Annual Report 2013

VIVA CHINA

VIVA CHINA HOLDINGS LIMITED
非凡中國控股有限公司

(Incorporated In The Cayman Islands With Limited Liability)
Stock Code: 8032

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This report, for which the Directors of Viva China Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Li Ning *(Chairman & Chief Executive Officer)*
Mr. Chan Ling *(Chief Operating Officer)*
Mr. Li Chunyang

Non-executive Directors
Mr. Chan James
Mr. Li Qilin
Mr. Ma Wing Man

Independent Non-executive Directors
Mr. Chen Johnny
Mr. Lien Jown Jing, Vincent
Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP*

AUDIT COMMITTEE

Mr. Chen Johnny *(Chairman)*
Mr. Lien Jown Jing, Vincent
Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP*
Mr. Ma Wing Man

REMUNERATION COMMITTEE

Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP (Chairman)*
Mr. Chan Ling
Mr. Chen Johnny
Mr. Lien Jown Jing, Vincent

NOMINATION COMMITTEE

Mr. Li Ning *(Chairman)*
Mr. Chen Johnny
Mr. Ng Sau Kei, Wilfred, *SBS, MH, JP*

AUTHORISED REPRESENTATIVES

Mr. Chan Ling
Mr. Ho Kim Ching

COMPLIANCE OFFICER

Mr. Chan Ling

COMPANY SECRETARY

Mr. Ho Kim Ching

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
Credit Suisse AG Hong Kong Branch
Credit Agricole (Suisse) SA, Hong Kong Branch
DBS Bank (China) Ltd.
China Citic Bank International Limited
Dah Sing Bank Limited

LEGAL ADVISERS

Woo Kwan Lee & Lo
26th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

Michael Li & Co
19/F, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

Commerce & Finance Law Offices
6/F, NCI Tower, A12
Jianguomenwai Avenue
Chaoyang District
Beijing, 100022, PRC

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 3602-06, 36th Floor
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Cayman Islands
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong
Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
(New Address: Level 22, Hopewell Centre,
183 Queen's Road East, Hong Kong,
with effect from 31 March 2014)

WEBSITE

www.vivachina.hk

STOCK CODE

8032

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Viva China Holdings Limited, I hereby present the annual results of the Group for the year ended 31 December 2013.

SPORTS BUSINESS

During the year, the Group continued investing in its development initiatives in sports-related businesses as well as property and community development in China. Leveraging upon our capabilities and resources in sports, the Group successfully secured commercial rights to a series of basketball leagues in China and world-class international badminton tournaments such as 2013 Li Ning BWF Sudirman Cup and Wang Lao Ji BWF World Championships 2013 which were successfully held in Malaysia and Guangzhou respectively. The Group also produced another "*Viva Fiesta*", a sports crossover entertainment event in Macau, featuring the PRC National Diving Team and certain Hong Kong and PRC pop artists. The Group achieved an overall revenue growth from this segment in 2013 which is attributable to our ongoing endeavors in building up and commercializing our portfolio of sports properties under the abovementioned activities.

As part of our overall strategy, the Group cooperated with Li Ning Co mainly in its basketball segment during the year with an aim to create synergies through the joint efforts in organizing and realizing the commercial values of basketball leagues targeting different youth groups, namely, Chinese University Basketball Association ("CUBA"), Chinese University Basketball Super League ("CUBS"), Chinese High School Basketball League ("CHBL") and Chinese Junior School Basketball League ("CJBL"). With the huge potential opportunities derived from the growing sporting population in China, we expect to capture more crossover benefits between the Group and Li Ning Co through continuous remixing and deepening their sports expertise and resources to achieve a win-win situation in the long run. We will keep on exploring opportunities in the sports business segment to further enhance our sports resources and integrated platform in order to sustain our growth momentum and to maximize the returns of this business segment.

PROPERTY AND COMMUNITY DEVELOPMENT BUSINESS

Riding on the trend towards promoting a sustainable and healthier living environment through the adoption of environmental-friendly construction techniques in China, the Group commenced production and sale of precast concrete products and glass-fiber reinforced concrete products from the second quarter of 2013 through its industrial plants located in Shenyang. We expect a continuing growth in demand for the products as well as our revenue stream with the potential of achieving higher cost efficiency resulting from the mastering of production techniques and streamlining workflows. We expect to capitalize on these construction techniques and other value-adding sports elements in the sports value chain to expedite the development of healthy lifestyle communities in China with an aim to reach a sportive and healthy culture among the mass population.

In view of the continuous process of urbanization and increasing health consciousness in China, our strategy to promote and develop sportive and healthy lifestyle communities is expected to drive the medium to long term growth of the Group. As a result, the Group continues actively exploring and pursuing to invest and participate in various potential property development projects that enjoy high growth prospects in economically vibrant cities of China. We will carry out this development strategy at measured pace to maneuver the changes in the macro economy and the regulatory environment in the PRC property sector.

FUTURE PROSPECTS

We expect our businesses to benefit from the revived growth in China's economy in the coming years along with continuous process of urbanization, growing popularity of sports, higher living quality, increasing health consciousness as well as supportive state policies. The positive outlook of China's economic and social development would provide strong impetus for the sustainable growth of the sports industry and the demand for better living environment which are expected to uphold our business development strategies. We will capitalize on our strong foundation and resources in sports to carry on our development and growth momentum in sports-related, property and community development businesses, while actively seizing new investment and growth opportunities through a balanced investment strategy to create greater returns for our shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management and all of our colleagues for their dedication and contributions towards the business development initiatives of the Group. We resolve to continue our efforts to realize our business development strategies and to create value for our Shareholders. Lastly, I also would like to thank all of our stakeholders for their continued support.

Li Ning
Chairman
Hong Kong, 24 March 2014

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

MR. LI NING, *CHAIRMAN, CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR*

Mr. Li Ning, aged 51, has been the chairman of the Company (the "Chairman"), an executive Director and a member of the executive committee of the Company since June 2010. Mr. Li was also appointed as the chairman of the nomination committee and the chief executive officer (the "Chief Executive Officer") of the Company with effect from 15 March 2012 and 22 May 2013 respectively. He is a director of various subsidiaries of the Company. Mr. Li is the founder of the LI-NING brand and currently the executive chairman and an executive director of Li Ning Co. He is primarily responsible for formulating the overall corporate strategies and planning of Li Ning Co. Mr. Li is the younger brother of Mr. Li Chun, a retired non-executive Director and the uncle of Mr. Li Qilin, who is a non-executive Director.

Mr. Li is one of the most outstanding athletes in the 20th century. In the 6th World Cup Gymnastics Competition in 1982, Mr. Li unprecedentedly won six gold medals in men's artistic gymnastics events and was named the "Prince of Gymnastics" ("體操王子") in the PRC. In the 23rd Los Angeles Olympic Games in 1984, Mr. Li won three gold, two silver and one bronze medals, making him the athlete winning the most medals of that Olympic Games. In 1987, Mr. Li became the only Asian member of Athlete's Commission of the International Olympic Committee. From 1993 to 2000, Mr. Li served as a member of the Men's Artistic Gymnastics Technical Committee of the Federation Internationale De Gymnastique. He is currently an honorary member of the Federation Internationale De Gymnastique. In 1999, Mr. Li was voted one of the "World's Most Excellent Athletes in the 20th Century" by the World Sports Correspondent Association.

After retiring in 1989 from his athlete career, Mr. Li initiated the idea of LI-NING brand with the goal of creating the first national sports goods brand in the PRC. He has dedicated the past over 20 years to the development of the business of LN Group, achieving great contribution to the development of the PRC's sports goods industry.

Mr. Li holds a bachelor's degree in law from School of Law of Peking University (北京大學), an executive M.B.A. degree from Guanghua School of Management of Peking University (北京大學光華管理學院), an honorary doctorate in technology from Loughborough University in the United Kingdom and an honorary degree of doctor of humanities from The Hong Kong Polytechnic University. In June 2010, Mr. Li was also conferred honorary fellowship from The Hong Kong University of Science and Technology.

Mr. Li has also been actively involved in charities via his "Li Ning Foundation" (李寧基金) and his genuine support to the active and retired Chinese athletes and coaches in establishing "The Chinese Athletes Educational Foundation" (中國運動員教育基金), which aims at providing subsidies for further education and trainings for athletes and to support educational development in impoverished and remote areas in the PRC. In October 2009, Mr. Li was appointed by the United Nations World Food Programme (WFP) as China's first "WFP Goodwill Ambassador Against Hunger".

MR. CHAN LING, *CHIEF OPERATING OFFICER AND EXECUTIVE DIRECTOR*

Mr. Chan Ling, aged 42, is an executive Director, an authorised representative and the compliance officer of the Company and a member of each of the executive committee and the remuneration committee of the Company. Mr. Chan was also appointed as the chief operating officer of the Company with effect from 22 May 2013. Mr. Chan has been a member and the chairman of the nomination committee of the Company since 2 June 2010 and 23 June 2010 respectively, and ceased to hold any office of this committee on 15 March 2012. Mr. Chan joined the Group in June 2010 and is a director of Viva China Sports Holding Limited, Viva China Community Development Holdings Limited and various subsidiaries of the Company. Mr. Chan was the chief executive officer of "The Chinese Athletes Educational Foundation". He has over 10 years of working experience in the media industry and in the sports agency industry.

MR. LI CHUNYANG, *EXECUTIVE DIRECTOR*

Mr. Li Chunyang, aged 45, is an executive Director and a member of the executive committee of the Company. Mr. Li joined the Group in June 2010 and is a director of 非凡領越體育發展(北京)有限公司, Viva China Community Development Holdings Limited and various subsidiaries of the Company. Mr. Li graduated from Peking University in 2004 with a bachelor's degree in Economics. He was one of the founders of "The Chinese Athletes Educational Foundation". In 1989 and 1991, he won the World Gymnastics Championships.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

MR. CHAN JAMES, *NON-EXECUTIVE DIRECTOR*

Mr. Chan James, aged 60, is a non-executive Director of the Company. Mr. Chan joined the Group in June 2013. He is an executive director, the project director and a member of the executive committee of Pacific Century Premium Developments Limited* ("PCPD", Stock Code: 0432). PCPD is mainly engaged in developing and managing premium property and infrastructure projects, as well as investing in premium-grade buildings, in the Asia-Pacific region and is majority-owned by PCCW Limited* ("PCCW", Stock Code: 0008). Mr. Chan is responsible for managing various property projects of PCPD and its subsidiaries. He was responsible for the project execution of the Cyberport project and has overall responsibility for all aspects of the construction works.

Prior to joining PCCW in October 2002, Mr. Chan was a practicing architect, with comprehensive experience in design, planning and land matters, design development and construction management of major investment properties, including a wide range of industrial and warehousing, commercial, retail and residential developments in Hong Kong and overseas. He possesses a wide spectrum of experience in the property industry.

He has been an independent non-executive director of Beijing Properties (Holdings) Limited* (Stock Code: 0925) since June 2011. He is also a member of the board of governors of The Independent Schools Foundation.

Mr. Chan holds a bachelor of arts in architectural studies degree from the University of Hong Kong, a bachelor of architecture degree from University of Dundee in Scotland and an executive master of business administration degree from Tsinghua University. He is qualified as the Authorized Person (List I) and Registered Architect in Hong Kong, and is a member of The Hong Kong Institute of Architects, The Royal Institute of British Architects and The Australian Institute of Architects.

MR. LI QILIN, *NON-EXECUTIVE DIRECTOR*

Mr. Li Qilin, aged 27, is a non-executive Director of the Company. Mr. Li joined the Group in June 2013. Mr. Li has been a director of Lead Ahead Limited, a substantial shareholder of the Company, since June 2010.

Mr. Li has considerable experience in financial services industry and has been an analyst of Persistent Asset Management Limited since January 2010. Mr. Li is the son of Mr. Li Chun, a retired non-executive Director and the nephew of Mr. Li Ning, the executive Director, the Chief Executive Officer and the Chairman.

MR. MA WING MAN, *NON-EXECUTIVE DIRECTOR*

Mr. Ma Wing Man, aged 48, is a non-executive Director and a member of the audit committee of the Company. Mr. Ma joined the Group in June 2010. Mr. Ma has been a member of the nomination committee of the Company during the period from 2 June 2010 to 15 March 2012. Mr. Ma has over 20 years of experience in finance and administration. Mr. Ma has been employed by "Li Ning Foundation" as the financial controller since 2005. From 1992 to 2005, Mr. Ma had been employed first as accountant and later as financial and accounting manager of Jianlibao Holdings (H.K.) Company Limited. From 1989 to 1991, Mr. Ma was employed as assistant accountant by Wong's Circuits (PTH) Limited, which was a subsidiary of Wong's International Holdings Limited* (Stock Code: 0099).

Mr. Ma graduated from Hong Kong Shue Yan College (predecessor of Hong Kong Shue Yan University) in 1989 with a diploma in business administration. In 1993, he obtained a diploma in accounting from School of Professional and Continuing Education, University of Hong Kong. In 1998, he obtained a professional diploma for financial controllers & finance directors of foreign investment & foreign enterprise in China, which was jointly awarded by School of Management Zhongshan University, China and The Hong Kong Management Association. In 2003, he obtained a bachelor of business administration degree with honours in accounting from the Open University of Hong Kong.

* The shares of these companies are listed on the Stock Exchange

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

MR. CHEN JOHNNY, *INDEPENDENT NON-EXECUTIVE DIRECTOR*

Mr. Chen Johnny, aged 54, has been an independent non-executive Director, the chairman of the audit committee of the Company and a member of the remuneration committee of the Company since June 2010. He was also appointed as a member of the nomination committee of the Company with effect from 15 March 2013. Mr. Chen is currently the chairman of the Life and General Insurance businesses of Zurich Insurance Group ("Zurich") in China. Mr. Chen is also a member of the leadership team and the Asia Pacific executive committee of Zurich. From 2010 to 2013, Mr. Chen was the chief executive officer of Asia Pacific General Insurance of Zurich Financial Services Ltd. From 2007 to 2010, Mr. Chen was the chief executive officer of Greater China and South East Asia of Zurich. From 2005 to 2007, Mr. Chen was the chief executive officer of Greater China region of Zurich. Prior to joining Zurich, Mr. Chen was an executive member of the Greater China management board and of the operating committee of PricewaterhouseCoopers ("PwC"). He was also the managing partner of PwC's Beijing office. Mr. Chen has also been a director of the American Chamber of Commerce in China since 1995. Since February 2009, Mr. Chen has been an independent non-executive director, the chairman of the nomination committee and a member of the audit committee of Stella International Holdings Limited* (Stock Code: 1836). Mr. Chen was a non-executive director of New China Life Insurance Company Ltd.* (Stock Code: 1336) during the period from 2005 to 14 January 2014. The shares of New China Life Insurance Company Ltd. commenced listing on the Stock Exchange on 15 December 2011. Mr. Chen received a master's degree in accounting from the University of Rhode Island and is a U.S. qualified certified public accountant.

MR. LIEN JOWN JING, VINCENT, *INDEPENDENT NON-EXECUTIVE DIRECTOR*

Mr. Lien Jown Jing, Vincent, aged 53, is an independent non-executive Director and a member of each of the audit committee and the remuneration committee of the Company. Mr. Lien joined the Group in June 2013. Mr. Lien has served as independent non-executive directors of Up Energy Development Group Limited* (Stock Code: 0307) and Focus Media Network Limited* (Stock Code: 8112) since 1 April 2011 and 9 June 2011 respectively. On 16 April 2013, he has been appointed as a non-executive director of Primeline Energy Holdings Inc. (TSX Venture Exchange trading symbol: PEH), the shares of which are listed on the TSX Venture Exchange in Canada. Mr. Lien has been appointed as the chairman and an independent non-executive director of Loyz Energy Limited, a company listed in Singapore, with effect from 6 November 2013. He has also been appointed as an independent non-executive director of ILFS Wind Power Limited, a Singapore company, with effect from 3 September 2013.

Mr. Lien is currently a director of Wah Hin & Company, a Singapore incorporated private investment holding company and the Maritime and Port Authority of Singapore. He has over 25 years of experience in the banking industry, specializing in corporate finance and capital management in Hong Kong, the PRC, Singapore and South-east Asia. Mr. Lien held various senior positions at several major multinational banking institutions including Swiss Bank Corporation and Bankers Trust & Company. He was the managing director in the financial institutions & public sector division of ABN AMRO Bank.

Mr. Lien obtained a bachelor degree in business administration from the University of New Brunswick in 1986.

* The shares of these companies are listed on the Stock Exchange

MR. NG SAU KEI, WILFRED, *INDEPENDENT NON-EXECUTIVE DIRECTOR*

Mr. Ng Sau Kei, Wilfred, aged 49, has been an independent non-executive Director and a member of each of the audit committee and the remuneration committee of the Company since June 2010. Mr. Ng was appointed as a member of the nomination committee and the chairman of remuneration committee of the Company with effect from 15 March 2012 and 15 March 2013 respectively. Mr. Ng joined the Group in June 2010. Mr. Ng was an independent non-executive director of China Renji Medical Group Limited* (Stock Code: 648, formerly known as Softbank Investment International (Strategic) Limited) during the period from 30 April 2007 to 1 October 2008.

Mr. Ng holds positions in various charitable and social organisations. He is a member of the advisory board of Yanchai Hospital, of which he was the chairman of the board of directors during the term of year 2009-2010. He is also the president of the Handball Association, Hong Kong, China.

Mr. Ng also serves as a member of various advisory committees of the HKSAR Government, namely the Sports Commission, the Rehabilitation Advisory Committee and The Fight Crime Committee. He was awarded the Medal of Honour in 2004 and the Silver Bauhinia Star in 2010 and appointed as an unofficial Justice of the Peace in 2007 by the HKSAR Government. In May 2011, Mr. Ng received a Hon. Doctor of Laws degree from the University of Western Ontario.

SENIOR MANAGEMENT

Mr. Li Ning, Mr. Chan Ling and Mr. Li Chunyang, being the executive Directors, are also the senior management of the Group.

DISCLOSURE ON CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in details of the Directors' information subsequent to the date of the interim report of the Company for the six months ended 30 June 2013 are set out below:

Name	Details of Changes
Mr. Li Ning	under the service agreement between the Company and Mr. Li Ning as an executive Director and the Chief Executive Officer, he is entitled to receive an annual director's fee of HK$150,000, a fixed annual salary of HK$9,600,000 and an annual housing benefit of not exceeding HK$2,400,000 with effect from March 2014 which were determined with reference to the services provided by him and his duties and responsibilities with the Group
Mr. Chen Johnny	appointed as chairman of Life and General Insurance businesses of Zurich Insurance Group in China with effect from 18 November 2013 resigned as a non-executive director of New China Life Insurance Company Ltd.* (stock code: 1336) with effect from 15 January 2014
Mr. Lien Jown Jing, Vincent	appointed as an independent non-executive director of ILFS Wind Power Limited, a Singapore company, with effect from 3 September 2013 appointed as the chairman and an independent non-executive director of Loyz Energy Limited, a company listed in Singapore, with effect from 6 November 2013

* The shares of these companies are listed on the Stock Exchange

SPORTS

In 2013, the Group produced another "*Viva Fiesta*", a sports crossover entertainment event in Macau. The Group also participated in the production of a TV program called "*The Celebrity Splash*" (中國星跳躍) which integrated diving and entertainment. These innovative events have a positive effect on pulling audiences closer to national sports team.

During the year, we have secured the commercial rights to BWF World Championships and BWF Sudirman Cup held in Guangzhou and Malaysia, respectively. We also participated in the management of the 2013 "Li Ning DHS" Chinese Table Tennis Association Members League. These events and competitions have brought positive contributions to our operation.

Furthermore, the Group successfully secured commercial rights to a series of basketball leagues in China this year, namely the CUBA, CUBS, CHBL, CJBL. Our involvements in the leagues not only provides an excellent platform for Viva China to promote a sportive culture among different youth groups, but also enhance the Group's presence and brand image in the PRC sports industry.

Viva China will continue to use its best endeavour to capture the commercial value of various sports resources and use the upcoming major sporting events in 2014 as a platform to expand our sports portfolio.

