198)	–	(1,198)
Bank borrowings	(25,439)	–	(25,439)
Deferred tax liabilities (note 29)	–	(10,166)	(10,166)
Total identifiable net liabilities at fair value	(60,106)	30,479	(29,627)
Goodwill (note b)			31,535
Fair value of consideration (note a)			1,908

	HK$'000
Purchase consideration settled in cash	(1,908)
Add: Cash and cash equivalents in subsidiaries acquired	6,805
Net cash inflows	4,897

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

35. Business combinations (Continued)

Notes:

(a) Pursuant to the Structured Agreements, the consideration for the Acquisition is a cash of RMB1,500,000 (equivalent to approximately HK$1,908,000) (the "Consideration").

(b) The goodwill arising from the acquisition of Beijing Xinnet Group represents the synergetic effect by enabling the Group to provide virtual server hosting and maintenance services to its clients in the PRC in a more efficient and cost-effective manner by taking the advantages of Beijing Xinnet Group's current virtual server hosting facilities, client base and the valid licence for providing internet content services in the PRC.

(c) The fair value and the gross amount of trade receivables amounted to HK$2,924,000 and other receivables, prepayments and deposits amounted to HK$16,457,000. None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(d) The Group incurred transaction cost of HK$129,000 for the Acquisition which have been expensed and recognised as administrative expense in the profit or loss for the year.

(e) Beijing Xinnet Group has contributed revenue of HK$19,180,000 and net loss of HK$6,337,000 to the Group since the Acquisition Date to 31 December 2013. Had the Acquisition occurred on 1 January 2013, consolidated revenue and consolidated profit for the year would have been HK$2,453,932,000 and HK$849,853,000 respectively.

36. Retirement benefit plans

Defined contribution retirement plans

The Group operates a MPF scheme and an ORSO scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees.

Subsidiaries operating in Mainland China are required to participate in a defined contribution retirement benefit plan organised by the relevant government authorities. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan 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 cost charged to the consolidated income statement of HK$78,674,000 (2012: HK$74,832,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

Contributions payable of HK$24,000 as at 31 December 2013 (2012: Nil) to the MPF Scheme are included in other payables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

37. Directors' remuneration and five highest paid individuals

(a) Directors' emoluments

Directors' emoluments and fees disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

Group

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2013				
Executive directors				
YU Pun Hoi	–	360	18	378
CHEN Dan	–	906	100	1,006
LIU Rong	–	836	102	938
Non-executive directors				
WANG Gang	240	–	–	240
LAM Bing Kwan	120	–	–	120
Independent non-executive directors				
Prof. JIANG Ping	376	–	–	376
HU Bin##	76	–	–	76
LAU Yip Leung	120	–	–	120
HUANG Yaowen**	150	–	–	150
	1,082	2,102	220	3,404

** Resigned on 1 July 2013

Appointed on 27 September 2013

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

37. Directors' remuneration and five highest paid individuals (Continued)

(a) Directors' emoluments (Continued)

Group (Continued)

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2012				
Executive directors				
YU Pun Hoi	–	360	18	378
CHEN Dan	–	889	86	975
LIU Rong	–	813	89	902
Non-executive directors				
WANG Gang#	140	–	–	140
LAM Bing Kwan	120	–	–	120
QIN Tian Xiang*	60	–	–	60
Independent non-executive directors				
HUANG Yaowen	293	–	–	293
Prof. JIANG Ping	372	–	–	372
LAU Yip Leung	120	–	–	120
	1,105	2,062	193	3,360

Re-designated from an executive director to a non-executive director of the Company with effect from 28 May 2012.

* Deceased on 30 March 2012

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

37. Directors' remuneration and five highest paid individuals (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group for the year included one (2012: two) director(s), details of whose emoluments are set out above. The emoluments of the remaining four (2012: three) employees are as follows:

	2013 **HK$'000**	2012 HK$'000
Basic salaries, other allowances and benefits in kind	**4,277**	3,210
Pension contributions	**51**	14
	4,328	3,224

The emoluments of the five highest paid individuals, other than directors, fell within the following bands:

Emolument band	**Number of highest paid individuals** **2013**	2012
Nil–HK$1,000,000	**2**	1
HK$1,000,001–HK$1,500,000	**2**	2
	4	3

During the years ended 31 December 2013 and 31 December 2012, no emoluments were paid to any of the Company's directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2013 and 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

38. Commitments

(a) Capital commitments

At 31 December 2013, the Group had outstanding commitments as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for in respect of:		
— construction in progress	**120,560**	151,486
— property, plant and equipment	**418,258**	281,688
	538,818	433,174

At 31 December 2013 and 31 December 2012, the Company did not have any significant capital commitments.