CHEN YIBING

Athletic Accomplishments:

2012 London Olympic Games
– Gold medal (Men's team)

2011 Tokyo World Gymnastics Championships
– Gold medal (Rings)

2010 Rotterdam World Gymnastics Championships
– Gold medal (Rings)

2009 World Cup Gymnastics Stuttgart, Germany
– Gold medal (Rings)

2008 Beijing Olympic Games
– 2 gold medals (Men's team, Rings)

Recent Accomplishments:

2014 Featured in the "Stars Soldiers Recruiting of Defense Elite", an army reality show program produced by Beijing Satellite TV

2013 Image Ambassador of "Future Star" National Youth Sunny Sports Conference

2013 Loving Care Ambassador of "Premature Infant Mutual Aid Project"

2013 Image Ambassador of "Qingling Youth Emissary 2013" of WWF (World Wide Fund)

2013 "National Spirit Achievers Award 2013"

2013 Promoter and speaker of the National 100 Universities Public Welfare Forum

2013 Spokesman of Tencent game "League of Legends"

JIN JING

Athletic Accomplishments:

2003 World Wheelchair Games
– Bronze medal (Epee)

2002 FESPIC Games
– Silver medal (Epee) and Bronze medal (Foil team)

Recent Accomplishments:

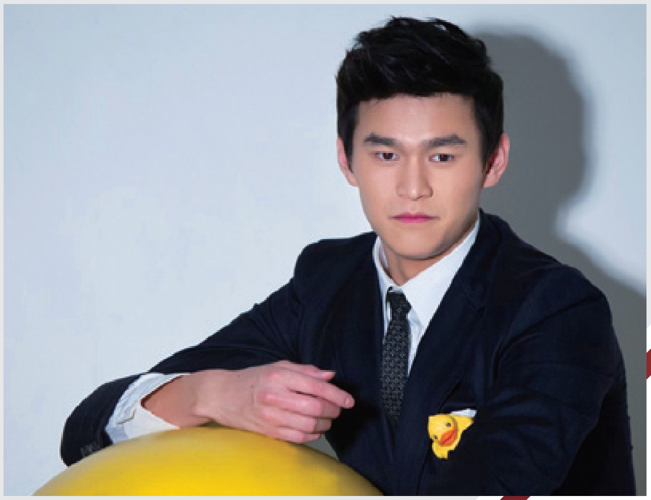
2010 Awarded the 中國青年五四獎章

2008 Awarded the as one of the 19th "China Top 10 Outstanding Youths"(中國十大傑出青年) title

2008 Beijing Olympic Games torch bearer

2008 Awarded as one of ten Person of the Year of "Moving China"(感動中國年度人物)

SUN YANG



Athletic Accomplishments:

2013 Barcelona 15th FINA World Championships – 3 gold medals (Men's 400m, 800m and 1,500m freestyles)

2012 London Olympic Games – 2 gold medals (Men's 400m and 1,500m freestyles)

2011 Shanghai 14th FINA World Championships – 2 gold medals (Men's 800m and 1,500m freestyles)

LIU XUAN

Athletic Accomplishments:

2000 Sydney Olympic Games – Gold medal (Balance beam)

1998 World Cup – Gold medal (Balance beam)

1997 East Asian Games – 3 gold medals (Women's team, Individual all-round and Balance beam)

1996 World Championships – "Liu Xuan One-Arm Giant Swings"

Commercial Appearances:

2013 Grand champion of "Dancing with the Stars" produced by CCTV

2013 Leading actress in the movie "My Little Partners And Me"

2013 Dubbing for in the movie "I Am A Wolf"

2013 Leading actress in the TV drama series "The Girl In Police Uniform"

2013 Promoted the "Thank You Public Welfare Plan", caring for the autistics

2012 Spokesperson of Uzise

2012 Autobiography titled "Xuan Mu"

2011 Leading actress in the TV drama "Stranger 6" shoot jointly by China, Japan and South Korea

2011 Leading actress in the TVB anniversary TV drama "Grace Under Fire"

2011 First mandarin album "Beautiful Faces"

2008 Beijing Olympic Games torch bearer

YANG WEI

Athletic Accomplishments:

2008 Beijing Olympic Games – 2 gold medals (Men's team and Individual all-around)
2007 Stuttgart World Gymnastics Championships – 2 gold medals (Men's team and Individual all-around)
2006 Aarhus World Gymnastics Championships – 3 gold medals (Men's team, Individual all-around and Parallel bars)
2006 Doha Asian Games – 4 gold medals (Men's team, Individual all-around, Rings and Parallel bars)
2003 Anaheim World Gymnastics Championships – Gold medal (Men's team)
2000 Sydney Olympic Games – Gold medal (Men's team)

Commercial Appearances:

2012 Autobiography titled "Blazon Forth Our Country Prestige"
2012 Adjudicator of "China's Got Talent", a television program of DragonTV

ZHENG JIE

Athletic Accomplishments:

2013 New Haven Open
– Champion (Women's Doubles)

2012 ASB Classic Auckland
– Champion (Women's Single)

2011 WTA Tour Internazionali BNL d'Italia
– Champion (Women's Doubles)

2011 OEC Taipei Ladies Open
– Champion (Women's Doubles)

2010 Australian Open
– Women's Single semi-final

2008 Wimbledon Open
– Women's Single semi-final

2006 Australian Open
– Champion (Women's Doubles)

2006 Wimbledon Open
– Champion (Women's Doubles)

NATIONAL BADMINTON TEAM

The National Badminton Team is one of the top badminton teams in the world, having won Thomas Cup 9 times, Uber Cup 12 times and Sudirman Cup 9 times since 1982. At the London Olympic Games, the team was the first team to sweep all the five Olympic badminton gold medals.

Recent Accomplishments:

2013	Guangzhou BWF World Championships – 2 gold medals
2013 and 2011	Sudirman Cup – Champion
2012	London Olympic Games – 5 gold medals
2012	Uber Cup – Champion
2012 and 2010	Thomas Cup – Champion
2011	London BWF World Championships – 5 gold medals

NATIONAL DIVING TEAM

The National Diving Team has been named as the world's "Dream Team" in diving. At the London Olympic Games, the National Diving Team received six out of eight possible Olympic diving gold medals. At the Barcelona World Aquatics Championships 2013, the team received nine diving gold medals.

Recent Accomplishments:

2013	Barcelona World Aquatics Championships – 9 gold medals
2012	London Olympic Games – 6 gold medals
2011	Shanghai World Aquatics Championships – 10 gold medals
2010	Guangzhou Asian Games – 10 gold medals

NATIONAL GYMNASTICS TEAM

The Men's and Women's National Gymnastics Team are among the most honoured national teams and currently one of the leading gold medals teams in China. The National Gymnastics Team won four gold medals, three silver medals and one bronze medal at the London Olympics Games. The team has won a total of seventy world tournaments gold medals and many difficult gymnastic routines are named after the gymnasts of the National Gymnastics Team.

Recent Accomplishments:

2013 Antwerp World Gymnastics Championships
– 2 gold medals

2012 London Olympic Games
– 4 gold medals

2011 Tokyo World Gymnastics Championships
– 4 gold medals

2010 Rotterdam World Gymnastics Championships
– 4 gold medals

2013 BWF WORLD CHAMPIONSHIPS

5 – 11 August 2013 Guangzhou

The 2013 BWF World Championships was held at Tianhe Sports Center in Guangzhou. 337 players from 48 countries and regions participated in the men's single, women's single, men's doubles, women's doubles and mixed doubles events. The competition has attracted 26,880 spectators. The National Badminton Team won two gold medals in the men's single and the women's doubles.

2013 “LI-NING DHS” CHINESE TABLE TENNIS ASSOCIATION MEMBERS LEAGUE

April to November 2013

2013 was the seventh year of the Chinese Table Tennis Association Members League (中國乒乓球協會會員聯賽). In the last seven seasons, with its increasing presence and influence, the number of participants has grown significantly, and attracted over 200 teams from 28 provinces, municipalities and autonomous regions. Over 10,000 players participated in the 2013 season.

CJBL-CHBL

CHBL is a pre-eminent basketball league for high school students co-hosted by Chinese School Sports Federation (CSSF)（中國中學生體育協會）and Chinese Basketball Association (CBA)（中國籃球協會）. Ten seasons had passed since CHBL was founded in 2003. CHBL provided a good social platform for high school basketball fans from 220 high schools in China to interact and share the love of college basketball game. With the organisation of the first CJBL in the 2012-2013 season, the official name of the league is changed to CJBL-CHBL. Along with the increasing youth participation in the league, the presence, authoritativeness and social influence of CJBL-CHBL will continue to escalate.

CUBA

The first CUBA game was played in 1998 and now it has become the second most influential basketball competition in China, second to the Chinese Basketball Association (中國男子籃球職業聯賽). Games for men's and women's divisions have covered 34 regions all over China, with nearly 20,000 students from over 1,000 colleges and universities participating in 1,500 matches each season. CUBA has established positive, healthy and progressive image, it is now highly recognised as one of the best branded sports leagues in China.

CUBS

CUBS is a basketball league organised by the Federation of University Sports of China (FUSC)（中國大學生體育協會）, and has been successfully held for 9 seasons for men's divisions and 8 seasons for women's divisions up to now. The mission of CUBS is to nurture professional basketball players and to promote a sportive and healthy culture in university campus. CUBS provides basketball talents an opportunity to participate in "The Universiade", an international sporting event for university students, and provides outstanding players to CBA professional teams. The league plays an active role in enhancing the standard of university basketball and broadens the channels to breed future basketball talents in China.

VIVA FIESTA: MACAU

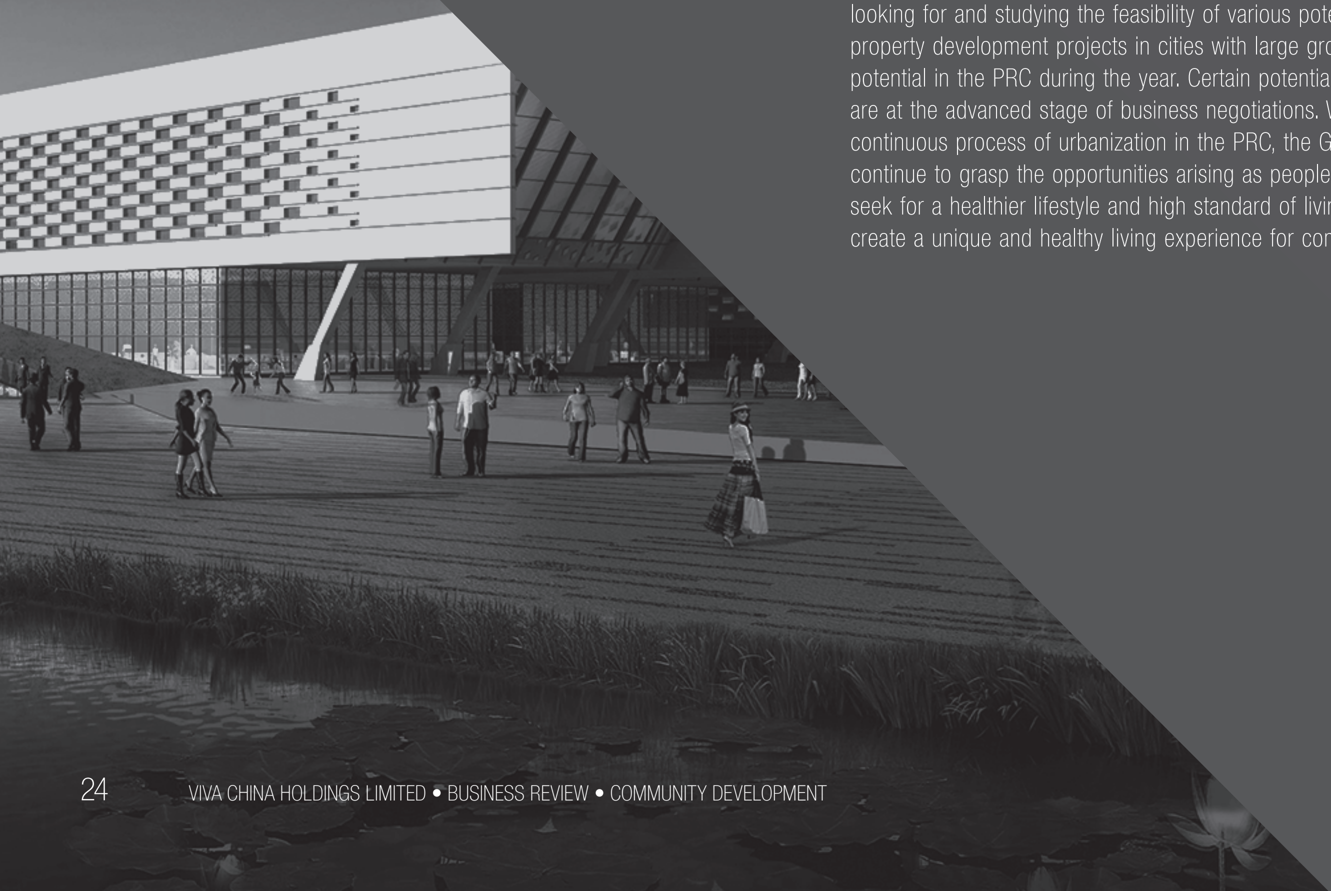
2 March 2013

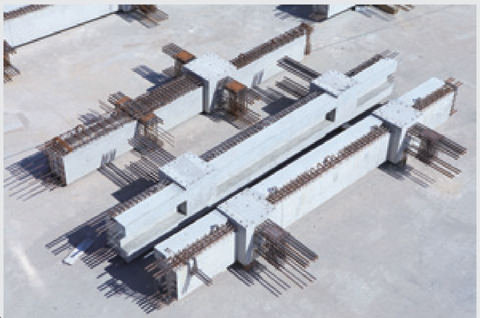
Viva Fiesta was staged in Macau on 2 March 2013. *Viva Fiesta* featured the National Diving Team and has invited pop stars such as Leon Lai（黎明）, Joey Yung（容祖兒）, Zhou Bichang（周筆暢）, Liu Xuan（劉璇）to perform in the show. The performance represented a cross-over between a sporting event and popular entertainment. With the theme on environmentally consciousness, *Viva Fiesta* featured diving, synchronised swimming and funny diving alongside pop songs and dance.

COMMUNITY DEVELOPMENT

SPORTS COMMUNITY

Our management team with comprehensive experience in property development projects is making active efforts in looking for and studying the feasibility of various potential property development projects in cities with large growth potential in the PRC during the year. Certain potential projects are at the advanced stage of business negotiations. With the continuous process of urbanization in the PRC, the Group will continue to grasp the opportunities arising as people in China seek for a healthier lifestyle and high standard of living and to create a unique and healthy living experience for community.





INDUSTRIAL PARK

The Group has commenced the business in manufacturing and sales of prefabricated cement products which are widely used for building constructions and landscape design at our industrial plants at Shenyang in the second quarter of 2013. The precast concrete products and glass-fiber reinforced concrete decorative displays and furniture produced by the Group were applied to the construction of Nanke Building（南科大廈）and Nanke Chuangtou Building（南科創投大廈）in Shenyang and used in the garden landscaping of Shenyang Central Park, Mozishan Park, Baita Park and the Holy Flame Park for the 12th National Games held in Liaoning this year, respectively. We believed that with the local government's intention to promote environmental-friendly building techniques, the sales of prefabricated products will continue to grow.

FINANCIAL REVIEW

RESULTS

For the year ended 31 December 2013, the Group's consolidated revenue soared from HK$68.2 million in prior year to HK$125.2 million this year representing an encouraging increase of HK$57.0 million or 84%. The increase in revenue was mainly driven by revenue derived from the commercial rights the Group secured in relation to certain basketball leagues in the PRC, the 2013 Li Ning BWF Sudirman Cup held in Malaysia and Wang Lao Ji BWF World Championships 2013 held in Guangzhou, the PRC. In addition, the production and marketing of precast concrete products and glass-fiber reinforced concrete products that were manufactured by a subsidiary of the Group commencing in 2013 also contributed to the upsurge of revenue. The total gross profit of the Group for the year was HK$20.5 million (2012: HK$36.9 million). The decline in gross profit was mainly caused by the significant drop in the rental income generated from leases of industrial plants in Shenyang, the PRC and lower gross profit margin for certain sports content production and distribution income.

The Group also recorded other income and gains for the year amounted to HK$109.2 million as compared to HK$49.0 million in the year of 2012. Other income and gains mainly consisted of bank interest income, underwriting commission fee received, fair value gain on a derivative financial asset and net foreign exchange gain. The increase was mainly attributable to the underwriting commission fee received of HK$13.0 million recognised for acting as one of the underwriters in relation to the Li Ning Open Offer (details of the Li Ning Open Offer were set out in the Company's circular dated 25 February 2013). In addition, a fair value gain on derivative financial assets was recorded at the reporting date amounted to HK$62.5 million (2012: HK$23.8 million) in relation to the profit guarantees (the "Profit Guarantees") given by the vendors when the Group acquired the sports business segment in 2010. Details of Profit Guarantees were set out in the section "Profit Guarantees".

Selling and distribution expenses for the year amounted to HK$31.2 million (2012: HK$25.4 million) representing an increase of HK$5.8 million or 23% as compared to the year of 2012. The increase was attributable to the expenditures in marketing and promotional activities of our sports businesses in relation to basketball leagues and badminton tournaments for the year.

Administrative expenses and other operating expenses ("Administrative Expenses") incurred in the year totalling HK$138.2 million (2012: HK$151.9 million). The non-cash items in Administrative Expenses, which amounted to HK$48.8 million (2012: HK$69.6 million), mainly included share options expenses, amortisation and impairment of intangible assets, and depreciation of fixed assets etc. Excluding these major non-cash items, Administrative Expenses in 2013 would have been HK$89.4 million, representing an increase of 9% as compared to that in prior year of HK$82.3 million. Apart from the aforementioned non-cash items, there was an impairment of goodwill of HK$269.8 million arising from the sports business (2012: HK$155.4 million arising from the green energy business) by reference to a business valuation performed by American Appraisal at the end of the year (2012: by management's impairment assessment).

On 18 November 2013, the Group has completed the advanced issuance of earn-out perpetual convertible bonds in relation to the acquisition of approximately 25.2% equity interest of Li Ning Co in December 2012. In this regard, the Group has recorded a loss arising from the change in fair value of derivative financial liabilities amounted to HK$156.0 million (2012: Nil) from the fair value of these derivative financial liabilities as at 31 December 2012.

Li Ning Co is accounted for as an associate of the Group. The Group has adopted the provision contained in HKAS 28 whereby it is permitted to include the attributable share of associate's results based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. During the year, the Group shared the loss of an associate amounting to HK$180.0 million (2012: HK$49.1 million) based on its adjusted financial results for the twelve months ended 30 September 2013 and adjusted for any significant events or transactions for the period from 1 October 2013 to 31 December 2013.

The loss attributable to equity shareholders of the Company for the year was HK$640.9 million (2012: HK$282.6 million). Excluding the non-cash losses discussed above together with impairment of sports business goodwill and other intangible assets, fair value changes in a derivative financial asset and derivative financial liabilities, share of losses of an associate and reversal of deferred tax etc, the Group would have recorded a net profit of HK$4.9 million in 2013. With a similar basis, the Group would have recorded a net loss of HK$20.7 million in 2012.

FINANCIAL REVIEW

SEGMENT

Sports

The sports segment continued its business which encompasses sports talent management, sports and athletic related consulting, event production and organisation of sports competitions. During the year, the Group secured commercial rights to a series of world-class badminton tournaments both in the PRC and overseas. One of these tournaments, namely, the 2013 Li Ning BWF Sudirman Cup, was successfully held in May 2013 with 30 member associations represented. Wang Lao Ji BWF World Championships 2013 was held in August 2013 and approximately 400 of the world's top players representing five continents participated in competing for the title of World Champion. Apart from the badminton sector, the Group also secured commercial rights to certain basketball leagues in the PRC, namely, Chinese University Basketball Association (CUBA), Chinese University Basketball Super League (CUBS), Chinese High School Basketball League (CHBL) and Chinese Junior School Basketball League (CJBL). The abovementioned commercial rights generated revenue of an aggregate amount of HK$67.9 million representing a significant contribution to the Group's overall revenue during the year. During the year, the Group has produced another "sports crossover entertainment" event, namely, "*Viva Fiesta*" which was staged in Macau. The event featured the PRC National Diving Team and certain Hong Kong and PRC pop artists performing a great show to the audience.

During the year, the sports segment generated HK$91.6 million (2012: HK$52.5 million) revenue which is nearly double of that in 2012. The upsurge in revenue was driven by the revenue derived from the aforementioned commercial rights to the basketball leagues and badminton tournaments as well as "*Viva Fiesta*" held in Macau. Despite of the strong growth in revenue, the segment still recorded an operating loss of HK$17.5 million (2012: HK$4.0 million) indicating the Group's continued investment in this segment to obtain, enhance and develop sports resources. Nevertheless, it is the Group's strategy to build an integrated platform based on this segment and the Group's investment in Li Ning Co in order to create synergies and reap crossover benefits by utilising the growing sports resources. The Group is dedicated to continue to explore the commercial values of this business segment.

Impairment testing of goodwill and other intangible assets in relation to sports segment

The Company engaged an independent valuer – American Appraisal to perform an enterprise valuation of its sports segment.

Value in use calculation of sports-related business cash-generating unit uses cash flow projections based on financial budgets approved by management covering a five-year period with a terminal growth rate of 3% (2012: 3%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the cash-generating unit operates. The cash flows are discounted using a discount rate of 17% (2012: 22%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

The recoverable amount of sports-related business cash-generating unit has been solely determined based on the anticipated profitability derived from the sports talent management, sports and athletic related consulting, event production and organisation of sports competitions. Based on current market condition and the Company's strategic focus, the management expects the profitability may not be as good as originally forecasted. Actual performance for the past two years was below expectation and the market is expected to remain challenging in the coming years in view of the recent economic development. Based on the impairment testing result, impairment loss against the goodwill attributable to the sports-related business cash-generating unit of HK$269.8 million (2012: Nil) was recognised in profit or loss for the year ended 31 December 2013.

Sports-related business contracts of the Group represented certain sports talent management contracts, sport event and competition contracts acquired upon the Group's acquisition of 100% equity interest in Viva China Sports Holding Limited ("Viva China Sports") in October 2010. These contracts were initially recognised at their respective fair values at the date of acquisition, as determined by reference to valuations performed by American Appraisal and are subsequently amortised on a straight-line basis over their respective remaining terms. During the year ended 2013, an impairment loss of HK$9.5 million (2012: HK$34.3 million) was recognised in profit or loss, which was driven by the decrease in anticipated profitability derived from the aforesaid sports talent management contracts.

Community Development

The community development segment generated revenue of HK$31.9 million in 2013, tripling the revenue in 2012 of HK$10.4 million. The revenue was mainly attributed to the production and sale of precast concrete products and glass-fiber reinforced concrete products starting from the second quarter of 2013. In 2012, this segment's major business activity was the leasing of industrial plants located in Shenyang, the PRC, to a tenant for manufacture of precast concrete products. The tenancy agreement was terminated near year end of 2012. Despite the surge in revenue, the segment recorded a loss of HK$22.5 million (2012: HK$16.8 million) which was mainly due to the transition period from leasing operation to manufacturing operation during which revenue from leasing operation dropped to minimal. With the mastering of the production techniques and streamlining the workflows, the management expects a lowered cost can be achieved which in turn boosting the profitability of this segment in the future. In addition, with the local government's intention to promote environmental-friendly building techniques, we expect there will be a continuing growth in demand of the segment's products. Management also expects these building techniques can contribute to the success of sports-themed communities development.

It is the Board's intention to continue in identifying profitable community development opportunities in different cities in the PRC. With the continuous process of urbanisation and commercialisation of sports industry in the PRC, the Board is confident about the medium and long term development of sports-themed communities in the PRC. As such, the Group is actively looking for and studying the feasibility of various potential projects in those cities with large growth prospects with an aim to invest and participate in commercial development of sports-themed communities in the PRC. Together with the existing sports talents and sports resources, the Board believes that the Group's expected expansion in this segment will create synergies and deliver long-term benefits to Shareholders.

In December 2012, the Group terminated the acquisition of the Changbai Land. Such parcel of land was originally intended to be developed into a residential and commercial development with certain commercial aspects which were intended for sports-related businesses or facilities. The deposit amounted to HK$230.0 million previously paid for the acquisition of the Changbai Land was fully returned to the Group in March 2013.

Green Energy

During the year, the green energy segment is still undergoing an internal restructuring. In January 2014, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with the purchaser to dispose of its entire 76.9% equity interests in a subsidiary in Zhongshan, the PRC and the completion of which shall take place upon the Company confirming the receipt of full payment of the consideration. Revenue generated from this segment for the year was HK$1.6 million (2012: HK$5.3 million). This segment recorded an operating loss of HK$7.6 million (2012: HK$9.9 million) for the year.

Financial Position

As at 31 December 2013, the net assets value of the Group soared to HK$4,325.3 million from HK$3,458.0 million as at 31 December 2012, representing a substantial increase of HK$867.3 million or 25%. The increase was mainly due to the advanced issuance of earn-out perpetual convertible bonds in November 2013, together with net proceeds of approximately HK$240.0 million received from the issue of 480,000,000 Shares at the cash subscription price of HK$0.5 per Share, which was completed on 8 March 2013. The increase in net assets value was being partially offset by the loss for the year of HK$641.2 million.

The total non-current assets of the Group increased substantially from HK$3,219.3 million as at 31 December 2012 to HK$3,338.9 million as at 31 December 2013. The rise was brought about by the additional investments in interest in an associate, Li Ning Co, partially offset by the impairment of goodwill and other intangible assets totaling HK$279.3 million in relation to the sports business and share of losses of an associate of HK$180.0 million. Among the non-current assets as at 31 December 2013, there were investment properties held in Shenyang, the PRC, which was stated at fair value of HK$226.2 million.

FINANCIAL REVIEW

Current assets of the Group also recorded a decrease by HK$336.3 million from the beginning of the year to HK$1,121.7 million as at the end of the year. The key components of the current assets at the reporting date were cash and bank deposits (including pledged deposits) of HK$846.7 million compared to that as at the end of year 2012 of HK$1,056.4 million and a derivative financial asset of HK$61.0 million, representing the fair value of a profit guarantee given by certain vendors in the acquisition of the sports segment to the Group. The decline in the Group's cash and bank deposits balance was mainly due to the cash outflow for subscription and excess application of the Group's rights for the convertible securities in the Li Ning Open Offer and the cash outflow used in the Group's operating activities during the year, which was being partially offset by the cash inflow from issue of Shares. Included in other receivables at reporting date was an amount of HK$128.0 million representing an advance payment made in respect of a potential project.

The total current liabilities of the Group as at 31 December 2013 were HK$135.3 million, representing a decrease of HK$95.6 million from that as at 31 December 2012. As at the end of the year, the Group has secured bank and other loans amounted to HK$12.9 million (2012: HK$0.7 million).

Liquidity and Financial Resources

The Group recorded a net cash outflow from operations for the current year of HK$52.0 million, representing a slight decrease compared to last year (2012: HK$56.2 million). Other than incurring certain professional fees, the acquisition of interest in Li Ning Co used up HK$513.7 million, representing a significant amount of the Group's financial resources. The Group issued 480,000,000 Shares and the net proceeds of such issue amounted to approximately HK$240.0 million in the year 2013.

The Group has secured bank borrowings of HK$11.9 million (2012: Nil) and other loan of HK$1.0 million (2012: HK$0.7 million) as at 31 December 2013. The Group has obtained bank facilities of approximately HK$96.0 million (2012: Nil), of which, approximately HK$84.1 million remained unutilised at 31 December 2013. The Group has no gearing as at 31 December 2013 and 2012. The Group defines gearing ratio as ratio of net debt over equity plus net debt in which net debt represents total bank and other borrowings less cash and bank balances. The current ratio (ratio of current assets to current liabilities) of the Group as at 31 December 2013 was approximately 8.3 (2012: 6.3). The Group's gearing level and liquidity position were very healthy as at the reporting date. The expanded asset base provides room for obtaining financing through bank facilities when needed. It is the Group's strategy to maintain a healthy and effective gearing ratio in a range of 0 to 1.

Financial Management and Policy and Foreign Currency Risk

The Group's finance division at its headquarter in Hong Kong manages the financial risks of the Group. One of the key objectives of the Group's treasury policies is to manage its exposure to fluctuations in foreign currency exchange rates. It is the Group's policy not to engage in any speculative activities. As the Group operates in Hong Kong and the PRC, most of the revenue and trading transactions are settled in either HK$ or RMB. Accordingly, the majority of the Group's net current assets were denominated in either HK$ or RMB. Deposits placed in various banks are mainly denominated in these two currencies. The Group maintains its proportion of deposits in RMB and HK$ in line with its future business and investment plans. The policies in place to manage foreign currency risk have been followed by the Group several years and are considered to be effective with the current foreign currency risk still manageable. The Group has assessed its foreign exchange rate risk exposure and has not entered into any foreign exchange hedging arrangement during the year and as at year end date.

Charge on Deposit

As at 31 December 2013, a charge over bank deposit amounting to RMB15.0 million (equivalent to approximately HK$19.2 million) had been given by the Group to secure a RMB15.0 million banking facility of a PRC subsidiary.

As at 31 December 2012, a charge over bank deposit amounting to RMB100.0 million (equivalent to approximately HK$124.0 million) had been given by the Group to secure an advance payment from an independent third party in respect of a potential project.

Capital Commitments

As at 31 December 2013, the Group had no significant capital commitments. As at 31 December 2012, the Group had capital commitments of HK$1.6 million in respect of construction works in the PRC which were contracted but not provided for.

FINANCIAL REVIEW

Profit Guarantees

In October 2010, the Company acquired the entire interest of Viva China Sports and its subsidiary (the "Target Group") at the consideration of HK$332.0 million (the "Acquisition"). Under the Acquisition, the vendors of the Target Group (the "Vendors") guaranteed the Company that the consolidated attributable net profit after tax (net of minority interests) of the Target Group as ascertained from the audited financial statements of the Target Group prepared under HKFRSs for a guarantee period of three financial years (i.e. for the three financial years ending 31 December 2013 ("Profit Guarantee Period") shall not be less than HK$30.0 million, HK$40.0 million and HK$50.0 million for the years ended 31 December 2011, 2012 and 2013 respectively (the "Profit Guarantee"). Under the agreement of the Acquisition, the Vendors shall compensate the shortfall to the Company on a dollar-to-dollar basis where the guaranteed profit for a financial year during the Profit Guarantee Period is not met. The audited consolidated attributable net profit after tax of the Target Group for the year ended 31 December 2012, which was derived from its ordinary course of business, did not meet the Profit Guarantee for the corresponding year with a shortfall amounted to approximately HK$39.7 million. The Vendors compensated the Company for the shortfall amount by cash and the amount has been received in full. The unaudited consolidated results of the Target Group for the year ended 31 December 2013 indicated that there will be a shortfall for the current year.

Material Transactions

During the year, the Group entered into the following material transactions:

(a) On 21 February 2013, the Company entered into a subscription agreement with Atlantis Investment Management (Hong Kong) Limited ("Atlantis"), an independent third party, pursuant to which the Company would issue to not less than six allottees at the direction of Atlantis 480,000,000 Shares at the cash subscription price of HK$0.50 per Share, which was completed on 8 March 2013. The closing price was HK$0.40 per share on 21 February 2013, being the date on which the terms of the issue were fixed. The net subscription price, after deduction of relevant expenses, was approximately HK$0.499 per subscription share. The net proceeds of such issue amounted to approximately HK$240.0 million, which will be applied towards general working capital of the Group as well as business development and/or investment opportunities identified by the Group from time to time.

(b) On 25 January 2013, Li Ning Co announced the Li Ning Open Offer. On 13 March 2013, the Company's shareholders approved the Group's proposed acceptance of the assured entitlements and the application for excess entitlements of the convertible securities by the Group in the Li Ning Open Offer and the entering into of an Underwriting Agreement (details of Li Ning Open Offer were set out in announcement dated 25 January 2013 published by Li Ning Co) and the transactions contemplated thereunder. Pursuant to the above, the Group has (i) undertaken to subscribe a principal amount of approximately HK$466.2 million convertible securities, being all the assured entitlements of the Group in the Li Ning Open Offer; and (ii) underwritten a principal amount of not more than approximately HK$744.7 million, whether in excess applications of convertible securities by the Group under the Li Ning Open Offer or in underwriting commitment pursuant to the conditional Underwriting Agreement, pursuant to which the Group would act as one of the underwriters to underwrite 60% of all the convertible securities to be issued in the Li Ning Open Offer (other than those in the aggregate principal amount of approximately HK$627.4 million undertaken to be applied for by the Group and two institutional shareholders of Li Ning Co and before taking into account any assured entitlements which may be taken up and excess application which may be made by the other shareholders of Li Ning Co).

    The Li Ning Open Offer was completed in April 2013 and apart from its assured entitlement of approximately 133,187,000 units of convertible securities being allotted, an additional of approximately 13,572,000 units of convertible securities were also allotted under the excess application. The Group received a gross underwriting fee amounted to approximately HK$18.6 million in respect of acting as one of the underwriters in the Li Ning Open Offer. The underwriting fee has been recorded by the Group as other income. The Group's share of profit resulting from this transaction was only recorded to the extent of interest unrelated to the Group.

    The 12 month mandate granted on 13 March 2013 to the Directors to acquire further shares of Li Ning Co by the Group, without the need to obtain further approval from the Shareholders for purposes of Chapter 19 of the GEM Listing Rules, had not been utilised and had lapsed on 12 March 2014.

(c) On 30 August 2013, the Company entered into the Deed with Victory Mind Assets and Dragon City to advance the timetable for the issuance of earn-out perpetual convertible bonds in relation to the acquisition of approximately 25.2% equity interest of Li Ning Co in December 2012. The execution and performance of the Deed were approved in the extraordinary general meeting of the shareholders on 4 November 2013. The earn-out perpetual convertible bonds with a fair value of HK$1.14 billion were issued in advance in November 2013 and were classified as equity and the related derivative financial liabilities were derecognised at the same time, the financial impact of which was based on the fair value of earn-out perpetual convertible bonds upon the Deed becoming effective. As a result, the Group has recorded a loss of HK$156.0 million (2012: Nil). Upon the completion of the advanced issuance, the holders of the perpetual convertible bonds are subject to certain undertakings, under which a portion of perpetual convertible bonds may have to be returned to the Company if certain performance targets of LN Group are not met. The Company will continue to assess whether any and how much undertaken convertible bonds might be cancelled in the future and recognise a corresponding derivative financial asset, if any, at its fair value. Subsequent changes of such fair value of the derivative financial asset will be recognised in profit and loss. Details of this transaction were set out in the Company's circular dated 17 October 2013. The related transaction costs amounting to approximately HK$1.0 million have been netted off against the carrying amount.

Subsequent Events

On 24 January 2014, an indirect wholly-owned subsidiary of the Company entered into the sale and purchase agreement with the purchaser to dispose its equity interests in a subsidiary in Zhongshan, the PRC, and the completion of which shall take place upon the Group confirming the receipt of full payment of the consideration.

Employees and Remuneration Policies

Staff remuneration comprised of monthly salaries, mandatory provident fund contributions, medical benefits, education allowances and discretionary share options issued based on their contribution to the Group. Staff costs including Directors' remuneration for the year ended 31 December 2013 amounted to HK$76.3 million (2012: HK$51.9 million). The Group also engages professional consultants to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2013, the Group employed 143 full-time employees (2012: 107) and their remuneration was calculated with reference to the market rates.

Outlook

It is expected that the reduction of the quantitative easing measures by the United States with effect from late 2013 will cause turbulence to the global financial markets. It is also expected that the PRC government will adopt prudent monetary policy in order to keep the economy on a healthy, balanced and sustainable track. Liquidity in the financial market will be tightened and property developers would be impacted as the PRC government encourages the banking sector to allocate more resources to industries undergoing reform. In the short term, the property market in the PRC in general is confronted with huge challenges because of the tightening measures. In the long run, it is hoped that the PRC land policy reforms will introduce measures which can promote urbanization and support for the coordinated development between regions, such that ultimately a more balanced demand and supply in the property market might emerge for the sound development of the property industry. Together with opportunities emerge from increasing government investments or supports in sports facility development, and changes in living habit of the people in the PRC as they are getting more health conscious and striving for higher quality of living, there is ample potential for the PRC sports industry to grow.

The Group will continue to expand the scale and scope of our current sports related businesses and will strive to leverage on its existing sports resources as well as resources that may be secured in the future to aid our investment, participation and diversification in property development projects with sports and/or other commercial elements in the PRC with a view to generate additional values for the shareholders of the Company through our management and operation expertise.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries are principally engaged in (i) sports talent management and competition/event production and management and provision of sports consultancy service; (ii) property and community development; and (iii) marketing and sale of air-conditioning systems.

The principal activities and other particulars of the principal subsidiaries of the Company as at 31 December 2013 are set out in note 20 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 54 to 116.

The Directors did not declare an interim dividend and did not recommend the payment of a final dividend for the year ended 31 December 2013.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

During the year, the Company issued 480,000,000 Shares upon placing of Shares. The Company also issued convertible bonds and granted share options which are convertible into Shares. Details of changes in the Company's share capital during the year are set out in note 31 to the financial statements.

RESERVES

As at 31 December 2013, the Company's reserves available for distribution to Shareholders comprising share premium account less accumulated losses, amounted to approximately HK$1,866,911,000 (2012: HK$2,150,922,000).

Details of movements in the reserves of the Company and the Group during the year are set out in note 34(b) to the financial statements and in the consolidated statement of changes in equity on page 58 respectively.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers (including LN Group) accounted for approximately 74% of the total sales for the year and sales to the largest customer included therein accounted for approximately 44% of the total sales.

Purchases from the Group's five largest suppliers accounted for approximately 53% the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 40% of the total purchases.

Mr. Li Ning is an executive director of both the Company and Li Ning Co and he was also deemed under Part XV of the SFO to be interested in 1,807,850 shares (representing approximately 0.13% interest) in the share capital of Li Ning Co held by Alpha Talent Management Limited (a company wholly-owned by Mr. Li) for the purpose of a share purchase scheme during the year ended 31 December 2013.

Save as disclosed above for the purpose of the Chapter 18 of the GEM Listing Rules, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had an interest in the major customers or suppliers of the Group.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 118 of this annual report.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the jurisdiction of the Cayman Islands in which the Company is incorporated.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS

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

Executive Directors

Mr. Li Ning *(Chairman & Chief Executive Officer)*
Mr. Chan Ling *(Chief Operating Officer)*
Mr. Li Chunyang
Mr. Lee Wa Lun, Warren (retired with effect from 25 June 2013)

Non-executive Directors

Mr. Chan James (appointed with effect from 28 June 2013)
Mr. Li Qilin (appointed with effect from 6 June 2013)
Mr. Ma Wing Man
Mr. Li Chun (retired with effect from 6 June 2013)

Independent non-executive Directors

Mr. Chen Johnny
Mr. Lien Jown Jing, Vincent (appointed with effect from 6 June 2013)
Mr. Ng Sau Kei, Wilfred
Mr. Ip Shu Kwan, Stephen (resigned with effect from 15 March 2013)

Mr. Li Ning took on the additional role as the Chief Executive Officer and Mr. Chan Ling took on the additional role as the Chief Operating Officer with effect from 22 May 2013.

The terms of office of each Director are subject to retirement by rotation in accordance with the Company's articles of association.