(b) Operating lease arrangement

At 31 December 2013, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Land and buildings	
	2013	2012
	HK$'000	HK$'000
Within one year	**386,630**	326,978
In the second to fifth years	**1,691,661**	1,399,569
Over five years	**4,254,518**	3,777,528
	6,332,809	5,504,075

The Group leases a number of properties under operating leases. The leases run for an initial period of one to twenty years (2012: one to twenty years), with options to renew the lease terms at the expiry dates or at days as mutually agreed between the Group and the respective landlords. In addition, the Group paid additional rental expenses in respect of certain operating leases which are dependent on the level of revenue achieved by particular properties.

At 31 December 2013 and 31 December 2012, the Company had no operating lease commitments as lessor or lessee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

39. Contingent liabilities

Guarantees given in connection with credit facilities granted to/guaranteed distribution recoverable from:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Subsidiaries	**–**	–	**4,240,583**	3,370,925
Associates (Note i, ii)	**2,614,798**	15,555	**2,167,122**	–
Third parties (Note i)	**54,513**	62,629	**–**	–
	2,669,311	78,184	**6,407,705**	3,370,925

Notes:

(i) In February 1993, a Group's associate borrowed a loan of US$5 million from a Filipino bank namely Banco de Oro-EPCI Inc. (formerly known as Equitable PCI Bank Inc.) ("EPCIB"). The loan was secured by guarantee executed by Sino-i ("EPCIB Guarantee"), a listed subsidiary of the Company, and by share mortgage of 74,889,892 shares ("Philippines Shares") of Acesite (Philippines) Hotel Corporation Inc. ("Acesite Phils."). Due to the pending litigation as mentioned in note 41(a), the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by the associate.

In addition to the EPCIB Guarantee, Sino-i executed another guarantee in favour of Singapore Branch of Industrial and Commercial Bank of China ("ICBC") in respect of a loan facility of US$15,000,000 ("ICBC Loan") made available to Acesite Phils. in March 1995. Resulting from the purported foreclosure of the Philippines Shares, Acesite Phils. is now controlled by a third party. The Group does not have updated information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness"), therefore, the fair value of the guarantee for ICBC Indebtedness cannot be ascertained.

(ii) Guarantees provided to Baitak and CITIC in respect of the Listar Group

A deed of covenants was executed among the Company, a subsidiary of the Company, Baitak, CITIC and Listar in August 2013. As per the provisions of the deed of covenants, the Company and the subsidiary of the Company guarantee that both Baitak and CITIC can recover their total consideration in the acquisition of equity interest in Listar together with a return of 12% IRR and 10% IRR respectively. The guarantees were considered by the Company's directors to be of no effect on the Group's liabilities as Listar is expected to be able to meet the aforesaid obligation, therefore, such guarantees were also considered as no commercial value as per a valuation report prepared by an independent professional valuer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

40. Credit facilities

As at 31 December 2013 and 31 December 2012, the Group's credit facilities were secured by the following:

(a) charge over interest in certain leasehold land (note 14) with a net carrying value of approximately HK$28,240,000 (2012: HK$14,788,000);

(b) charge over certain buildings (note 13) with total net carrying value of approximately HK$635,567,000 (2012: certain building and construction in progress of HK$424,828,000);

(c) charge over certain properties held under development and completed properties held for sale (note 19) with a total carrying value of approximately HK$1,911,137,000 (2012: HK$3,277,379,000);

(d) charge over financial assets at fair value through profit or loss (note 20) with a net carrying value of approximately HK$227,000 (2012: approximately HK$241,000);

(e) pledge of 11,162,999,000 (2012: 11,162,999,000) shares in Sino-i held by the Company indirectly in favour of certain securities brokers and a financial institution, the total of which represents approximately 89.19% (2012: 89.19%) of total interest of the Company in Sino-i. The market value of such listed shares as at 31 December 2013 was approximately HK$524,661,000 (2012: approximately HK$323,727,000);

(f) pledge of certain bank deposits (note 22) of approximately HK$1,042,789,000 (2012: HK$920,926,000), of which approximately HK$799,385,000 (2012: HK$619,403,000) were for standby letters of credit issued by banks (2012: a bank) for a total amounts of US$75,150,000 (2012: US$75,150,000) and RMB130,000,000 (2012: Nil) respectively;

(g) charge over certain intangible assets (note 18) with net carrying value of approximately HK$31,500,000 (2012: Nil);

(h) personal guarantee given by directors;

(i) charge over trade receivables (note 21) with carrying value of approximately HK$16,016,000 as at 31 December 2012, which has been released in current year;

(j) charge over certain property, plant and equipment, other than certain buildings and construction in progress disclosed in note 40(b), of HK$299,289,000 (2012: HK$309,302,000) (note 26); and

(k) pledged of various shares mortgage of certain subsidiaries, bank accounts charges and assignment of shareholders' loan of certain subsidiaries and an associate (2012: certain subsidiaries) and corporate guarantee of the Company (note 28).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

41. Pending litigations

(a) In respect of the purported sale of Philippines Shares, which were mortgaged by Acesite Limited ("Acesite"), by EPCIB, to Waterfront Philippines Inc. ("Waterfront"), a Filipino company, in February 2003, Acesite, a former subsidiary of Sino-i; Evallon Investment Limited, a wholly-owned subsidiary of Sino-i; Mr. Yu, the chairman and executive director of both the Company and Sino-i and, South Port Development Limited, a former wholly-owned subsidiary of Sino-i as first, second, third and fourth plaintiff respectively issued a claim against EPCIB and Waterfront, on the grounds that the purported sale of the Philippines Shares was unlawful as such sale was in breach of the terms of the mortgage; in breach of a compromise agreement reached in January 2003; and in other breaches, for damages; further or other relief; interest and costs and etc. in February 2006 under High Court Number of HCCL 5 of 2006 ("1st Case"). In May 2007, Acesite Phils. filed a claim against Mr. Yu; Mr. Lam Bing Kwan, a non-executive director of both the Company and Sino-i; Sino-i; and Acesite for damages; further or other relief; interest and costs and etc. under High Court Number of HCA498 of 2007 ("2nd Case"). The defendants in both cases have filed their defences respectively to the Court. Acesite Phils. filed a consent order dated 16 August 2011 to the High Court for dismissal of the 2nd Case. The 1st Case is still in progress and no date has been fixed for trial.

(b) Dadi Media, a wholly-owned subsidiary of Sino-i, as plaintiff, issued a claim against two minority shareholders of CE Dongli Technology Group Company Limited (now known as 數碼慧谷置業管理股份有限公司), a subsidiary of Sino-i, for the sum of HK$27,750,498 together with interest thereon and costs in May 2004 under the High Court Number of HCA1130 of 2004. The two defendants filed a defence and counterclaim in June 2004 and then an amended defence and counterclaim in September 2004. The counterclaim was further amended and re-amended. In December 2004, the two defendants issued a claim against CE ASP, a wholly-owned subsidiary of Dadi Media, under High Court Number HCA2892 of 2004 for (1) the sum of HK$806,250; (2) an award of compensation pursuant to section 32P of the Employment Ordinance; (3) the sum of HK$13,000; and (4) interest and costs. CE ASP filed a defence in March 2005. These two cases are still in progress and no trial date has been fixed.