At the forthcoming annual general meeting, Mr. Chan Ling, Mr. Li Chunyang and Mr. Chen Johnny will retire as Directors by rotation and, being eligible, offers themselves for re-election in accordance with articles 108(A) and 108(B) of the articles of association of the Company and pursuant to Appendix 15 of the GEM Listing Rules. Mr. Chan James will retire and, being eligible, offer himself for re-election in accordance with article 112 of the articles of association of the Company. Further particulars of the Directors to be re-elected at the forthcoming annual general meeting are set out in the circular to the shareholders sent together with this annual report.

All other existing Directors shall continue in office.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 6 to 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

Particulars of the emoluments of the Directors on a named basis for the year are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as the disclosures in the item (1) of the paragraph headed "Connected Transactions" of this report, no Director had a material interest, either directly or indirectly, in any contract of significance to the businesses of the Group to which the Company or any of its subsidiaries was a party during the year.

SHARE OPTION SCHEME

On 29 June 2010, the Company passed an ordinary resolution to adopt a share option scheme (the "Scheme") for the purpose of providing incentives to participants to contribute to the Group and/or to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group. Participants of the Scheme include employee, officer, agent, consultant, business associate or representative of the Company or any subsidiary or otherwise contributes to the success of the Group, including any executive, non-executive or independent non-executive director of the Company or any subsidiary who, as the Board or a committee comprising Directors and members of the senior management of the Company (the "Committee") (as the case may be) may determine in its absolute discretion, is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors, and subject to such conditions as the Board or the Committee (as the case may be) may think fit. The Scheme will remain in force for period of 10 years commencing on 29 June 2010.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the number of Shares in issue from time to time. In addition, the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the nominal amount of all the Shares in issue as at the date of adoption of the Scheme (the "Scheme Mandate Limit"). The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. Once refreshed, the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the number of Shares in issue as at the date of approval of the refreshment by the Shareholders. The Scheme Mandate Limit amounted to 607,639,472 Shares following the approval of refreshment by the Shareholders on 4 November 2013.

As at the date of this report, the total number of Shares available for issue under the Scheme is 607,639,472, representing 10% of the existing issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the proposed date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board or the Committee, save that such period shall not be more than 10 years from the date of grant. Unless the Board may otherwise determine, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

The exercise price of share options is determinable by the Board or the Committee, but shall be at least the highest of (i) the Stock Exchange closing price of the Shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movement of the share options under the Scheme outstanding as at the end of the reporting year are as follows:

		Number of Share Options				
	Date of Grant	Balance as at 1.1.2013	Granted during the year	Cancelled during the year	Lapsed during the year	Balance as at 31.12.2013
Directors						
Li Ning	02.07.2013	–	6,000,000	–	–	**6,000,000(3)**
Chan Ling	02.07.2010	6,000,000	–	–	–	**6,000,000(1)**
	20.09.2011	12,000,000	–	–	(4,000,000)	**8,000,000(2)**
	02.07.2013	–	60,000,000	–	–	**60,000,000(3)**
Li Chunyang	02.07.2010	6,000,000	–	–	–	**6,000,000(1)**
	20.09.2011	12,000,000	–	–	(4,000,000)	**8,000,000(2)**
	02.07.2013	–	52,000,000	–	–	**52,000,000(3)**
Chan James	02.07.2013	–	15,000,000	–	–	**15,000,000(4)**
Li Qilin	02.07.2013	–	6,000,000	–	–	**6,000,000(4)**
Ma Wing Man	02.07.2010	1,000,000	–	–	–	**1,000,000(1)**
	20.09.2011	1,800,000	–	–	(600,000)	**1,200,000(2)**
	02.07.2013	–	6,000,000	–	–	**6,000,000(3)**
Chen Johnny	02.07.2010	1,000,000	–	–	–	**1,000,000(1)**
	20.09.2011	1,800,000	–	–	(600,000)	**1,200,000(2)**
	02.07.2013	–	6,000,000	–	–	**6,000,000(3)**
Lien Jown Jing, Vincent	02.07.2013	–	6,000,000	–	–	**6,000,000(4)**
Ng Sau Kei, Wilfred	02.07.2010	1,000,000	–	–	–	**1,000,000(1)**
	20.09.2011	1,800,000	–	–	(600,000)	**1,200,000(2)**
	02.07.2013	–	6,000,000	–	–	**6,000,000(3)**
Lee Wa Lun, Warren(6(iii))	02.07.2010	1,000,000(1)	–	(1,000,000)	–	**–**
	20.09.2011	1,800,000(5)	–	(1,200,000)	(600,000)	**–**
Li Chun(6(ii))	02.07.2010	1,000,000(1)	–	(1,000,000)	–	**–**
	20.09.2011	1,800,000(5)	–	(1,800,000)	–	**–**
Ip Shu Kwan, Stephen(6(i))	02.07.2010	1,000,000(1)	–	(1,000,000)	–	**–**
	20.09.2011	1,800,000(5)	–	(1,800,000)	–	**–**
		52,800,000	163,000,000	(7,800,000)	(10,400,000)	**197,600,000**
Other employees						
In aggregate	02.07.2010	3,400,000	–	–	–	**3,400,000(7)**
In aggregate	06.09.2010	7,960,000	–	–	–	**7,960,000(8)**
In aggregate	20.09.2011	30,990,000	–	(2,090,000)	(4,499,998)	**24,400,002(9)**
In aggregate	02.07.2013	–	103,200,000	(3,900,000)	–	**99,300,000(10)**
		42,350,000	103,200,000	(5,990,000)	(4,499,998)	**135,060,002**
Other grantees						
In aggregate	06.09.2010	2,400,000	–	–	–	**2,400,000(11)**
In aggregate	20.09.2011	24,400,000	–	–	(4,400,000)	**20,000,000(12)**
In aggregate	02.07.2013	–	114,500,000	–	–	**114,500,000(13)**
		26,800,000	114,500,000	–	(4,400,000)	**136,900,000**
		121,950,000	380,700,000	(13,790,000)	(19,299,998)	**469,560,002**

Notes:

(1) The share options are exercisable for a period of 5 years after vested subject to the vesting schedule in tranches of one-third each on the first, second and third anniversaries of the date of grant respectively.

(2) The share options are exercisable for a period of 2 years after vested subject to the vesting schedule in tranches of one-third each on the date of grant, the first anniversary of the date of grant and the second anniversary of the date of grant respectively and the first tranch lapsed in September 2013.

(3) The share options are exercisable for a period of 3 years after vested subject to the vesting schedule in tranches of one-forth each on 2 July 2013, 2 July 2014, 2 July 2015 and 2 July 2016 respectively.

(4) The share options are exercisable for a period of 3 years after vested subject to the vesting schedule in tranches of one-third each on 2 July 2014, 2 July 2015 and 2 July 2016 respectively.

(5) The share options are exercisable for a period of 2 years after vested subject to the vesting schedule of one-third each on the date of grant, the first anniversary of the date of grant and the second anniversary of the date of grant respectively.

(6) (i) Mr. Ip Shu Kwan, Stephen resigned as an independent non-executive Director with effect from 15 March 2013.
(ii) Mr. Li Chun retired as a non-executive Director with effect from 6 June 2013.
(iii) Mr. Lee Wa Lun, Warren retired as an executive Director with effect from 25 June 2013.

(7) The share options comprised the following: (i) 1,133,333 share options with exercisable period from 2 July 2011 to 1 July 2016; (ii) 1,133,333 share options with exercisable period from 2 July 2012 to 1 July 2017; and (iii) 1,133,334 share options with exercisable period from 2 July 2013 to 1 July 2018.

(8) The share options comprised the following: (i) 1,520,000 share options with exercisable period from 6 September 2011 to 5 September 2016; (ii) 1,520,000 share options with exercisable period from 6 September 2012 to 5 September 2017; (iii) 1,520,000 share options with exercisable period from 6 September 2013 to 5 September 2018; (iv) 2,200,000 share options with exercisable period from 6 September 2014 to 5 September 2019; and (v) 1,200,000 share options with exercisable period from 6 September 2015 to 5 September 2020.

(9) The share options as at 1 January 2013 comprised the following: (i) 4,529,998 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 8,496,666 share options with exercisable period from 20 September 2012 to 19 September 2014; (iii) 8,496,669 share options with exercisable period from 20 September 2013 to 19 September 2015; (iv) 5,166,667 share options with exercisable period from 20 September 2014 to 19 September 2016; and (v) 4,300,000 share options with exercisable period from 20 September 2015 to 19 September 2017. Following the cancellation and lapse of certain share options during the year, the number of share options under (i), (ii), (iii), (iv) and (v) of this note reduced to 0, 8,066,666, 8,066,669, 4,266,667 and 4,000,000 as at 31 December 2013.

(10) The share options as at the date of grant comprise the following: (i) 24,300,000 share options with exercisable period from 2 July 2013 to 1 July 2016; (ii) 26,300,000 share options with exercisable period from 2 July 2014 to 1 July 2017; (iii) 26,300,000 share options with exercisable period from 2 July 2015 to 1 July 2018; and (iv) 26,300,000 share options with exercisable period from 2 July 2016 to 1 July 2019. Following the cancellation of certain share options during the year, the number of share options under (ii), (iii) and (iv) of this note reduced to 25,000,000, 25,000,000 and 25,000,000 as at 31 December 2013, while the number of share options under (i) of this note remained unchanged as at 31 December 2013.

(11) The share options comprised the following: (i) 800,000 share options with exercisable period from 6 September 2011 to 5 September 2016; (ii) 800,000 share options with exercisable period from 6 September 2012 to 5 September 2017; and (iii) 800,000 share options with exercisable period from 6 September 2013 to 5 September 2018.

(12) The share options as at 1 January 2013 comprised the following: (i) 4,400,000 share options with exercisable period from 20 September 2011 to 19 September 2013; (ii) 6,000,000 share options with exercisable period from 20 September 2012 to 19 September 2014; (iii) 6,000,000 share options with exercisable period from 20 September 2013 to 19 September 2015; (iv) 4,800,000 share options with exercisable period from 20 September 2014 to 19 September 2016; and (v) 3,200,000 share options with exercisable period from 20 September 2015 to 19 September 2017. All share options under (i) of this note lapsed in September 2013, while the number of share options under (ii), (iii), (iv) and (v) of this note remained unchanged as at 31 December 2013.

(13) The share options granted comprise the following: (i) 26,000,000 share options with exercisable period from 2 July 2013 to 1 July 2016; (ii) 29,500,000 share options with exercisable period from 2 July 2014 to 1 July 2017; (iii) 29,500,000 share options with exercisable period from 2 July 2015 to 1 July 2018; and (iv) 29,500,000 share options with exercisable period from 2 July 2016 to 1 July 2019.

(14) The exercise prices of the share options are as follows:

Date of Grant	Exercise Price per Share (HK$)
02.07.2010	3.90
06.09.2010	4.15
20.09.2011	0.75
02.07.2013	0.50

(15) On 2 July 2013, the Company granted share options entitling subscription of a total of 380,700,000 Shares pursuant to the Scheme and the closing price of the Shares immediately before the date on which the aforesaid share options were granted was HK$0.4250. No share options were exercised during the year ended 31 December 2013.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long Positions in the Shares, underlying Shares and debenture of the Company

Name of Directors	Capacity	Number of Shares/ underlying Shares held Nature of Interest		Number of share options held[4]	Total interests	Approximate percentage of shareholding as at 31 December 2013
		Personal interests	Corporate interests			
Mr. LI Ning[3]	Interest of controlled corporation	–	8,212,443,151[1]	–		
	Beneficial owner	–	–	6,000,000	8,218,443,151	135.25%
Mr. CHAN Ling	Beneficial owner	21,487,669	–	74,000,000	95,487,669	1.57%
Mr. LI Chunyang	Beneficial owner	9,995,669	–	66,000,000	75,995,669	1.25%
Mr. CHAN James	Beneficial owner	–	–	15,000,000	15,000,000	0.25%
Mr. LI Qilin	Beneficiary of trusts	6,080,022,769[2]	–	–		
	Beneficial owner	–	–	6,000,000	6,086,022,769	100.16%
Mr. MA Wing Man	Beneficial owner	–	–	8,200,000	8,200,000	0.13%
Mr. CHEN Johnny	Beneficial owner	–	–	8,200,000	8,200,000	0.13%
Mr. LIEN Jown Jing, Vincent	Beneficial owner	–	–	6,000,000	6,000,000	0.10%
Mr. NG Sau Kei, Wilfred	Beneficial owner	3,400,000	–	8,200,000	11,600,000	0.19%

Notes:

1. Mr. Li Ning is deemed to be interested in an aggregate of 8,212,443,151 Shares through his interests in Lead Ahead, Victory Mind Assets and Dragon City, respectively, as follows:

   (a) 2,132,420,382 Shares are held by Lead Ahead, which is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun. Mr. Li Ning is also a director of Lead Ahead;

(b) the 2,328,582,769 Shares in which Victory Mind Assets is interested in comprise (i) 1,280,022,769 Shares held by Victory Mind Assets and (ii) 1,048,560,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds issued to Victory Mind Assets by the Company in November 2013 pursuant to the agreement dated 12 October 2012 (the "Acquisition Agreement") and the deed dated 30 August 2013 (the "Deed"), both entered into between the Company, Victory Mind Assets and Dragon City. Victory Mind Assets is owned as to 57% by Ace Leader Holdings Limited ("Ace Leader") and 38% by Jumbo Top Group Limited ("Jumbo Top"). All shares of Ace Leader are held by TMF (Cayman) Ltd. ("TMF") in its capacity as trustee of a discretionary trust. Mr. Li Ning is the settlor of the trust and is therefore deemed to be interested in such 2,328,582,769 Shares. Mr. Li Ning is a director of each of Victory Mind Assets and Ace Leader; and

(c) the 3,751,440,000 Shares in which Dragon City is interested in comprise (i) 2,400,000,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds issued to Dragon City by the Company in December 2012 and (ii) 1,351,440,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds issued to Dragon City by the Company in November 2013 pursuant to the Acquisition Agreement and the Deed. Dragon City is interested in such 3,751,440,000 Shares in its capacity as trustee of a unit trust, the units of which are owned as to 60% by Cititrust (Cayman) Limited ("Cititrust") and as to 40% by Cititrust, each as the trustee of separate trust. Mr. Li Ning is the 60% shareholder of Dragon City and a founder of the unit trust and is therefore deemed to be interested in such 3,751,440,000 Shares. Mr. Li Ning is a director of Dragon City.

2. See note 1(b) and note 1(c) under "Interests and short positions of substantial shareholders and other persons in the share capital of the Company" below.

3. Mr. Li Ning was also deemed to be interested in 1,807,850 shares (representing, as at 31 December 2013, approximately 0.13% shareholding interest in the share capital of Li Ning Co (which is, at the date of the relevant SFO filing, an associated corporation of the Company (within the meaning of Part XV of the SFO)) held by Alpha Talent Management Limited (a company wholly-owned by Mr. Li Ning) for the purpose of a share purchase scheme.

4. These represented the share options granted by the Company to the respective Directors, the details of which are provided in the section headed "Share Option Scheme" in this report.

Save as disclosed above, none of the Directors nor the chief executive of the Company had, as at 31 December 2013, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosures on the Company's share option scheme in the paragraph headed "Share Option Scheme" and the item (1) of the paragraph headed "Connected Transactions" of this report, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company or any of its subsidiaries, or its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as the disclosures in the item (1) of the paragraph headed "Connected Transactions" of this report, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholders or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2013, so far as was known to the Directors, the interests and short positions of the persons (other than the interests and short positions of the Directors or chief executive of the Company as disclosed above) in the shares and/or underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company are set out below:

Long Positions in the Shares and underlying Shares

Substantial Shareholders	Capacity	Number of Shares/ underlying Shares held	Approximate percentage of shareholdings as at 31 December 2013
Mr. LI Chun	Interest of controlled corporation	8,212,443,151[(1)]	135.15%
Lead Ahead[(2)]	Beneficial owner	2,132,420,382	35.09%
Victory Mind Assets[(3)]	Beneficial owner	2,328,582,769	38.32%
Ace Leader[(3)]	Interest in controlled corporation	2,328,582,769	38.32%
Jumbo Top[(3)]	Interest in controlled corporation	2,328,582,769	38.32%
TMF[(3)]	Trustee	2,328,582,769	38.32%
Dragon City[(4)]	Trustee	3,751,440,000	61.74%
Cititrust[(4)]	Trustee	3,751,440,000	61.74%
Other Persons			
Mr. MA Chi Seng	Beneficial owner	560,000,000[(5)]	9.22%

Notes:

1. Mr. Li Chun is deemed to be interested in an aggregate of 8,212,443,151 Shares through his interests in Lead Ahead, Victory Mind Assets and Dragon City, respectively, as follows:

   (a) 2,132,420,382 Shares are held by Lead Ahead, which is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun;

   (b) the 2,328,582,769 Shares in which Victory Mind Assets is interested in comprise (i) 1,280,022,769 Shares held by Victory Mind Assets and (ii) 1,048,560,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds issued to Victory Mind Assets by the Company in November 2013 pursuant to the Acquisition Agreement and the Deed. Victory Mind Assets is owned as to 57% by Ace Leader and 38% by Jumbo Top. All shares of Jumbo Top are held by TMF in its capacity as trustee of a discretionary trust. Mr. Li Chun is the settlor of the trust and is therefore deemed to be interested in such 2,328,582,769 Shares. Mr. Li Qilin is a beneficiary of the trust and is also therefore deemed to be interested in such 2,328,582,769 Shares. Mr. Li Chun is also a director of each of Victory Mind Assets and Jumbo Top; and

   (c) the 3,751,440,000 Shares in which Dragon City is interested in comprise (i) 2,400,000,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds issued to Dragon City by the Company in December 2012 and (ii) 1,351,440,000 Shares which may be issued on the basis of a full exercise of conversion rights attaching to the convertible bonds issued to Dragon City by the Company in November 2013 pursuant to the Acquisition Agreement and the Deed. Dragon City is interested in such 3,751,440,000 Shares in its capacity as trustee of a unit trust, the units of which are owned as to 60% by Cititrust and as to 40% by Cititrust, each as the trustee of a separate trust. Mr. Li Qilin is a beneficiary of one of the said separate trusts and is also therefore deemed to be interested in such 3,751,440,000 Shares. Mr. Li Chun is taken to be interested in 40% of the shares of Dragon City and is therefore deemed to be interested in such 3,751,440,000 Shares. Mr. Li Chun is a director of Dragon City.

2. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun. Mr. Li Ning is also a director of Lead Ahead.

3. See note 1(b) under "Interests and short positions of directors and the chief executive in the shares and underlying shares and debentures of the Company and its associated corporations" and note 1(b) above. For avoidance of doubt and double counting, it should be noted that Ace Leader, Jumbo Top and TMF are deemed to be interested in the 2,328,582,769 Shares which Victory Mind Assets is interested in.

4. See note 1(c) under "Interests and short positions of directors and the chief executive in the shares and underlying shares and debentures of the Company and its associated corporations" and note 1(c) above. Cititrust is deemed to be interested in the 3,751,440,000 Shares which Dragon City is interested in.

5. Mr. Ma Chi Seng is interested in 500,000,000 Shares and the share options of the Company entitling to subscribe for a total of 60,000,000 Shares.

As at 31 December 2013, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had any interests or short position in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as notified to the Company.

MANAGEMENT CONTRACTS

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

GROUP'S EMOLUMENT POLICY

The emolument policy of the employees of the Group is formulated on the basis of their merit, qualifications and competence and it is the Group's policy to compensate each employee fairly and equitably. The Group has a system for measuring employees' performance against agreed-upon goals with specific performance standards. Performance discussion is carried out on an ongoing basis and a formal evaluation is conducted once a year to review employees' overall performance, achievements, and areas in need of improvement. Salary review would be based on individual's performance and subject to Group's discretion.

The determination of remuneration packages of the Directors takes into consideration of the factors such as time commitment and responsibilities of the Directors and by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The details of remuneration payable to the Directors and senior management are set out in note 8 to the financial statements.

The existing share option scheme was adopted by the Company in 2010 as an incentive to directors and eligible participants, details of the scheme are set out in the paragraph headed "Share Option Scheme" on page 34 to 37 of this annual report.