(c) In May 2007, 深圳益田房地產集團股份有限公司 (Shenzhen Yitian Real Estate Group Company Limited)("Yitian") issued a pleading (2007) 深中法民五初字第142號 (the "Case 1") to 深圳市金益田實業發展有限公司 (Shenzhen City Jingyitian Industrial Development Company Limited) ("Jingyitian"), a wholly-owned subsidiary of the Company, requesting for the court's judgement including (i) nullity of a letter of undertaking entered into between Yitian and Jingyitian; and (ii) refund of HK$41 million together with interest to Jingyitian. Yitian subsequently filed a written application to the Intermediate People's Court of Shenzhen City ("Intermediate People's Court") in March 2012 for dismissal of the Case 1, and the Intermediate People's Court subsequently granted its leave to Yitian that the Case 1 be dismissed and Yitian shall bear the cost of RMB123,400 on 13 March 2012.

In January 2009, LWD, LWI and 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited) ("Nanhai Yitian") received another pleading (2008) 粵高法民初四字第1號 (the "Case 2") from Yitian. Yitian alleged that it was rejected to participate to the development of the second phase of "The Peninsula" subsequent to the completion of cooperation in development of the first phase, and claimed for damages of RMB396,356,182 resulting from the alleged breach of a cooperation agreement. LWD and LWI directly and indirectly hold 100% of Nanhai Yitian, and LWD and LWI are the wholly-owned subsidiaries of the Company. LWD, LWI and Nanhai Yitian have subsequently filed their defences to the court. LWD, LWI and Nanhai Yitian received summons from High People's Court of Guangdong Province ("High People's Court") for cross examination of evidences between the plaintiff and defendants on 26 February 2010, and received another summons for trial on 10 March 2010.

41. Pending litigations (Continued)

On 17 April 2012, the High People's Court issued its judgement on the Case 2 in favour of the defendants, i.e. LWD, LWI and Nanhai Yitian, subsidiaries of the Company. As per the judgement, the pleadings of the plaintiff i.e. Yitian were all turned down and dismissed by the High People's Court, and Yitian has to bear the costs of approximately RMB2,024,000. Yitian then filed its appeal to the Supreme People's Court on 29 May 2012, and the defendants filed their defences on 25 June 2012.

On 20 November 2012, the Supreme People's Court dismissed the plaintiff's appeal as the plaintiff failed to prepay the security for cost of approximately RMB2,024,000, and the Supreme People's Court ruled that the judgement laid down by the High People's Court becoming enforceable immediately.

As advised by the Group's legal advisors, the judgement laid down by the Supreme People's Court shall be final, and the plaintiff shall not use the same pleadings against the defendants.

(d) The Group has obtained a final judgement from the court in Shenzhen in May 2013, regarding the confirmation of the judgement from the trial of first instance in respect of the reversing decision of the governing authority on disapproval of application for revision of the design plans of Phase 3 of "The Peninsula" in Shenzhen for the purpose of increment of portion of coastal premises with panoramic view, which commend higher selling prices.

The Group, after discussion with legal advisors considered that it would not incur a material outflow of resources as a result of the above matters.

42. Related party transactions

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 37.

Except as disclosed elsewhere in these financial statements, there was no material related party transaction carried out during the year.

43. Financial risk management and fair value measurements

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The Board from time to time identifies ways to access financial markets and monitors the Group's financial risk exposures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial assets	**324**	324	**–**	–
Financial assets at fair value through profit or loss	**931**	1,226	**–**	–
Loans and receivables:				
— Loan receivable from an associate	**283,611**	–	**–**	–
— Trade receivables	**71,314**	52,278	**–**	–
— Other receivables	**591,486**	1,089,446	**296**	127
— Amounts due from subsidiaries	**–**	–	**4,983,149**	4,986,726
— Pledged and restricted bank deposits	**1,045,992**	989,027	**–**	–
— Time deposits maturing over three months	**653**	41,667	**–**	–
— Amounts due from associates	**5,631**	530	**139,264**	–
Cash and cash equivalents	**512,957**	187,116	**2,910**	477
	2,512,899	2,361,614	**5,125,619**	4,987,330
Financial liabilities				
Financial liability at fair value through profit or loss:	**61,011**	–	**–**	–
Financial liabilities measured at amortised cost:				
— Trade payables	**205,747**	496,806	**–**	–
— Other payables and accruals	**641,347**	651,903	**119,434**	31,070
— Amount due to a director	**19,939**	94,563	**39,266**	84,089
— Amounts due to subsidiaries	**–**	–	**490,425**	249,388
— Loan from subsidiaries	**–**	–	**1,367,219**	1,436,406
— Amounts due to shareholders	**5,006**	5,006	**–**	–
— Amounts due to associates	**15,109**	5,501	**–**	–
— Amount due to a former subsidiary	**–**	49,085	**–**	108,333
— Bank and other borrowings	**4,793,080**	3,988,089	**534,863**	345,699
— Finance lease liabilities	**228**	354	**3**	19
— Finance from a third party	**764,923**	–	**–**	–
— Finance from a connected party	**–**	2,759,398	**–**	–
	6,506,390	8,050,705	**2,551,210**	2,255,004