CONNECTED TRANSACTIONS

The Company has entered into the following connected transactions (as defined under the GEM Listing Rules):

(1) Pursuant to a sale and purchase agreement dated 12 October 2012 (the "Acquisition Agreement") entered into between the Company and Victory Mind Assets and Dragon City as the vendors (the "Vendors"), the acquisition by the Company of 266,374,000 LN Shares, representing approximately 25.227% of the then issued share capital of Li Ning Co was completed in December 2012, for the aggregate consideration of HK$1,358,507,400, which was satisfied by the issuance to Victory Mind Assets, one of the Vendors, 1,780,022,769 Shares and to Dragon City, the other Vendor, unlisted initial convertible bonds with the principal amount of HK$780,000,000 (the "Initial Convertible Bonds") which are convertible at an initial conversion price of HK$0.325 per Share, subject to adjustment provided under the terms and conditions of the Initial Convertible Bonds.

Under the Acquisition Agreement, within the prescribed period after the end of each financial year of Li Ning Co ending 31 December 2013, 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2017 (the "Financial Year(s)"), if 25.227% of the amount of the profit attributable to equity holders of Li Ning Co for the relevant Financial Year multiplied by the P/E Ratio of 12 times exceeds the aggregate of HK$1,358,507,400 and the principal amount of unlisted earn-out convertible bonds (the "Earn-out Convertible Bonds") previously issued (if any) (the "Issue Amount"), the Company shall, after confirmation of the Issue Amount for the relevant Financial Year, issue to the Vendors the Earn-out Convertible Bonds, at the initial conversion price of HK$0.325 per Share, in the principal amount equal to the Issue Amount up to a maximum aggregate principal amount of HK$780,000,000.

The Company and the Vendors entered into the deed dated 30 August 2013 (the "Deed") to advance the timetable for the issuance of the Earn-out Convertible Bonds. Victory Mind Assets, a substantial shareholder of the Company. is indirectly held by the corporate trustee of two discretionary trusts, the beneficiaries of which include the respective family members of Mr. Li Ning and Mr. Li Chun. Dragon City is the trustee of a unit trust, the units of which are owned by two family trusts, the beneficiaries of which include the respective family members of Mr. Li Ning and Mr. Li Chun. As Mr. Li Ning is an executive Director, the Chairman and the Chief Executive Officer, Mr. Li Chun is a non-executive Director within the preceding 12 months, and the Vendors are associates of Mr. Li Ning and Mr. Li Chun, the Vendors are connected persons of the Company. Accordingly, the execution and the performance of the Deed by the Company constitute a connected transaction for the Company under the GEM Listing Rules.

Pursuant to the Deed, the Company issued the Earn-out Convertible Bonds in the principal amount of HK$340,782,000 to Victory Mind Assets and the Earn-out Convertible Bonds in the principal amount of HK$439,218,000 to Dragon City in November 2013.

The Vendors shall be subject to the certain undertaking under the Deed, details of which are set out in the announcement and the circular of the Company dated 30 August 2013 and 17 October 2013 respectively.

Before the issuance of the Earn-out Convertible Bonds, the contingent consideration which arose from the Earn-out Convertible Bonds which may be issued under the Acquisition Agreement is recognised as a financial liability and remeasured to fair value at each reporting date under the relevant Hong Kong Accounting Standards. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Factors affecting the fair value of the contingent consideration include but are not limited to the market price of the Shares and the volatility thereof and the consolidated financial results of LN Group. The Group might suffer from losses on change in fair value of the contingent consideration when the price of the Shares increases, which are not related to the operations of the Group and may significantly distort the financial performance of the Group.

Following the issuance of the Earn-out Convertible Bonds, the Company will no longer be required to recognise the contingent consideration. Upon issuance of such Earn-out Convertible Bonds, the fair value of the contingent consideration would be recognised entirely as equity as the Earn-out Convertible Bonds do not constitute a financial liability, thereby reducing the volatility of the Company's financial performance due to possible change in the fair value of the contingent consideration, which may enhance the readability of the financial statements of the Group since the financial performance would be more aligned with its business performance.

(2) Coolpoint Ventilation Equipment Limited ("Coolpoint Ventilation"), an indirect wholly-owned subsidiary of the Company, and 中山市神灣鎮房地產開發公司 (the "Purchaser"), a substantial shareholder of 中山市快意空調設備有限公司(transliterated as Zhongshan Coolpoint Ventilation Equipment Limited, the "Coolpoint Zhongshan"), entered into an agreement dated 24 January 2014 (the "Sale and Purchase Agreement") in relation to the sale (the "Disposal") of 76.9% of the entire equity interests of Coolpoint Zhongshan by Coolpoint Ventilation to the Purchaser at a consideration (the "Consideration") of RMB5,230,000, subject to adjustments for any accrued or outstanding taxes and payables incurred by Coolpoint Zhongshan prior to completion and the relevant transaction expenses and taxes arising from the Disposal. The Purchaser was a connected person of the Company under the GEM Listing Rules. The Disposal constitutes a connected transaction of the Company under the GEM Listing Rules and details of which are set out in the announcement of the Company dated 24 January 2014. Following the Disposal, the Company will direct its focus to concentrate more on its sports related and community development businesses.

As at the date of this report, Coolpoint Ventilation has received from the Purchaser RMB2,610,000, being part of the Consideration. Completion of the Sale and Purchase Agreement shall take place upon issuance of the written confirmation to the Purchaser by Coolpoint Ventilation confirming the receipt of full payment of the Consideration.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out on pages 44 to 52 of this annual report.

The compliance officer of the Company is Mr. Chan Ling whose biographical details are set out on page 6 of this annual report. The company secretary of the Company is Mr. Ho Kim Ching. Mr. Ho has over 11 years of experience in accounting and finance industry. He is a certified public accountant of the United States and a charterholder of the Chartered Financial Analyst designation.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 December 2013, the Directors are not aware of any business or interest of the Directors, the controlling shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors' knowledge, as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the GEM Listing Rules.

AUDITORS

In August 2013, Ernst & Young resigned as auditors of the Company and PricewaterhouseCoopers were appointed by the Board to fill in such casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company. There have been no other changes of auditors in the past three years.

The financial statements of the Company for the year under review have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company for the ensuing year will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board

Li Ning
Chairman and Chief Executive Officer

Hong Kong, 24 March 2014

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standard of corporate governance. Throughout the financial year ended 31 December 2013, the Company had complied with the code provisions in the Corporate Governance Code ("CG Code") as set out in Appendix 15 of the GEM Listing Rules, save for the disclosure below.

The code provision A2.1 of the CG Code stipulates that the role of the chairman and the chief executive officer should be separated and should not be performed by the same individual. Mr. Li Ning holds both the positions of the Chairman and the Chief Executive Officer. Taking into account of Mr. Li's expertise and insight of the sports field, having these two roles performed by Mr. Li enables more effective and efficient overall business planning and implementation of business decisions and strategies of the Group. The Board believes that the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and adequate independent element in the composition of the Board, with one-third of them being independent non-executive Directors.

In respect of the code provision A6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend the general meetings of the Company. One of the independent non-executive Directors was unable to present at the extraordinary general meeting of the Company held on 13 March 2013 as he had overseas engagement and another independent non-executive Director was unable to attend the annual general meeting of the Company on 25 June 2013 due to illness.

The application of the relevant principles of the CG Code is stated in the following sections.

BOARD OF DIRECTORS

The Company is governed by the Board, which has the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's affairs and activities with a view to develop its business and to enhance shareholders' value. There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

The Board currently comprises of three executive Directors (the "Executive Directors"), three non-executive Directors (the "Non-executive Directors") and three independent non-executive Directors (the "Independent Non-executive Directors"). Mr. Li Ning has been appointed as the Chief Executive Officer with effect from 22 May 2013. Mr. Chan Ling has been appointed as the Chief Operating Officer with effect from 22 May 2013.

The Board has a balance of skills and experience and a balanced composition of Executive Directors and Non-executive Directors.

Chairman and Chief Executive Officer

The Chairman takes the lead to oversee the Board functions and the direction of the Group. During the year, the Chairman of the Board is Mr. Li Ning. Mr. Li Ning took the role of Chief Executive Officer with effect from 22 May 2013 to further align the management expertise of the Board to complement with the Group's core strategies to pursue opportunities along the sports value chain.

Non-Executive Directors

All Non-executive Directors and Independent Non-executive Directors are appointed for a term of three years. In addition, all Directors are subject to retirement by rotation at least once every three years in accordance with the Company's articles of association.

Independent Non-Executive Directors

The current Independent Non-executive Directors are Mr. Chen Johnny, Mr. Lien Jown Jing, Vincent and Mr. Ng Sau Kei, Wilfred. The Independent Non-executive Directors help the management to formulate the Group's development strategies, ensure the Board prepares its financial and other mandatory reports in strict compliance with required standards, and ensure the Company maintains appropriate system to protect the interests of the Company and the Shareholders. The Company received the annual confirmation from the Independent Non-executive Directors in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considered all the Independent Non-executive Directors as independent.

Minimum Number of Independent Non-Executive Directors

Following the resignation of Mr. Ip Shu Kwan, Stephen with effect from 15 March 2013, the number of Independent Non-executive Directors had fallen below the minimum number required under Rules 5.05(1) and 5.05A of the GEM Listing Rules. On 6 June 2013, Mr. Lien Jown Jing, Vincent was appointed as an Independent Non-executive Director. Upon the appointment of Mr. Lien, the Company has three Independent Non-executive Directors, representing at least one-third of the Board, which is in full compliance with the requirements under Rules 5.05(1) and Rule 5.05A of the GEM Listing Rules.

Board Composition and Board Processes

Directors make their best efforts to contribute to the formulation of strategy, policies and decision-making by attending the Board meetings in person or via telephone conference facilities. During regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, monitor financial performance and review the financial results of the Group. Additional Board meetings may be convened for considering and approving other significant matters. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

The composition of the Board together with the information in relation to the number of meetings of the Board and each of its committees, namely, the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the executive committee (the "Executive Committee"), and general meetings of the Company held during the year 2013 and the attendance of each Director are set out in the following table:

	Meetings held in 2013						
	Board (Notes 1, 2, 5, 6, 7, 8 & 9)	**Audit Committee** (Notes 1, 2 & 7)	**Remuneration Committee** (Notes 1, 2, 3 & 7)	**Nomination Committee** (Notes 1, 2 & 4)	**Executive Committee** (Note 1)	**Annual General Meeting** (Notes 1, 2, 5, 6, 7, 8 & 9)	**Extraordinary General Meeting** (Notes 1, 2, 5, 6, 7, 8 & 9)
Number of meetings	**8**	**4**	**2**	**1**	**6**	**1**	**2**
Executive Directors							
Mr. Li Ning *(Chairman & Chief Executive Officer)**	8/8			1/1	6/6	1/1	1/2
Mr. Chan Ling *(Chief Operating Officer)*	8/8		2/2		6/6	1/1	1/2
Mr. Li Chunyang	8/8				6/6	1/1	2/2
Mr. Lee Wa Lun, Warren (retired on 25 June 2013)	1/4					0/1	1/1
Non-executive Directors							
Mr. Chan James (appointed with effect from 28 June 2013)	4/4					N/A	1/1
Mr. Li Qilin (appointed with effect from 6 June 2013)*	4/4					1/1	1/1
Mr. Ma Wing Man	8/8	4/4				1/1	2/2
Mr. Li Chun (retired with effect from 6 June 2013)*	4/4					N/A	1/1
Independent Non-executive Directors							
Mr. Chen Johnny	7/8	4/4	2/2	1/1		1/1	1/2
Mr. Lien Jown Jing, Vincent (appointed with effect from 6 June 2013)	3/4	2/2	N/A			1/1	1/1
Mr. Ng Sau Kei, Wilfred	7/8	4/4	2/2	1/1		0/1	2/2
Mr. Ip Shu Kwan, Stephen (resigned with effect from 15 March 2013)	1/1	N/A	N/A	N/A		N/A	1/1

* Mr. Li Qilin is the son of Mr. Li Chun, a retired Director and the nephew of Mr. Li Ning, an Executive Director, the Chief Executive Officer and the Chairman.

Notes:

1. The attendance figure represents actual attendance/the number of meetings a Director is entitled to attend.

2. Mr. Ip Shu Kwan, Stephen resigned as an Independent Non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee with effect from 15 March 2013.

3. Mr. Ng Sau Kei, Wilfred has been appointed as the chairman of the Remuneration Committee with effect from 15 March 2013.

4. Mr. Chen Johnny has been appointed as a member of the Nomination Committee with effect from 15 March 2013.

5. Mr. Li Chun retired as a Non-executive Director with effect from 6 June 2013.

6. Mr. Li Qilin has been appointed as a Non-executive Director with effect from 6 June 2013.

7. Mr. Lien Jown Jing, Vincent has been appointed as an Independent Non-executive Director and a member of each of the Remuneration Committee and the Audit Committee with effect from 6 June 2013.

8. Mr. Lee Wa Lun, Warren has retired as an Executive Director with effect from 25 June 2013.

9. Mr. Chan James has been appointed as a Non-executive Director with effect from 28 June 2013.

Directors' Continuous Professional Development

The Directors are encouraged to enroll in relevant professional development programme to ensure that they are aware of their responsibilities under the legal and regulatory requirements applicable to the Company. During the year, the Company has also arranged training on compliance of the GEM Listing Rules, including a seminar on the amendments to the GEM Listing Rules in the year 2013 and disclosures of inside information, to the Directors and senior management for continuous professional development of their knowledge and skills in performance of their functions. In addition, briefings on directors' duties were given to the newly appointed Directors.

The Company maintains records of training attended by the Directors. The training attended by the Directors during the year are as follows:

	Training received (note)
Executive Directors	
Mr. Li Ning *(Chairman & Chief Executive Officer)*	1 & 2
Mr. Chan Ling *(Chief Operating Officer)*	1 & 2
Mr. Li Chunyang	1 & 2
Mr. Lee Wa Lun, Warren (retired with effect from 25 June 2013)	N/A
Non-executive Directors	
Mr. Chan James	1 & 2
Mr. Li Qilin	1 & 2
Mr. Ma Wing Man	1 & 2
Mr. Li Chun (retired with effect from 6 June 2013)	N/A
Independent Non-executive Directors	
Mr. Chen Johnny	1 & 2
Mr. Lien Jown Jing, Vincent (appointed with effect from 6 June 2013)	1 & 2
Mr. Ng Sau Kei, Wilfred	1(b) & 2
Mr. Ip Shu Kwan, Stephen (resigned with effect from 15 March 2013)	N/A

Notes:

1. corporate governance, laws, rules or regulations

   (a) seminar

   (b) reading materials

2. reading materials in relation to management and other relevant professional skills

Directors' Securities Transactions

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code for dealing in securities of the Company by the Directors.

The Company has made specific enquiry with all Directors, and the Directors have confirmed compliance with the Required Standard during the year ended 31 December 2013.

Specific employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with the same Required Standard. No incident of non-compliance was noted by the Company for the year ended 31 December 2013.

Liability Insurance for the Directors

The Company has in force appropriate insurance coverage on directors' and officers' liabilities arising from the Group's business. The Company reviews the extent of insurance coverage on an annual basis.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee as integral elements of good corporate governance and to oversee relevant aspects of the Company's affairs. The authorities and duties of the committees are set out in their respective terms of reference. More details of these committees are set out in separate sections in this report.

The terms of reference adopted by the Board for the Audit Committee, the Remuneration Committee and the Nomination Committee in accordance with the requirements of the CG Code are published on the websites of the Company and the Stock Exchange.

Nomination Committee

The Nomination Committee was established by the Board with written terms of reference. The Nomination Committee is responsible for identifying potential new Directors and recommends to the Board for decision. The current Nomination Committee is chaired by Mr. Li Ning, the Chairman and Executive Director. The other members of the Nomination Committee are Mr. Chen Johnny and Mr. Ng Sau Kei, Wilfred, both are Independent Non-executive Directors.

Under the articles of association of the Company, all Directors are subject to retirement by rotation and re-election by Shareholders every three years. A Director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment in case of the appointment of additional Director or at the first general meeting after his appointment in case of filling of casual vacancy.

During the year, the Nomination Committee has reviewed the structure, size and composition of the Board, assessed the potential candidates based on a range of diversity perspectives, including their academic qualifications and experience and the independence of the new Independent Non-executive Director and recommended to the Board for approval of appointment of Directors. Three new Directors were appointed during the year ended 31 December 2013.

The Company recognizes the importance of board diversity which is beneficial for the enhancement of the Company's performance. The Board has adopted a board diversity policy (the "Board Diversity Policy") in accordance with the requirement set out in Code Provision A.5.6 of the CG Code with effect from 12 August 2013 and discussed all measurable objectives set for implementing the policy. With the adoption of the Board Diversity Policy, the Nomination Committee's role was expanded to include monitoring the implementation of the policy and review the same as appropriate.

Summary and Measurable Objectives of the Board Diversity Policy

The Nomination Committee reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new Directors. In designing and reviewing the Board's composition, the Nomination Committee will consider from a number of aspects. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In June 2013, the Company was pleased to welcome Mr. Chan James, Mr. Lien Jown Jing, Vincent and Mr. Li Qilin to the Board. With Mr. Lien and Mr. Li's experience in financial services and Mr. Chan's professional knowledge in property industry, they all add diversity to the Board.

Remuneration Committee

The Company established the Remuneration Committee on 1 August 2005 with written terms of reference. The Remuneration Committee is primarily responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of all Directors and senior management. The Board has adopted the operation model, where the Remuneration Committee has duties to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management. The written terms of reference include the specific duties of making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, having the delegated responsibility to determine the remuneration packages of all Executive Directors and senior management and making recommendations to the Board of the remuneration of Non-executive Directors.

The Remuneration Committee currently comprises three Independent Non-executive Directors, Mr. Ng Sau Kei, Wilfred (chairman of the Remuneration Committee), Mr. Lien Jown Jing, Vincent and Mr. Chen Johnny and one Executive Director, Mr. Chan Ling.

The determination of remuneration packages of the Directors takes into consideration of the factors such as time commitment and responsibilities of the Directors and by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. During the year, the Remuneration Committee reviewed the remuneration packages of the Directors and determined the remuneration packages of Executive Directors.

Executive Committee

The Executive Committee was established by the Board with specific terms of reference. The committee currently comprises three Executive Directors, Mr. Li Ning (chairman of the Executive Committee), Mr. Chan Ling and Mr. Li Chunyang. The primary duties of the Executive Committee are to propose and implement business strategies and plans for the Group, monitor the operations of Group companies and approve matters relating to their day-to-day operations.

The Executive Committee is responsible for performing the corporate governance duties which include the development and review of the Company's policies and practices on corporate governance, review and monitor the training and continuous professional development of Directors and senior management and review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company. During the year, the members of the Executive Committee considered and reviewed the compliance and disclosure in the corporate governance report of the Company as required under the GEM Listing Rules.

Audit Committee

The Audit Committee was formed on 17 March 2000 with written terms of reference. The primary duties of the Audit Committee are to review the Company's internal control procedures, annual reports, financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board.

The Audit Committee currently comprises three Independent Non-executive Directors, Mr. Chen Johnny (chairman of the Audit Committee), Mr. Lien Jown Jing, Vincent and Mr. Ng Sau Kei, Wilfred and one Non-executive Director, Mr. Ma Wing Man. This annual report has been reviewed by the Audit Committee.

During the year, the committee members met together to review the quarterly reports, half-year report and annual report before submission to the Board. The financial controller of the Company was also invited to attend these meetings in order to give a full account of the financial statements of the Group. The Audit Committee also reviewed (i) the changes in accounting standards and their impact on the Company's financial reporting; (ii) the internal audit plan and reports; and (iii) the change of external auditors and their remuneration.

COMPANY SECRETARY

Mr. Ho Kim Ching has been appointed by the Board as the company secretary of the Company since June 2010. During the year, he has duly complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company.

In preparing the accounts for the year ended 31 December 2013, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgments and estimates that are appropriate, and prepared the accounts on a going concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditors' report on page 53 of this report.

AUDITORS' REMUNERATION

During the year ended 31 December 2013, the total fees paid and payable to Ernst & Young, the previous external auditors of the Company in relation to other services for the period from 1 January 2013 to 5 August 2013, amounted to HK$992,000. The sum for other services included HK$605,000 for accountant's report in relation to the issue of a circular to shareholders, HK$102,000 for tax services and HK$285,000 for a review of the Group's quarterly results for the three months ended 31 March 2013. Ernst & Young resigned as external auditors of the Company with effect from 6 August 2013 and PricewaterhouseCoopers was appointed to fill its casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company.

During the year ended 31 December 2013, the total fee paid and payable to PricewaterhouseCoopers in relation to the audit and other services for the financial year ended 31 December 2013, amounted to HK$2,800,000 and HK$688,000 respectively. The sum for other services included HK$528,000 for the review of the Group's interim results for the six months ended 30 June 2013 and the quarterly results for the nine months ended 30 September 2013 and HK$160,000 for tax services..

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has established the Group's internal control policies and procedures for monitoring the internal control system.

The internal control system of the Group is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. The Group has engaged an external professional consultancy company to assess the internal control risks which may arise from the Group's operation. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

Based on the reviews performed by the management and comment from the external auditors and the Audit Committee, the Board is of the view that the Group's internal control system is adequate for the year ended 31 December 2013. The Board will continue to assess the effectiveness of internal controls by considering reviews to be performed by the Audit Committee, executive management, auditors and external professional consultant that the Group may engage.

SHAREHOLDERS' RIGHTS AND INVESTORS' RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to the Shareholders and the investors. The Board strives to encourage and maintain constant dialogue with its shareholders through various means.

Procedures for requisitioning an extraordinary general meeting and for putting forward proposals at general meetings

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company signed and deposited in accordance with the Article 64 of the Company's articles of association, require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in the requisition.

Shareholder(s) may propose a candidate for election as a Director at any general meetings of the Company by a requisition signed by the shareholder (other than the person to be proposed) of his intention to propose such person for election as a Director together with a notice signed by the person to be proposed of his willingness to be elected in accordance with the Article 113 of the Company's articles of association.

The articles of association of the Company set out the procedures for the Shareholders to convene general meetings, to move a resolution at general meetings and propose a person for election as a Director are available for viewing at the Company's corporate website www.vivachina.hk.

Procedures by which enquiries may be put to the Board

General meetings of the Company provide a direct forum of communication between Shareholders and the Board. Shareholders may at any time send their enquiries to the Board in writing through the company secretary of the Company whose contact is as follow:

Address: Room 3602–06, 36/F, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Telephone: 37961111
Fax: 37961100
Email: info@vivachina.hk

The company secretary of the Company shall forward the Shareholders' enquiries to the Board, where appropriate to answer the Shareholders' questions.

Communication with Shareholders

An extraordinary general meeting of the Company was held on 13 March 2013 (the "EGM I") to consider the ordinary resolutions approving the subscription and underwriting of convertible securities in the Li Ning Open Offer and the mandate to the Directors regarding the acquisition of LN Shares. A notice convening the EGM I contained in the circular dated 25 February 2013 was despatched to the Shareholders. The chairman of the EGM I made himself available to answer the questions from the Shareholders and explained detailed procedures for conducting a poll. The ordinary resolutions proposed at the EGM I were passed by the Shareholders by way of poll.

An annual general meeting of the Company was held on 25 June 2013 (the "2013 AGM"). A notice convening the 2013 AGM contained in the circular dated 23 March 2013 was despatched to the Shareholders together with the Annual Report 2012. The relevant supplemental circular dated 7 June 2013 was also despatched to the Shareholders. The Chairman of the Board and members of the committees of the Company (as appropriate) attended the 2013 AGM to answer the questions from the Shareholders. Ernst & Young, the then external auditors of the Company, attended the 2013 AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence. The Chairman explained detailed procedures for conducting a poll. All the resolutions proposed at the 2013 AGM, including (i) the adoption of the audited financial statements of the Company and the reports of the Directors and the auditors of the Company for the year ended 31 December 2012; (ii) the re-election of certain Directors and the authorisation to the Board to fix the Directors' remunerations; (iii) the re-appointment of auditors of the Company and the authorisation to the Board to fix their remuneration; and (iv) the granting to Directors the general mandates to issue and repurchase Shares, were passed by the Shareholders by way of poll.

Moreover, an extraordinary general meeting of the Company was held on 4 November 2013 (the "EGM II") to consider the ordinary resolutions approving the connected transaction in relation to the advanced issuance of the Earn-out Convertible Bonds and the refreshment of the scheme mandate limit under the share option scheme of the Company. A notice convening the EGM II contained in the circular dated 17 October 2013 was despatched to the Shareholders. The chairman of the EGM II made himself available to answer the questions from the Shareholders and explained detailed procedures for conducting a poll. The ordinary resolutions proposed at the EGM II were passed by the independent Shareholders and the Shareholders (as the case may be) by way of poll.

The poll results of the EGM I, the 2013 AGM and the EGM II were published on the websites of the Stock Exchange and the Company.

Changes in the Constitutional Documents

There was no significant change in the constitutional documents of the Company during the year 2013.

A notice for the forthcoming annual general meeting of the Company will be published on the websites of the Stock Exchange and the Company and despatched together with the Annual Report 2013 to the Shareholders as soon as practicable in accordance with the articles of association of the Company and the CG Code.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Viva China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Viva China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 116, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 24 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	5	**125,162**	68,191
Cost of sales		**(104,640)**	(31,316)
Gross profit		**20,522**	36,875
Other income and gains, net	5	**109,178**	48,994
Selling and distribution expenses		**(31,212)**	(25,424)
Administrative and other operating expenses		**(138,230)**	(151,899)
Impairment of goodwill	17	**(269,758)**	(155,434)
Fair value loss on derivative financial liabilities	29	**(156,000)**	–
Finance costs	6	**(264)**	(82)
Share of losses of an associate	21	**(179,999)**	(49,118)
Loss before income tax	7	**(645,763)**	(296,088)
Income tax	10	**4,570**	12,762
Loss for the year		**(641,193)**	(283,326)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss			
– Share of other comprehensive income/(loss) of an associate		**218**	(96)
– Exchange differences on translation of foreign operations		**93,878**	1,713
Other comprehensive income, net of tax, may be reclassified subsequently to profit or loss, net of income tax of nil		**94,096**	1,617
Total comprehensive loss for the year		**(547,097)**	(281,709)
Loss attributable to:			
– Equity shareholders of the Company	11	**(640,919)**	(282,595)
– Non-controlling interests		**(274)**	(731)
		(641,193)	(283,326)
Total comprehensive loss attributable to:			
– Equity shareholders of the Company		**(546,863)**	(280,995)
– Non-controlling interests		**(234)**	(714)
		(547,097)	(281,709)
LOSS PER SHARE			
Basic and diluted (HK cents)	12	**(10.70)**	(7.16)

The notes on pages 61 to 116 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**63,532**	9,648
Investment properties	15	**226,176**	285,200
Prepaid land lease payments	16	**21,993**	–
Goodwill	17	**–**	269,758
Other intangible assets	18	**–**	14,434
Investment in an associate	21	**3,018,078**	2,594,471
Deposits paid		**1,617**	969
Derivative financial asset	29	**–**	37,572
Deferred tax assets	30	**7,507**	7,273
Total non-current assets		**3,338,903**	3,219,325
CURRENT ASSETS			
Inventories	22	**14,419**	–
Trade receivables	23	**34,425**	17,926
Prepayments, deposits and other receivables	24	**157,805**	146,222
Deposit paid for acquisition of a land use right	19	**–**	230,000
Derivative financial asset	29	**61,000**	–
Pledged deposit	25	**19,200**	124,000
Cash and bank balances	25	**827,530**	932,409
		1,114,379	1,450,557
Assets of a disposal group classified as held for sale	13	**7,278**	7,460
Total current assets		**1,121,657**	1,458,017
CURRENT LIABILITIES			
Trade payables	26	**21,232**	15,417
Other payables and accruals	27	**36,874**	153,963
Receipts in advance		**11,987**	10,737
Bank and other loans	28	**12,929**	744
Derivative financial liabilities	29	**–**	62
Income tax payable		**48,910**	47,472
		131,932	228,395
Liabilities of a disposal group classified as held-for-sale	13	**3,370**	2,513
Total current liabilities		**135,302**	230,908
NET CURRENT ASSETS		**986,355**	1,227,109
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,325,258**	4,446,434

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	30	–	4,445
Derivative financial liabilities	29	–	984,000
Total non-current liabilities		–	988,445
Net assets		**4,325,258**	3,457,989
EQUITY			
Equity attributable to equity shareholders of the Company			
Issued capital	31	**303,820**	279,820
Perpetual convertible bonds	33	**2,094,526**	955,480
Reserves	34(a)	**1,924,456**	2,219,999
		4,322,802	3,455,299
Non-controlling interests		**2,456**	2,690
Total equity		**4,325,258**	3,457,989

Li Ning
Chairman and Chief Executive Officer

Chan Ling
Executive Director and Chief Operating Officer

The notes on pages 61 to 116 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As of 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,275**	2,013
Investments in subsidiaries	20	**3,509,649**	2,946,013
Derivative financial asset	29	**–**	37,572
Deposits paid		**1,617**	969
Total non-current assets		**3,512,541**	2,986,567
CURRENT ASSETS			
Due from subsidiaries	20	**712,992**	863,583
Derivate financial asset	29	**61,000**	–
Prepayments, deposits and other receivables	24	**1,144**	1,350
Pledged deposit	25	**19,200**	–
Cash and bank balances	25	**291,645**	595,397
Total current assets		**1,085,981**	1,460,330
CURRENT LIABILITIES			
Due to subsidiaries	20	**249,876**	19,431
Accruals	27	**4,229**	4,679
Derivative financial liabilities	29	**–**	62
Total current liabilities		**254,105**	24,172
NET CURRENT ASSETS		**831,876**	1,436,158
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,344,417**	4,422,725
NON-CURRENT LIABILITIES			
Derivative financial liabilities	29	**–**	984,000
Net assets		**4,344,417**	3,438,725
EQUITY			
Issued capital	31	**303,820**	279,820
Perpetual convertible bonds	33	**2,094,526**	955,480
Reserves	34(b)	**1,946,071**	2,203,425
Total equity		**4,344,417**	3,438,725

Li Ning
Chairman and Chief Executive Officer

Chan Ling
Executive Director and Chief Operating Officer

The notes on pages 61 to 116 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

		Attributable to equity shareholders of the Company										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Perpetual convertible bonds HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012		190,818	2,256,863	–	61,102	6,520	–	–	(435,438)	2,079,865	3,116	2,082,981
Loss for the year		–	–	–	–	–	–	–	(282,595)	(282,595)	(731)	(283,326)
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of foreign operations		–	–	–	–	1,696	–	–	–	1,696	17	1,713
Share of other comprehensive loss of an associate		–	–	–	–	–	–	–	(96)	(96)	–	(96)
Total comprehensive income/(loss) for the year		–	–	–	–	1,696	–	–	(282,691)	(280,995)	(714)	(281,709)
Issue of shares	31(c)	89,002	609,299	–	–	–	–	–	–	698,301	–	698,301
Share issue expenses	31(c)	–	(1,358)	–	–	–	–	–	–	(1,358)	–	(1,358)
Acquisition of non-controlling interests		–	–	–	–	–	–	(1,671)	–	(1,671)	288	(1,383)
Issue of perpetual convertible bonds	33	–	–	955,480	–	–	–	–	–	955,480	–	955,480
Equity-settled share option arrangements	32(a)	–	–	–	5,677	–	–	–	–	5,677	–	5,677
Transfer to statutory reserve	34(a)(iii)	–	–	–	–	–	1,281	–	(1,281)	–	–	–
Transfer of share option reserve upon the forfeiture or expiry of share options	34	–	–	–	(14,276)	–	–	–	14,276	–	–	–
At 31 December 2012 and 1 January 2013		**279,820**	**2,864,804***	**955,480**	**52,503***	**8,216***	**1,281***	**(1,671)***	**(705,134)***	**3,455,299**	**2,690**	**3,457,989**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(640,919)**	**(640,919)**	**(274)**	**(641,193)**
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**93,838**	**–**	**–**	**–**	**93,838**	**40**	**93,878**
Share of other comprehensive income of an associate		**–**	**–**	**–**	**–**	**218**	**–**	**–**	**–**	**218**	**–**	**218**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**94,056**	**–**	**–**	**(640,919)**	**(546,863)**	**(234)**	**(547,097)**
Issue of shares	31(d)	**24,000**	**216,000**	**–**	**–**	**–**	**–**	**–**	**–**	**240,000**	**–**	**240,000**
Share issue expenses	31(d)	**–**	**(324)**	**–**	**–**	**–**	**–**	**–**	**–**	**(324)**	**–**	**(324)**
Issue of perpetual convertible bonds	33	**–**	**–**	**1,139,046**	**–**	**–**	**–**	**–**	**–**	**1,139,046**	**–**	**1,139,046**
Share of associate's reserve		**–**	**–**	**–**	**5,584**	**–**	**–**	**–**	**–**	**5,584**	**–**	**5,584**
Equity-settled share option arrangements	32(a)	**–**	**–**	**–**	**30,060**	**–**	**–**	**–**	**–**	**30,060**	**–**	**30,060**
Transfer of share option reserve upon the forfeiture or expiry of share options		**–**	**–**	**–**	**(3,403)**	**–**	**–**	**–**	**3,403**	**–**	**–**	**–**
At 31 December 2013		**303,820**	**3,080,480***	**2,094,526**	**84,744***	**102,272***	**1,281***	**(1,671)***	**(1,342,650)***	**4,322,802**	**2,456**	**4,325,258**

* These reserve accounts comprise the consolidated reserves of HK$1,924,456,000 (2012: HK$2,219,999,000) in the consolidated statement of financial position.

The notes on pages 61 to 116 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(645,763)**	(296,088)
Adjustments for:			
Finance costs	6	**264**	82
Share of losses of an associate	21	**179,999**	49,118
Bank interest income	5	**(9,320)**	(18,167)
Fair value loss on derivative financial liabilities	29	**156,000**	–
Fair value (gain)/loss on investment properties	15	**(6,446)**	10,427
Fair value gain on derivative financial asset	29	**(62,543)**	(23,839)
(Gain)/loss on disposal of items of property, plant and equipment	7	**(160)**	51
Depreciation	14	**6,505**	4,109
Amortisation of prepaid land lease payments	16	**313**	159
Amortisation of other intangible assets	18	**4,897**	15,298
Write-back of inventories to net realisable value	7	**(895)**	(53)
Unrealised underwriting profit		**4,697**	–
Derecognition of warrant	29	**(62)**	–
Impairment of goodwill	17	**269,758**	155,434
Impairment of trade receivables	23	**–**	459
Impairment of other deposits	7	**13**	663
Impairment of other intangible assets	18	**9,537**	34,296
Equity-settled share option expenses	32(a)	**30,060**	5,677
		(63,146)	(62,374)
(Increase)/decrease in inventories		**(13,524)**	2,515
Increase in trade receivables		**(16,267)**	(6,954)
Increase in prepayments, deposits and other receivables		**(9,489)**	(3,030)
Increase in long-term deposits paid		**(648)**	–
Increase in trade payables		**5,815**	10,840
Increase/(decrease) in other payables and accruals		**3,392**	(8,789)
Increase/(decrease) in receipts in advance		**1,249**	(1,613)
Increase in an amount due to a non-controlling equity holder		**881**	879
Profit guarantee received	29	**39,721**	16,698
Cash used in operations		**(52,016)**	(51,828)
Income tax paid		**–**	(4,349)
Net cash flows used in operating activities		**(52,016)**	(56,177)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**8,679**	16,952
Purchases of items of property, plant and equipment	14	**(7,271)**	(2,072)
Proceeds from disposal of items of property, plant and equipment		**160**	17
Acquisition of convertible securities of an associate	21	**(513,656)**	–
Share issue expenses in relation to acquisition of an associate	31(c)	**–**	(1,358)
Direct transaction costs attributable to the acquisition of an associate		**(2,186)**	(5,843)
Direct transaction costs attributable to issue of perpetual convertible bonds	33	**(954)**	(62)
Return of deposit paid for acquisition of a land use right	19	**230,000**	–
Additions to investment properties		**(921)**	(13,353)
Advance payment paid to an independent third party	24	**–**	(124,000)
Advance payment received from an independent third party	27	**–**	124,000
Refund of advance payment received from an independent third party		**(127,000)**	–
Release of the pledged deposit		**127,000**	–
Deposits pledged with banks	25	**(19,200)**	(124,000)
Net cash flows used in investing activities		**(305,349)**	(129,719)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	6	**(264)**	(82)
New bank and other loans		**12,828**	–
Acquisition of non-controlling interests		**–**	(1,383)
Repayment of other loan		**(744)**	(496)
Proceeds from issue of new ordinary shares	31(d)	**240,000**	–
Share issue expenses	31(d)	**(324)**	–
Net cash flows from/(used in) financing activities		**251,496**	(1,961)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(105,869)**	(187,857)
Cash and cash equivalents at beginning of year			
– Cash and bank balance as stated in the statement of financial position		**932,409**	1,120,724
– Cash and bank balance attributable to a disposal group classified as held for sale		**502**	–
Effect of foreign exchange rate changes, net		**684**	44
CASH AND CASH EQUIVALENTS AT END OF YEAR		**827,726**	932,911
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**226,074**	147,413
Non-pledged time deposits with original maturity of less than three months when acquired	25	**601,456**	784,996
Cash and bank balances as stated in the statement of financial position	25	**827,530**	932,409
Cash and bank balances attributable to a disposal group classified as held for sale	13	**196**	502
Cash and cash equivalents as stated in the statement of cash flows		**827,726**	932,911

The notes on pages 61 to 116 are an integral part of these financial statements.

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and the ordinary shares of which are listed on GEM.

During the year, the Group were involved in the following principal activities:

- production and distribution of sports content, management and marketing of sports talents and provision of sports consultancy services;
- property development and investment, research and development, manufacturing and marketing of construction materials, development of sports communities and provision of consultancy and subcontracting services; and
- development, manufacturing, marketing and installation of energy-saving air conditioning systems and water heating equipment.

Li Ning Co is an associated company of the Group, whose principal activities include brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the PRC.

These financial statements are presented in HK dollars, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments, which are carried at fair value.

Disposal group held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.3. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and do not have a material impact on the Group:

Amendment to HKAS 1, 'Presentation of financial statements – Presentation of items of other comprehensive income', requires to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The Group's presentation of other comprehensive income in these consolidated financial statements has been modified accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policy and disclosures (Continued)

(a) New and amended standards adopted by the Group (Continued)

Amendment to HKFRS 7, 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities', requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKAS 27 (revised 2011), 'Separate financial statements', includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

HKAS 28 (revised 2011), 'Investments in associates and joint ventures', includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

HKFRS 11, 'Joint arrangements', focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The adoption of HKFRS 11 does not have any material impact on the financial position and financial results of the Group.

HKFRS 12, 'Disclosure of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

(b) Issued but not yet effective Hong Kong Financial Reporting Standards

The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

Amendment to HKAS 32, 'Financial instruments: Presentation – Offsetting financial assets and financial liabilities', clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

Amendments to HKFRS 10, 12 and HKAS 27, 'Consolidation for investment entities', means that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made to HKFRS 12 to introduce disclosures that an investment entity needs to make.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policy and disclosures (Continued)

(b) Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

Amendment to HKAS 36, 'Impairment of assets – Recoverable amount disclosures for non-financial assets', addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39, 'Financial Instruments: Recognition and Measurement – Novation of derivatives and continuation of hedge accounting', provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HKFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

2.3 Summary of significant accounting policies

Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date of acquisition, being the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset and liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Business combinations (Continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

When the most recently available financial statements of an associate is different from the Group's reporting date, the Group may take advantage of the provision contained in HKAS 28 whereby it is permitted to include the attributable share of associate's results based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. Adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Associates (Continued)

Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in an associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in an associate and is not individually tested for impairment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management that makes strategic decisions.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Related parties (Continued)

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

Close family 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.