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.2 Currency risk

Transactions in foreign currencies and the Group's risk management policies

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to some of its borrowings which is denominated in United States Dollars (US$) whereas the Group's operations and cash flows are in Renminbi. The exposure to foreign exchange risk is shown as below.

The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

Summary of exposure

US$ denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents, pledged and restricted bank deposits and time deposits maturing over three months	**261,511**	271,911	**9**	9
Trade receivables	**1,967**	–	**–**	–
Trade payables	**(1,883)**	–	**–**	–
Other payables	**(45,893)**	(22,640)	**(44,574)**	(22,349)
Finance from a third party	**(764,923)**	–	**–**	–
Finance from a connected party	**–**	(2,759,398)	**–**	–
Bank and other borrowings	**(1,100,113)**	(910,715)	**(534,863)**	(345,699)
Net exposure arising from recognised financial assets and financial liabilities	**(1,649,334)**	(3,420,842)	**(579,428)**	(368,039)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.2 Currency risk (Continued)

Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit/loss for the year and accumulated losses in regards to a 3.0% (2012: 0.5%) strengthening/(weakening) of US$ against RMB at the reporting date and that all other variables in particular interest rates remain constant.

Group

	2013 Changes in foreign exchange rates	**2013** (Decrease)/ Increase in profit for the year HK$'000	**2013** (Decrease)/ Increase in equity HK$'000	2012 Changes in foreign exchange rates	2012 (Increase)/ Decrease in loss for the year HK$'000	2012 (Decrease)/ Increase in equity HK$'000
US$/RMB	**+3.0%**	**(49,480)**	**(49,480)**	+0.5%	(17,105)	(17,105)
	-3.0%	**49,480**	**49,480**	-0.5%	17,105	17,105

The Company exposure to currency risk is not significant as US$ is pegged to HK$.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.3 Cash flow interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on interest bearing bank and other borrowings, cash and cash equivalents and pledged and restricted bank deposits carrying interests at variable rates. Bank and other borrowings, cash and cash equivalents, pledged and restricted bank deposits carried at variable rates expose the Group to cash flow interest rate risk. The Group will review whether bank and other borrowings bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of bank and other borrowings, cash and cash equivalents, pledged and restricted bank deposits and time deposits maturing over three months of the Group are disclosed in the financial statements. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arise.

Cash flow interest rate risk sensitivity

At 31 December 2013, the Group was exposed to changes in market interest rates through its bank and other borrowings, cash and cash equivalents and pledged and restricted bank deposits, which are subject to variable interest rates. The following table illustrates the sensitivity of the profit/loss for the year and accumulated losses to a change in interest rates of +50 basis points and -50 basis points (2012: +50 basis points and -50 basis points), with effect from the beginning of the year. The calculations are based on the Group's and the Company's bank and other borrowings and bank balance held at each reporting date. All other variables are held constant.

Group

	2013			2012		
	Changes in basis points	**(Decrease)/ Increase in profit for the year HK$'000**	**(Decrease)/ Increase in equity HK$'000**	Changes in basis points	(Increase)/ Decrease in loss for the year HK$'000	(Decrease)/ Increase in equity HK$'000
Interest rate	**+50**	**(4,198)**	**(4,198)**	+50	(2,708)	(2,708)
	-50	**4,198**	**4,198**	-50	2,708	2,708