Property, plant and equipment and depreciation

Property, plant and equipment primarily consist of buildings, leasehold improvements, machinery and office equipment, furniture and fixtures, and motor vehicles. They are stated at cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposed groups held for sale".

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

Buildings	2.5% to 5%
Leasehold improvements	Shorter of remaining lease term or 20%
Machinery and office equipment	7.5% to $33^1/_3$%
Furniture and fixtures	9% to $33^1/_3$%
Motor vehicles	9% to 25%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Property, plant and equipment and depreciation (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held for long term rental yields or for capital appreciation or both, and that is not occupied by the Group. Such properties are measured initially at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if unless any, for any difference in the nature, location or condition of the specific asset.

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

Changes in fair values are recorded in the profit or loss as part of a valuation gain or loss in 'other gains-net'. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Non-current assets (or Disposal Groups) held-for-sale and discounted operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Goodwill (Continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The principal annual rates used for the amortisation are as follows:

Trademarks	10%
Sports-related business contracts	Over the contract terms

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

(d) Available-for-sale financial investments

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial investments comprise listed and unlisted equity investments and debt securities. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

Recognition and measurement

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

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. For subsequent measurement, financial assets at fair value through profit or loss are carried at fair value with changes in fair value recognised in the income statement in the period in which they arise. These fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Offsetting Financial Instruments

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

Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

Derivative financial instruments

Derivative financial instruments of the Group include contingent consideration in connection with the acquisition of subsidiaries and an associate and share warrants issued by the Company. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Perpetual Convertible Bonds

Perpetual Convertible Bonds issued by the Group gives holders the right to convert these Perpetual Convertible Bonds into a fixed number of the Company's ordinary shares at any time at a fixed exercise price per share, subject to adjustments as provided in the terms and conditions of the bonds. The Perpetual Convertible Bonds have no maturity date and are not redeemable. They are treated as equity instruments and are not remeasured in subsequent years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Income tax (Continued)

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Government grants

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

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

Revenue recognition

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

(a) from sports events and competitions produced or organised, when the events and competitions are completed;

(b) from sports talent management and marketing services and sports consultancy services, when services are rendered or on a time apportionment basis in accordance with the agreements or contracts entered into with sponsors and clients;

(c) rental income, on a straight line basis over the lease terms;

(d) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(e) interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. These plans comprise share option schemes and a share award scheme. The fair value of the employee services received in exchange for the grant of the options or shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options or shares granted as at date of grant:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Other employee benefits

Pension scheme

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

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

Borrowing costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Foreign currency translation

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

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary financial assets are included in other comprehensive income.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

Judgements

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

(i) Operating lease commitments – Group as lessor

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

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

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not quality as an investment property.

Estimation uncertainty

Notes 15, 17, 21, 29, 30, 32, and 33 contain information about the assumptions and their risk factors relating to estimation of fair value of investment properties, impairment of goodwill, investment in an associate, derivative financial instruments, deferred tax assets, fair value of share options granted and advanced issuance of earn-out perpetual convertible bonds, other key sources of estimation uncertainty are as follow:

(i) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (Continued)

Estimation uncertainty (Continued)

(ii) Depreciation

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets.

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in note 2.3 to the financial statements. The carrying amount of property, plant and equipment is disclosed in note 14 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The management is the Group's chief operating decision-maker. The management reviews the Group's internal reports periodically in order to assess performance and allocate resources.

The management considers the business from a product/service perspective. The management separately considers the different products and services offered and the Group is organised into three reportable operating segments as follows:

(a) the sports-related business segment engages in the production and distribution of sports content, management and marketing of sports talents and provision of sports consultancy service;

(b) the community development segment engages in property development and investment, research and development, manufacturing and marketing of construction materials, development of communities and provision of consultancy and subcontracting services; and

(c) the green energy business segment engages in the development, manufacturing, marketing and installation of energy-saving air conditioning systems and water heating equipment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that bank interest income, finance costs, fair value changes on derivative financial asset and liabilities, equity-settled share option expenses, impairment of goodwill, impairment of other intangible assets, fair value changes on investment properties, amortisation of other intangible assets, share of profits and losses of an associate as well as head office and corporate income and expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013	Sports-related business HK$'000	Community development HK$'000	Green energy business HK$'000	Total HK$'000
Segment revenue:				
External	91,628	31,945	1,589	125,162
Other revenue	4,012	1,639	2,220	7,871
	95,640	33,584	3,809	133,033
Segment results	(17,517)	(22,471)	(7,592)	(47,580)
Reconciliation:				
Bank interest income				9,320
Fair value gain on derivative financial asset				62,543
Fair value loss on derivative financial liabilities				(156,000)
Fair value gain on investment properties				6,446
Equity-settled share option expense				(30,060)
Impairment of goodwill				(269,758)
Impairment of other intangible assets				(9,537)
Amortisation of other intangible assets				(4,897)
Corporate and other unallocated income				22,998
Corporate and other unallocated expenses				(48,975)
Share of losses of an associate				(179,999)
Finance costs				(264)
Loss before income tax				(645,763)
Other segment information:				
Depreciation	2,137	3,519	–	5,656
Add: depreciation related to corporate				849
				6,505
Amortisation of prepaid land lease payments	–	313	–	313
Write-off of other deposits	–	13	–	13
Write-back of inventories to net realised value	–	–	(895)	(895)
Capital expenditure	795	7,285	–	8,080
Add: capital expenditure related to corporate				111
				8,191

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012	Sports-related business HK$'000	Community development HK$'000	Green energy business HK$'000	Total HK$'000
Segment revenue:				
External	52,498	10,366	5,327	68,191
Other revenue	566	3,231	788	4,585
	53,064	13,597	6,115	72,776
Segment results	(4,042)	(16,834)	(9,871)	(30,747)
Reconciliation:				
Bank interest income				18,167
Fair value gain on derivative financial asset				23,839
Impairment of goodwill				(155,434)
Impairment of other intangible assets				(34,296)
Fair value loss on investment properties				(10,427)
Amortisation of other intangible assets				(15,298)
Equity-settled share option expense				(5,677)
Corporate and other unallocated income				2,403
Corporate and other unallocated expenses				(39,418)
Share of losses of an associate				(49,118)
Finance costs				(82)
Loss before income tax				(296,088)
Other segment information:				
Depreciation	2,071	835	313	3,219
Add: depreciation related to corporate				890
				4,109
Amortisation of prepaid land lease payments	–	–	159	159
Write-back of inventories to net realisable value	–	–	(53)	(53)
Impairment of trade receivables	–	–	459	459
Write-off of other deposits	–	614	49	663
Capital expenditure	13	10,891	–	10,904
Add: capital expenditure related to corporate				17
				10,921

Information about major customers

Revenue of approximately HK$56,786,240 and HK$12,512,000 were derived from two individual customers of the sports-related business segment and approximately HK$13,039,000 was derived from one customer of the community development segment for the year ended 31 December 2013.

Revenue of approximately HK$22,284,000 and HK$13,937,000 were derived from two individual customers of the sports-related business segment for the year ended 31 December 2012.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents (i) the net invoiced value of goods sold, net of value-added tax and after allowances for returns and trade discounts; (ii) the value of services rendered, net of business tax and government surcharges; (iii) considerations received and receivable for organising events and competitions; and (iv) gross rental income received and receivable from investment properties during the year.

An analysis of the Group's revenue, other income and gains, net is as follows:

	Notes	2013 HK$'000	2012 HK$'000
Revenue			
Sports content production and distribution income		**72,261**	33,446
Sports talent management income		**19,367**	19,052
Sale of construction materials		**31,335**	–
Gross rental income		**610**	9,177
Consultancy service income		**–**	1,189
Sale of air-conditioners and ventilation systems and air-purifiers		**1,589**	5,327
		125,162	68,191
Other income			
Bank interest income		**9,320**	18,167
Underwriting commission fee received	38(a)(ii)	**12,960**	–
Others		**3,631**	3,860
		25,911	22,027
Gains, net			
Fair value gain on derivative financial assets	29	**62,543**	23,839
Fair value gain on investment properties		**6,446**	–
Foreign exchange gains, net		**14,278**	3,128
		83,267	26,967
		109,178	48,994

6. FINANCE COSTS

	Group 2013 HK$'000	 2012 HK$'000
Interests on bank and other loans repayable within one year (note 28)	**264**	82

7. LOSS BEFORE INCOME TAX

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

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold		**24,254**	4,824
Cost of services provided		**78,223**	26,492
Depreciation	14	**6,505**	4,109
Amortisation of prepaid land lease payments	16	**313**	159
Amortisation of other intangible assets	18	**4,897**	15,298
Minimum lease payments under operating leases of land and buildings		**8,802**	7,180
Auditors' remuneration			
– audit services		**2,800**	1,380
– tax services		**262**	67
– other services		**1,418**	1,140
Employee benefit expense (including directors' remuneration (Note 8)):			
– Wages and salaries		**51,593**	45,599
– Equity-settled share option expenses		**20,478**	3,121
– Contributions to defined contribution retirement plan		**4,259**	3,145
		76,330	51,865
(Gain)/loss on disposal of items of property, plant and equipment		**(160)**	51
Fair value (gain)/loss on investment properties	15	**(6,446)**	10,427
Fair value gain on derivative financial asset	29	**(62,543)**	(23,839)
Impairment of goodwill	17	**269,758**	155,434
Impairment of other intangible assets	18	**9,537**	34,296
Write-back of inventories to net realisable value		**(895)**	(53)
Impairment of trade receivables	23	**–**	459
Write-off of other deposits		**13**	663

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Fees	**1,452**	1,600
Other emoluments:		
Salaries, allowances and benefits in kind	**11,080**	10,138
Equity-settled share option expense	**11,050**	(944)
Pension scheme contributions	**45**	50
	22,175	9,244
	23,627	10,844

8. DIRECTORS' REMUNERATION (Continued)

During the current and prior years, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in Note 32 to the financial statements. The fair values of such options, which have been recognised in profit or loss over the relevant vesting period, were determined as at the respective dates of grant and the amount included in the financial statements for the current year are included in the above directors' remuneration disclosures.

An analysis of the directors' remuneration, is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013					
Executive directors:					
Mr. Li Ning	150	8,450	411	15	9,026
Mr. Li Chunyang	150	780	4,218	15	5,163
Mr. Chan Ling	150	1,850	4,766	15	6,781
Mr. Lee Wa Lun, Warren (Note 1)	73	–	(420)	–	(347)
	523	11,080	8,975	45	20,623
Non-executive directors:					
Mr. Li Chun (Note 2)	63	–	(420)	–	(357)
Mr. Ma Wing Man	150	–	516	–	666
Mr. Chan James (Note 3)	76	–	759	–	835
Mr. Li Qilin (Note 4)	85	–	304	–	389
	374	–	1,159	–	1,533
Independent non-executive directors:					
Mr. Ng Sau Kei, Wilfred	200	–	516	–	716
Mr. Ip Shu Kwan, Stephen (Note 5)	41	–	(420)	–	(379)
Mr. Chen Johnny	200	–	516	–	716
Mr. Lien Jown Jing, Vincent (Note 6)	114	–	304	–	418
	555	–	916	–	1,471
	1,452	11,080	11,050	45	23,627

8. DIRECTORS' REMUNERATION (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012					
Executive directors:					
Mr. Li Ning	150	5,000	–	14	5,164
Mr. Li Chunyang	150	1,294	2,121	14	3,579
Mr. Chan Ling	150	1,000	2,121	14	3,285
Mr. Lee Wa Lun, Warren	150	–	342	–	492
Mr. Ng Chi Man, Michael	100	2,844	(7,238)	8	(4,286)
	700	10,138	(2,654)	50	8,234
Non-executive directors:					
Mr. Li Chun	150	–	342	–	492
Mr. Ma Wing Man	150	–	342	–	492
	300	–	684	–	984
Independent non-executive directors:					
Mr. Ng Sau Kei, Wilfred	200	–	342	–	542
Mr. Ip Shu Kwan, Stephen	200	–	342	–	542
Mr. Chen Johnny	200	–	342	–	542
	600	–	1,026	–	1,626
	1,600	10,138	(944)	50	10,844

Note 1: Mr. Lee Wa Lun, Warren retired with effect from 25 June 2013, the net amount of HK$420,000 credited to equity-settled share option expense represented the reversal of share option value unvested recognised in prior year over the share option value recognised during the year.

Note 2: Mr. Li Chun, retired with effect from 6 June 2013, the net amount of HK$420,000 credited to equity-settled share option expense represented the reversal of share option value unvested recognised in prior year over the share option value recognised during the year.

Note 3: Appointed on 28 June 2013

Note 4: Appointed on 6 June 2013

Note 5: Mr. Ip Shu Kwan, Stephen, resigned with effect from 15 March 2013, the net amount of HK$420,000 credited to equity-settled share option expense represented the reversal of share option value unvested recognised in prior year over the share option value recognised during the year.

Note 6: Appointed on 6 June 2013

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three directors (2012: three directors), details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining two (2012: two) highest paid individuals who are neither a director nor a chief executive of the Company are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,698**	2,436
Equity-settled share option expense	**5,681**	4,140
Pension scheme contributions	**122**	14
	8,501	6,590

The number of the non-director and non-chief executive highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**2**	–
	2	2

In prior year, share options were granted to the non-director and non-chief executive highest paid individuals in respect of their services to the Group, further details of which are set out in note 32 to the financial statements. The fair value of such share options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid individuals remuneration disclosures.

10. INCOME TAX

No provision for Hong Kong profits tax and PRC corporate income tax have been provided for the year ended 31 December 2013 as the Group did not generate any assessable profits arising in Hong Kong and the PRC, respectively, during the year (2012: Nil).

	Group	
	2013	2012
	HK$'000	HK$'000
Current – the PRC		
Charge for the year	**–**	–
Overprovision in prior year	**–**	(363)
Deferred tax credit (note 30)	**(4,570)**	(12,399)
Tax credit	**(4,570)**	(12,762)

A reconciliation of the tax credit applicable to loss before income tax for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax credit is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Loss before income tax	**(645,763)**	(296,088)
At the statutory/applicable income tax rates of different jurisdictions	**(125,235)**	(54,855)
Adjustments in respect of current tax of previous periods	**–**	(363)
Losses attributable to an associate	**45,000**	8,104
Income not subject to tax	**(27,452)**	(7,023)
Expenses not deductible for tax	**78,106**	29,755
Tax losses not recognised	**24,906**	11,498
Others	**105**	122
Tax credit	**(4,570)**	(12,762)

The share of tax credit attributable to an associate for the year amounting to HK$6,647,000 (2012: HK$18,888,000) is included in "Share of losses of an associate" in the profit or loss.

11. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company for the year ended 31 December 2013 includes a loss of HK$503,090,000 (2012: HK$13,140,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on loss for the year attributable to equity shareholders of the Company, and the weighted average number of ordinary shares in issue during the year.

	2013 **HK$'000**	2012 HK$'000
Loss attributable to equity shareholders of the Company	**(640,919)**	(282,595)
Weighted average number of ordinary shares in issue	**5,989,600**	3,947,685
Basic and diluted loss per share (HK cents)	**(10.70)**	(7.16)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted loss per share for the years ended 31 December 2013 and 2012 are the same as basic loss per share as the Company was loss making and the inclusion of potential ordinary shares would be anti-dilutive. For the year ended 31 December 2013, the Company has two categories of dilutive potential ordinary shares, i.e. the perpetual convertible bonds and share options.

13. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE, LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

In December 2012, the board of directors decided to dispose of a subsidiary that engages in the research and development of energy-saving equipment. On 24 January 2014, the Group entered into a sales and purchase agreement with a non-controlling equity holder of the subsidiary to be disposed of that subsidiary for the disposal of the Group's equity interest in that subsidiary. The disposal of the subsidiary is expected to be completed in the first half of 2014. The Group has decided to dispose of the subsidiary as a result of the continued losses in recent years.

The major classes of assets and liabilities of the subsidiary to be disposed of classified as held for sale as at 31 December are as follows:

	2013 **HK$'000**	2012 HK$'000
Assets		
Property	**2,013**	1,950
Prepaid land lease payments	**5,061**	4,903
Trade and other receivables	**8**	105
Cash and bank balances	**196**	502
Assets classified as held for sale	**7,278**	7,460
Liabilities		
Other payables and accruals	**157**	269
Due to a non-controlling equity holder	**3,213**	2,244
Liabilities directly associated with the assets classified as held for sale	**3,370**	2,513
Net assets directly associated with the disposal group	**3,908**	4,947

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Machinery and office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2013						
At 1 January 2013:						
Cost	–	6,276	4,010	1,996	4,557	16,839
Accumulated depreciation and impairment	–	(3,372)	(1,770)	(748)	(1,301)	(7,191)
Net book amount	–	2,904	2,240	1,248	3,256	9,648
Opening net book amount	–	2,904	2,240	1,248	3,256	9,648
Additions	–	–	5,707	26	1,538	7,271
Transfer from investment properties (note 15)	50,652	–	1,438	–	–	52,090
Depreciation charge	(1,214)	(1,785)	(1,438)	(387)	(1,681)	(6,505)
Currency translation differences	793	30	96	26	83	1,028
Closing net book amount	50,231	1,149	8,043	913	3,196	63,532
At 31 December 2013:						
Cost	51,456	6,400	11,292	2,068	6,293	77,509
Accumulated depreciation and impairment	(1,225)	(5,251)	(3,249)	(1,155)	(3,097)	(13,977)
Net book amount	50,231	1,149	8,043	913	3,196	63,532
31 December 2012						
At 1 January 2012:						
Cost	2,816	6,245	11,995	2,028	2,795	25,879
Accumulated depreciation and impairment	(580)	(1,599)	(8,756)	(430)	(899)	(12,264)
Net book amount	2,236	4,646	3,239	1,598	1,896	13,615
Opening net book amount	2,236	4,646	3,239	1,598	1,896	13,615
Additions	–	–	14	16	2,042	2,072
Assets included as held for sale (note 13)	(1,950)	–	–	–	–	(1,950)
Depreciation charge	(300)	(1,754)	(973)	(374)	(708)	(4,109)
Disposals	–	–	(68)	–	–	(68)
Currency translation differences	14	12	28	8	26	88
Closing net book amount	–	2,904	2,240	1,248	3,256	9,648
At 31 December 2012:						
Cost	–	6,276	4,010	1,996	4,557	16,839
Accumulated depreciation and impairment	–	(3,372)	(1,770)	(748)	(1,301)	(7,191)
Net book amount	–	2,904	2,240	1,248	3,256	9,648

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
31 December 2013				
At 1 January 2013:				
Cost	**2,443**	**1,017**	**582**	**4,042**
Accumulated depreciation	**(1,137)**	**(628)**	**(264)**	**(2,029)**
Net book amount	**1,306**	**389**	**318**	**2,013**
Opening net book amount	**1,306**	**389**	**318**	**2,013**
Additions	**–**	**85**	**26**	**111**
Depreciation charge	**(488)**	**(239)**	**(122)**	**(849)**
Closing net book amount	**818**	**235**	**222**	**1,275**
At 31 December 2013				
Cost	**2,443**	**1,088**	**608**	**4,139**
Accumulated depreciation	**(1,625)**	**(853)**	**(386)**	**(2,864)**
Net book amount	**818**	**235**	**222**	**1,275**
31 December 2012				
At 1 January 2012:				
Cost	2,443	1,048	571	4,062
Accumulated depreciation	(648)	(357)	(150)	(1,155)
Net book amount	1,795	691	421	2,907
Opening net book amount	1,795	691	421	2,907
Additions	–	2	11	13
Depreciation charge	(489)	(287)	(114)	(890)
Disposals	–	(17)	–	(17)
Closing net book amount	1,306	389	318	2,013
At 31 December 2012:				
Cost	2,443	1,017	582	4,042
Accumulated depreciation	(1,137)	(628)	(264)	(2,029)
Net book amount	1,306	389	318	2,013

15. INVESTMENT PROPERTIES

	Completed HK$'000	Under construction HK$'000	Land use rights held for future development of industrial buildings HK$'000 (note (b))	Total HK$'000
Carrying amount at 1 January 2012	84,226	–	200,204	284,430
Additions	4,483	4,366	–	8,849
Fair value loss	(10,427)	–	–	(10,427)
Transfers	–	6,748	(6,748)	–
Currency translation differences	703	45	1,600	2,348
Carrying amount at 31 December 2012 and 1 January 2013	**78,985**	**11,159**	**195,056**	**285,200**
Additions	**44**	**876**	**–**	**920**
Fair value gain	**848**	**–**	**5,598**	**6,446**
Transfer to property, plant and equipment (note 14)	**(52,090)**	**–**	**–**	**(52,090)**
Transfer to prepaid land lease payments (note 16)	**(22,428)**	**–**	**–**	**(22,428)**
Transfers	**17,198**	**(5,420)**	**(11,778)**	**–**
Currency translation differences	**1,403**	**385**	**6,340**	**8,128**
Carrying amount at 31 December 2013	**23,960**	**7,000**	**195,216**	**226,176**

Amounts recognised in profit and loss for investment properties	**2013 HK$'000**	2012 HK$'000
Rental income	**607**	9,177

As at 31 December 2013, the Group had no unprovided contractual obligations for future repairs and maintenance (2012: Nil).