Company

	2013			2012		
	Changes in basis points	**Decrease/ (Increase) in loss for the year HK$'000**	**Increase/ (Decrease) in equity HK$'000**	Changes in basis points	Decrease/ (Increase) in loss for the year HK$'000	Increase/ (Decrease) in equity HK$'000
Interest rate	**+50**	**15**	**15**	+50	2	2
	–50	**(15)**	**(15)**	-50	(2)	(2)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.4 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its investments in listed equity securities classified as financial assets at fair value through profit and loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by Board. The Group's listed investments are listed on the Stock Exchange of Hong Kong, Shenzhen and Shanghai, Mainland China. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the Group's liquidity needs. Investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

Equity price sensitivity

For listed equity securities, an average volatility of 6.0% has been observed in 2013 (2012: 6.0%). The following table illustrates the sensitivity of the Group's profit/loss for the year and accumulated losses in regards to 6.0% (2012: 6.0%) volatility in respect of listed equity securities classified as held for trading.

Group

	2013			2012		
	Changes in equity price	**Increase/ (Decrease) in profit for the year HK$'000**	**Increase/ (Decrease) in equity HK$'000**	Changes in equity price	Decrease/ (Increase) in loss for the year HK$'000	Increase/ (Decrease) in equity HK$'000
Listed equity securities	**+6.0%**	**55**	**55**	+6.0%	59	59
	-6.0%	**(55)**	**(55)**	-6.0%	(59)	(59)

The assumed volatilities of listed securities represent the management's assessment of a reasonably possible change in these security prices over the next twelve month period.

43.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. As at 31 December 2013, the Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligation and financial guarantees provided by the Group is arising from:

— carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

— the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 39.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.5 Credit risk (Continued)

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable regularly at each reporting date to ensure that adequate impairment losses are made for irrecoverable amount. 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, with exposure spread over a number of counterparties and customers.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21 and note 17, respectively.

43.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the ability to close-out market positions. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure taking into account of new banking facilities that are in progress and are expected to be finalised during 2014.

The following table details the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2013					
Trade payables	205,747	205,747	205,747	–	–
Other payables and accruals	641,347	641,347	641,347	–	–
Amount due to a director	19,939	19,939	19,939	–	–
Amounts due to shareholders	5,006	5,006	5,006	–	–
Amounts due to associates	15,109	15,109	15,109	–	–
Bank and other borrowings	4,793,080	5,123,642	3,953,279	933,883	236,480
Finance lease liabilities	228	240	127	113	–
Finance from a third party	764,923	764,923	764,923	–	–
	6,445,379	6,775,953	5,605,477	933,996	236,480
Financial guarantee issued					
Maximum amount guaranteed	–	2,669,311	2,669,311	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.6 Liquidity risk (Continued)

Group (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2012					
Trade payables	496,806	496,806	496,806	–	–
Other payables and accruals	651,903	651,903	651,903	–	–
Amount due to a director	94,563	94,563	94,563	–	–
Amounts due to shareholders	5,006	5,006	5,006	–	–
Amount due to an associate	5,501	5,501	5,501	–	–
Bank and other borrowings	3,988,089	4,295,469	2,805,217	1,206,809	283,443
Amount due to a former subsidiary	49,085	49,085	49,085	–	–
Finance lease liabilities	354	381	141	127	113
Finance from a connected party	2,759,398	3,319,827	1,861,842	180,409	1,277,576
	8,050,705	8,918,541	5,970,064	1,387,345	1,561,132
Financial guarantee issued					
Maximum amount guaranteed	–	78,184	78,184	–	–

For term loans which contain a repayment on demand clause that can be exercised at the bank's sole discretion, the analysis above shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.6 Liquidity risk (Continued)

Taking into account the Group's financial position the directors of the Company do not consider it probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements which are summarised in the table below:

Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
31 December 2013	**4,793,080**	**5,153,515**	**3,974,680**	**942,355**	**236,480**
31 December 2012	3,988,089	4,307,738	2,477,264	1,547,031	283,443

The following table details the remaining contractual maturities at the reporting date of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Company can be required to pay:

Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2013					
Other payables and accruals	**119,434**	**119,434**	**119,434**	**–**	**–**
Amounts due to subsidiaries	**490,425**	**490,425**	**490,425**	**–**	**–**
Amount due to a director	**39,266**	**39,266**	**39,266**	**–**	**–**
Finance lease liabilities	**3**	**4**	**4**	**–**	**–**
Loan from subsidiaries	**1,367,219**	**1,514,722**	**–**	**1,514,722**	**–**
Bank and other borrowings	**534,863**	**554,243**	**554,243**	**–**	**–**
	2,551,210	**2,718,094**	**1,203,372**	**1,514,722**	**–**
Financial guarantees issued					
Maximum amount guaranteed	**–**	**6,407,705**	**6,407,705**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.6 Liquidity risk (Continued)

Company (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2012					
Other payables and accruals	31,070	31,070	31,070	–	–
Amounts due to subsidiaries	249,388	249,388	249,388	–	–
Amount due to a director	84,089	84,089	84,089	–	–
Amount due to a former subsidiary	108,333	108,333	108,333	–	–
Finance lease liabilities	19	22	18	4	–
Loan from subsidiaries	1,436,406	1,475,379	1,475,379	–	–
Bank and other borrowings	345,699	351,565	351,565	–	–
	2,255,004	2,299,846	2,299,842	4	–
Financial guarantees issued					
Maximum amount guaranteed	–	3,370,925	3,370,925	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.7 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are in short-term nature: current portion of pledged and restricted bank deposits, time deposits maturing over three months, cash and cash equivalents, trade receivables and payables, other receivables and payables, current portion of bank and other borrowings, current portion of finance from a third party/connected party and loan from/amounts due from/(to) a director/shareholders/subsidiaries/associates/a former subsidiary. Analysis of the interest rate and carrying amounts of borrowings are presented in note 26 to the financial statements.

The fair value of available-for-sale financial assets with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable of the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirely is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.7 Fair value (Continued)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Group			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
As at 31 December 2013				
Assets				
Available-for-sale financial assets	**–**	**324**	**–**	**324**
Listed securities held for trading	**931**	**–**	**–**	**931**
Total fair values	**931**	**324**	**–**	**1,255**
Liabilities				
Financial liability at fair value through profit or loss — Put Option	**–**	**–**	**61,011**	**61,011**
Total fair values	**–**	**–**	**61,011**	**61,011**

	Group			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2012				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	977	–	–	977
Unlisted mutual fund held for trading	–	249	–	249
Total fair values	977	573	–	1,550

There have been no significant transfers between level 1, 2 and 3 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

43. Financial risk management and fair value measurements (Continued)

43.7 Fair value (Continued)

The fair value of the Put Option is determined using discounted cashflow model. The significant unobservable input used in the year end fair value measurement together with the relationship of unobservable inputs to fair value are set out as follows:

(1) The Directors' assessment on the probability of the different scenario of the cashflow forecasts with the best case, base case and worst case scenario each with the probability of 5%, 90% and 5% respectively. A higher probability assigned to the worst case will result in a higher fair value.

(2) The selling price for the remaining phases of the property project for the worst case which is assumed to be reduced to in average of RMB9,700 per square meter. A lower expected selling price assigned to the worst case will result in a higher fair value.

(3) The discount rate used for the valuation is 21.09%. A lower discount rate assigned will result in a higher fair value.

Changes in Level 3 fair values are analysed at each reporting date by the management, with the assistance of valuation carried out by an independent professional valuer. The movement of the Put Option fair value during the year is set out in note 28.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

44. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings, finance from a third party/connected party and finance lease liabilities and loan from subsidiaries less the sum of pledged and restricted bank deposits, time deposits maturing over three months and cash and cash equivalents as shown in the statements of financial position. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting date were as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Bank and other borrowings	**3,690,722**	2,682,088	**534,863**	345,699
Finance lease liabilities	**118**	126	**3**	16
Finance from a third party	**764,923**	–	**–**	–
Finance from a connected party	**–**	1,681,952	**–**	–
Loan from subsidiaries	**–**	–	**–**	1,436,406
Non-current liabilities				
Loan from subsidiaries	**–**	–	**1,367,219**	–
Bank and other borrowings	**1,102,358**	1,306,001	**–**	–
Finance lease liabilities	**110**	228	**–**	3
Finance from a connected party	**–**	1,077,446	**–**	–
Total debt	**5,558,231**	6,747,841	**1,902,085**	1,782,124
Less: Pledged and restricted bank deposits	**(1,045,992)**	(989,027)	**–**	–
Time deposits maturing over three months	**(653)**	(41,667)	**–**	–
Cash and cash equivalents	**(512,957)**	(187,116)	**(2,910)**	(477)
Net debt	**3,998,629**	5,530,031	**1,899,175**	1,781,647
Total equity	**4,690,891**	3,851,591	**2,574,410**	2,732,469
Total equity and net debt	**8,689,520**	9,381,622	**4,473,585**	4,514,116
Gearing ratio	**46.02%**	58.95%	**42.45%**	39.47%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

45. Events after the end of reporting date

As detailed in note 28 the Group was indebted to Baitak in the amount of HK$764,923,000 as of 31 December 2013. Subsequent to the end of reporting period, the Group received letters from the legal representative of Baitak alleging that the Group had failed to make instalment payments when due and demanding immediate settlement of the balance due to Baitak. The outstanding balance as at 6 January 2014 demanded by Baitak was approximately US$75,000,000 (equivalent to approximately HK$582,060,000) after taking into account of settlement of US$25,000,000 (equivalent to approximately HK$194,020,000) on 2 January 2014.

In March 2014, the Group received letters from a professional party informing that receivers and managers had been purportedly appointed by Baitak (the "Appointment") over the mortgaged shares of LWD and LWI pursuant to the share mortgages made in favour of Baitak as the mortgagee. The share mortgages were executed as security for payment of the Group under the loan facility agreements for the finance from Baitak as detailed in note 28.

The Company's directors are of the view that the instalment payments have yet been due and the Appointment is invalid.

On 14 March 2014, Nan Hai Development, a wholly-owned subsidiary of the Company, as plaintiff has issued a writ of summons in the Court of First Instance at the High Court of Hong Kong against Baitak as 1st defendant and the receivers and managers purportedly appointed by Baitak as 2nd defendants for, among other things, the following reliefs:

1. declarations that the Appointments were null and void and invalid, and that all the acts and conduct of the 2nd defendants effected or to be effected were and are null and void and invalid;

2. an injunction to restrain the 1st and/or 2nd defendants from exercising any rights to sell, charge, transfer, and/or in any other way dispose, of any of the shares and/or assets of LWD; and

3. damages for breach of the share mortgage dated 3 January 2013 as against the 1st defendant.

Up to the date of these financial statements, no hearing date for the writ of summons has been fixed.

As at the end of reporting period, LWD and its subsidiaries have net assets with carrying value of approximately HK$3,507,019,000 and the aggregate loss for the year ended amounted to HK$7,016,000, as included in the consolidated statement of financial position and the consolidated income statement. It is the view of the Company's directors that the maximum exposure to the event would be an immediate repayment of the amount demanded by Baitak, and the Group has sufficient resources for this purpose.

LIST OF PROPERTIES

Properties under development

Location	Interest attributable to the Group in percentage	Floor area on completion in sq.m. (approx.)	Type of development	Expected year of completion	Stage of development
Reclaimed site located at Liu Wan, Shekou, Shenzhen, Guangdong Province, the PRC	100	556,000	Shopping arcade/ residential/hotel/ recreational facilities	2018	Construction in progress
A residential development located at Guanghu Gonglu, Huadu District, Guangdong Province, the PRC	43	1,067,000	Commercial/ residential	2018	Construction in progress

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

	2013 **HK$'000**	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Revenue/Turnover (continuing and discontinued operations)	**2,318,601**	1,953,568	2,365,811	1,963,454	4,008,375
Profit/(Loss) for the year	**852,562**	(372,293)	(586,000)	(428,563)	138,893
Non-controlling interests	**12,635**	26,230	91,254	46,990	61,940
Profit/(Loss) attributable to the owners of the Company	**865,197**	(346,063)	(494,746)	(381,573)	200,833
Total assets	**12,662,510**	13,698,821	11,820,198	10,557,210	10,374,337
Total liabilities	**(7,971,619)**	(9,847,230)	(7,632,678)	(6,036,990)	(5,595,481)
	4,690,891	3,851,591	4,187,520	4,520,220	4,778,856

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