Notes:

(a) The Group's investment properties are situated in the PRC and are held under medium term leases.

(b) Land use rights held for future development of industrial buildings are used to earn rental income and/or for capital appreciation.

(c) During the year, certain portion of investment properties have been transferred to property, plant and equipment and to prepaid land lease payments upon commencement of owner-occupation. The fair values of the Group's investment properties are assessed by management based on the property valuation performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers. The carrying amount of investment properties at 31 December 2013 was HK$226,176,000 (2012: HK$285,200,000).

15. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(c) (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Quoted prices in active markets for identical assets Level 1 HK$'000	Significant other observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Fair value as at 31 December 2013 HK$'000
Industrial property units	–	–	226,176	226,176

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers among the levels during the year.

The fair value of investment properties is determined by adopting the income capitalisation approach and made reference to available comparable market transactions. The valuation also takes into account the rental income of contractual tenancies, reversionary market rent after the expiry of tenancy in capitalisation (RMB3.3 – RMB15.0 per sq.m. per month), capitalisation rate (6%), expected vacancy rate (20%), interest rate (6%), developer's profit margin (8%), latest development proposals and estimated construction costs to completion (RMB1,200 per sq.m.) etc. The assumptions have been adjusted for the quality and location of the properties. The fair value measurement is positively correlated to the market rent and negatively correlated to the capitalisation rate, expected vacancy rate, interest rate, estimated cost to completion and developer's profit margin.

(d) As at 31 December 2013, certain portion of the investment properties has been substantially completed, for which the completion and acceptance certificates for construction works and the real estate title certificates have not yet been obtained by the Group. Accordingly, additional construction costs and any other associated charges may be incurred and payable to contractors and/or the relevant government authorities for the fulfillment of the completion and acceptance for construction works.

(e) Further particulars of the Group's investment properties are included on page 117.

16. PREPAID LAND LEASE PAYMENTS

Group

	2013 HK$'000	2012 HK$'000
Carrying amount at 1 January	**–**	5,022
Transfer from investment properties (note 15)	**22,428**	–
Amortisation provided during the year	**(313)**	(159)
Assets classified as held for sale (note 13)	**–**	(4,903)
Currency translation differences	**353**	40
Carrying amount at 31 December	**22,468**	–
Less: current portion (note 24)	**(475)**	–
	21,993	–

The Group's land use rights are situated in the PRC and are held under medium term leases.

17. GOODWILL

Group

	2013 HK$'000	2012 HK$'000
At 1 January:		
Cost	**458,192**	458,192
Accumulated impairment	**(188,434)**	(33,000)
Net book amount	**269,758**	425,192
Opening net book amount	**269,758**	425,192
Impairment	**(269,758)**	(155,434)
Closing net book amount	**–**	269,758
At 31 December		
Cost	**458,192**	458,192
Accumulated impairment	**(458,192)**	(188,434)
Net book amount	**–**	269,758

Impairment testing of goodwill

The net carrying amount of the goodwill, which arose from the acquisitions of subsidiaries, has been allocated to the relevant cash-generating units of the following individual operating segments of the Group for impairment testing, which is summarised as follows:

	Notes	2013 HK$'000	2012 HK$'000
Green energy business	(a)	**–**	–
Sports-related business	(b)	**–**	269,758
		–	269,758

Each of the recoverable amounts of the above cash-generating units was determined based on the value in use calculations covering a detailed five-year financial budget plan and the estimated terminal value at the end of the five-year financial budget plan period prepared by the Group's management. There are a number of key assumptions and estimates involved in the preparation of the cash flow projections for the period covered by the Group's management prepared financial budget plans and the estimated terminal value.

Key assumptions include the expected growth in revenues, stable profit margins, expectation of market share, availability of comparable products, selection of published market research discount rates as well as the risk factors associated with the cash-generating units.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Notes:

(a) Green energy business cash-generating unit

The recoverable amount of green energy business cash-generating unit has been solely determined based on the anticipated profitability derived from the patented technology of the Group and the supply of certain parts to an independent third party to produce energy saving air-conditioning products under licensing and supply agreements between the two parties.

Based on the discussion in 2012 between the Group and the independent third party, it is highly probable that certain energy saving air-conditioning products will not be launched in a scale as originally planned in the foreseeable future and spare parts will not be supplied by the Group to the independent third party, as such, the goodwill is tested for impairment and a full impairment loss of HK$155,434,000 was recognised in profit or loss in 2012. The reduction on the recoverable amount of the green energy business as compared with that as at 31 December 2012 was driven by the substantial reduction in expected net cash inflow from the project, as a consequence of the diminution in the scale of the project and the postponement in the development and commercialisation of certain energy saving air-conditioning products.

(b) Sports-related business cash-generating unit

Value in use of the cash-generating unit in the sports-related business was determined by reference to a business valuation performed by American Appraisal using a value in use calculation.

Value in use calculation of sports-related business cash-generating unit uses cash flow projections based on financial budgets approved by management covering a five-year period with a terminal growth rate of 3% (2012: 3%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the cash-generating unit operates. The cash flows are discounted using a discount rate of 17% (2012: 22%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

Based on the annual impairment test performed, an impairment loss of HK$269,758,000 (2012: Nil) has been provided in relation to the sports-related business segment for the year.

18. OTHER INTANGIBLE ASSETS

Group

	Sport-related business contracts HK$'000 (Note)
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	**14,434**
Amortisation provided during the year	**(4,897)**
Impairment during the year	**(9,537)**
At 31 December 2013	**–**
At 31 December 2013:	
Cost	**83,423**
Accumulated amortisation and impairment	**(83,423)**
Net carrying amount	**–**

Group

	Sport-related business contracts HK$'000 (Note)
31 December 2012	
Cost at 1 January 2012, net of accumulated amortisation	64,028
Amortisation provided during the year	(15,298)
Impairment during the year	(34,296)
At 31 December 2012	14,434
At 31 December 2012:	
Cost	83,423
Accumulated amortisation and impairment	(68,989)
Net carrying amount	14,434

Note: Sports-related business contracts of the Group represented certain sports talent management contracts, sport event and competition contracts acquired upon the Group's acquisition of 100% equity interest in Viva China Sports Holding Limited ("Viva China Sports") in October 2010. These contracts were initially recognised at their respective fair values at the date of acquisition, as determined by reference to valuations performed by American Appraisal and are subsequently amortised on the straight-line basis over their then respective remaining terms. During the year ended 31 December 2013, similar to goodwill impairment as discussed above, a full impairment loss of HK$9,537,000, (2012: HK$34,296,000) was recognised in profit or loss, which was driven by the decrease in anticipated profitability arising from the underlying sports talent management contracts.

At 31 December 2013, certain contracts have expired and the remaining contracts have remaining term of approximately 3 years.

19. DEPOSIT PAID FOR ACQUISITION OF A LAND USE RIGHT

The balance as at 31 December 2012 represented a deposit of HK$230 million paid to SY PLR Bureau for the acquisition of the Changbai Land in Shenyang, at a consideration of approximately RMB1,006.3 million (equivalent to approximately HK$1,247.8 million), for the development of a residential and commercial complex. The deposit was to be applied as part of the consideration payment.

On 24 December 2012, the Group announced that it had entered into a termination agreement with SY PLR Bureau to terminate the corresponding Bidding Confirmation in respect of the Changbai Land. Pursuant to the termination agreement, the SY PLR Bureau had relieved the Group from all liabilities and obligations under the Bidding Confirmation, and shall repay the aforesaid deposit to the Group, and accordingly, the deposit was reclassified as a current asset in the consolidated statement of financial position as at 31 December 2012. The deposit was fully returned to the Group during the year ended 31 December 2013.

20. INTERESTS IN SUBSIDIARIES

		Company	
		2013	2012
	Notes	**HK$'000**	HK$'000
Investments in subsidiaries, included in non-current assets			
Unlisted shares, at cost	(a)	**337,960**	337,960
Less: Impairment	(b)	**(337,960)**	(35,631)
Due from a subsidiary	(c)	**3,509,649**	2,643,684
		3,509,649	2,946,013
Due from subsidiaries, included in current assets	(c)	**714,531**	1,216,035
Less: Impairment	(d)	**(1,539)**	(352,452)
		712,992	863,583
Due to subsidiaries, included in current liabilities	(c)	**(249,876)**	(19,431)

Notes:

(a) A subsidiary of the Company had restructured and capitalised balances with its fellow subsidiaries and subsidiaries during the year. All the balances have been applied in paying up in full for shares in capital of the subsidiary, such shares were issued and allotted credited as fully paid up to the Company. However, the corresponding impairment recognised for the balances was transferred to investments in subsidiaries. As such, the net impact is nil in 2013.

(b) An impairment of HK$302,329,000 (2012: HK$35,631,000) was recognised for unlisted investments with a cost of HK$337,960,000 because of the decrease in anticipated profitability from a wholly-owned subsidiary of the Group for the years ended 31 December 2013 and 2012.

(c) The amounts due from/to subsidiaries included in the Company's non-current assets, current assets, and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

20. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(d) The movement in the provision for impairment of the amounts due from subsidiaries during the year is as follows:

	Company	
	2013	2012
	HK$'000	HK$'000
At 1 January	**352,452**	344,710
Impairment recognised during the year	**41,834**	7,742
Capitalised during the year	**(392,747)**	–
At 31 December	**1,539**	352,452

(e) Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary shares/ capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Viva China Holdings Ltd	BVI	US$1	100%	–	Investment holding
Winner Rich Investment Limited	Hong Kong	HK$1	100%	–	Investment holding
Viva China Sports Holding Limited	Hong Kong	HK$100,000	100%	–	Investment holding and sports talent management
Viva China Community Development Holdings Limited	BVI	US$1	100%	–	Investment holding
Viva China Community Development (Yangzhou) Holdings Limited	BVI	US$10	–	70%	Investment holding
Viva China Yangzhou Community Development Holdings Limited	Hong Kong	HK$10,000	–	70%	Investment holding
Coolpoint Energy (Hong Kong) Limited	BVI/Hong Kong	US$1	100%	–	Investment holding
Coolpoint Equipment (HK) Limited	Hong Kong	HK$1	–	100%	Sale and marketing of energy-saving equipment

20. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(e) Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued ordinary shares/ capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Coolpoint Ventilation Equipment Limited	Hong Kong	HK$42,232,017	–	100%	Investment holding and sale of energy-saving equipment
Fully Link Company Limited	BVI	US$1	–	100%	Holding of trademarks and patents
非凡領越體育發展（北京）有限公司("Viva Beijing")*	PRC	HK$100,000,000	–	100%	Sports talent management, competition and event production and management, and sports consultancy service
瀋陽兆寰現代建築產業園有限公司 ("Shenyang Zhaohuan")*	PRC	RMB100,000,000	–	100%	Properties holding and leasing of investment properties
中山市快意空調設備有限公司# ("Coolpoint Zhongshan")	PRC	HK$33,473,906	–	74.37%	Research and development of energy-saving equipment
快意節能設備（深圳）有限公司*("Coolpoint SZ")	PRC	HK$4,480,000	–	100%	Installation and sale of energy-saving equipment
北京非凡領越房地產諮詢有限公司	PRC	HK$5,000,000	–	100%	Provision of development Consultancy services

This entity is registered as a Sino-foreign joint venture under PRC Law

* These entities are registered as wholly-foreign-owned enterprises under PRC law

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

21. INVESTMENT IN AN ASSOCIATE

Group

	2013 HK$'000	2012 HK$'000
At 1 January	**2,594,471**	–
Costs incurred during the year	**515,842**	2,643,685
Share of loss for the period	**(179,999)**	(49,118)
Share of other comprehensive income/(loss)	**218**	(96)
Elimination of underwriting fee income (note 38(a)(ii))	**(4,697)**	–
Share of reserve	**5,584**	–
Currency translation differences	**86,659**	–
At 31 December	**3,018,078**	2,594,471

	2013 HK$'000	2012 HK$'000
Share of net assets of an associate (2013: 26.1%; 2012: 25.2%)	**1,441,316**	1,066,983
Goodwill	**1,576,762**	1,527,488
Carrying value	**3,018,078**	2,594,471

Particulars of the Group's only associate is as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Li Ning Co	Ordinary shares of HK$0.1 each	Cayman Islands	26.1%	Brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the PRC

Note:

On 12 October 2012, the Group entered into a sale and purchase agreement with two entities which are held by trusts and the beneficiaries of which included family members of Mr. Li Ning and Mr. Li Chun, his brother, for the acquisition of 266,374,000 LN Shares, representing approximately 25.2% equity interest in Li Ning Co as at the date of acquisition.

The purchase consideration for the acquisition was satisfied by (i) the issue of 1,780,220,769 Shares credited as fully paid at issuance; (ii) the issue of Initial Perpetual Convertible Bonds with a principal amount of HK$780,000,000; and (iii) the possible issuance of earn-out perpetual convertible bonds based on the operating performance of Li Ning Co for the financial periods between 2013 and 2017, subject to a maximum principal amount of HK$780,000,000 (the "Contingent Consideration"). Further details of the sale and purchase agreement were set out in the Company's announcement dated 12 October 2012 and the Company's circular dated 7 November 2012. The acquisition was completed on 4 December 2012 and a goodwill amounting to HK$1,527,488,000, which arose from the excess of the purchase consideration over the Group's interests in the fair value of identifiable net assets of LN Group attributable to shareholders of LN Group at the date of acquisition was recognised for the year ended 31 December 2012, and included in "Investments in an associate" in the consolidated statement of financial position.

21. INVESTMENT IN AN ASSOCIATE (Continued)

Under the Li Ning Open Offer, the Group exercised its rights for subscription and excess application for the convertible securities in the principal amount of HK$3.50 per unit of convertible securities. Approximately 146,759,000 units of convertible securities were allotted to the Group at the total consideration of approximately HK$513,656,000. In this connection, the Group's equity interests in Li Ning Co has increased from approximately 25.2% to approximately 26.1% with effect from April 2013, assuming all holders of the convertible securities convert the convertible securities in full upon completion of the Li Ning Open Offer. The Group was one of the underwriters of the Li Ning Open Offer and its obligations under the related Underwriting Agreement had ceased forthwith upon completion of Li Ning Open Offer. The Group received a gross underwriting fee amounted to HK$18,617,000 during the year ended 31 December 2013 (note 38(a)(ii)).

The Company's voting power held and profit sharing arrangement in relation to Li Ning Co is 26.1%, assuming all holders of the convertible securities convert the convertible securities in full upon completion of the Li Ning Open Offer.

The Group's shareholdings in Li Ning Co are held through a wholly-owned subsidiary of the Company.

As at 31 December 2013, the market value of the associate's listed shares was HK$6.12 (2012: HK$5.04) per share and the carrying amount of the Group's interest was approximately HK$3,018,078,000 (2012: HK$2,594,471,000). Number of ordinary shares held by the Group in Li Ning Co was approximately 266,374,000 as at 31 December 2013 and 2012 and the number of convertible securities held as at 31 December 2013 was approximately 146,759,000.

There are no contingent liabilities relating to the Group's interest in the associate.

The following table illustrates the summarised financial information of the Group's associate extracted from its financial information or financial statements after adjustments made at the time of acquisition and adjustments for differences in accounting policies, if any, and for non-coterminous periods between the Group and the associate:

	2013 **HK$'000**	2012 HK$'000
Gross amounts of the associate		
Current assets	**4,740,837**	4,869,360
Non-current assets	**4,780,239**	4,877,192
Current liabilities	**2,654,031**	4,062,941
Non-current liabilities	**1,164,251**	1,283,223
Net assets attributable to the equity shareholders	**5,526,519**	4,229,529
Revenue for the period	**7,368,864**	763,679
Loss for the period	**(706,455)**	(194,703)
Other comprehensive income/(loss)	**858**	(380)
Total comprehensive loss	**(705,597)**	(195,083)
Reconciliation to the Group's interests in the associate		
Gross amounts of net assets attributable to the equity shareholders of the associate	**5,526,519**	4,229,529
Group's effective interest	**26.1%**	25.2%
Group's share of net assets of the associate	**1,441,316**	1,066,983
Goodwill	**1,576,762**	1,527,488
Carrying amount in the consolidated financial statements	**3,018,078**	2,594,471

21. INVESTMENT IN AN ASSOCIATE (Continued)

The consolidated financial statements for the year ended 31 December 2012 include the attributable share of the results and reserves of Li Ning Co from the date on which it became an associate. The consolidated financial statements for the year ended 31 December 2013 include the Group's share of the results and reserves of Li Ning Co for the twelve months ended 30 September 2013 and adjusted for any significant events or transactions for the period from 1 October 2013 to 31 December 2013. For both years, the Group has adopted the provision contained in HKAS 28 whereby it is permitted to include the attributable share of associates' results based on accounts drawn up to a non-coterminous period end where the difference must be no greater than three months.

22. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**1,430**	–
Finished goods	**12,989**	–
	14,419	–

23. TRADE RECEIVABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Trade Receivables	**34,617**	18,385
Less: allowance for impairment of trade receivables	**(192)**	(459)
	34,425	17,926

The Group's trading terms with its customers are mainly on credit, generally one month, extending up to four months for major customers. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. In the opinion of the directors of the Company, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

23. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables that are not considered to be impaired as at the end of the reporting period, based on the payment due date, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**16,179**	9,966
Less than 3 months past due	**14,106**	3,604
3 to 6 months past due	**4,131**	4,349
More than 6 months and less than a year past due	**–**	7
Over 1 year past due	**9**	–
	34,425	17,926

The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**459**	–
Impairment losses recognised (note 7)	**–**	459
Written-off during the year	**(282)**	–
Currency translation differences	**15**	–
At 31 December	**192**	459

Included in the above provision for impairment for trade receivables is a provision for individually impaired trade receivables of HK$192,000 (2012: HK$459,000) with a carrying amount before provision of HK$192,000 (2012: HK$459,000).

The individually impaired trade receivables related to customers that were in financial difficulties or were in default in both interests and/or principal payments and no receivable is expected to be recovered.

Receivables that were neither past due nor impaired relate to diversified customers with no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment 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.

Included in the Group's trade receivables is an amount of HK$10,971,000 (2012: Nil) due from a related company, which is repayable on similar credit terms to those offered by the Group to the major customers.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**8,706**	6,590	**877**	553
Deposits and other receivables (Note)	**148,624**	139,632	**267**	797
Prepaid land lease payment (note 16)	**475**	–	**–**	–
	157,805	146,222	**1,144**	1,350

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

Note: The deposits as at 31 December 2013 included an advance payment amounting to HK$128,000,000 (2012: HK$124,000,000) paid to an independent third party in the PRC, in respect of a potential project, which is refundable to the Group within 12 months from the reporting date.

25. PLEDGED DEPOSITS, CASH AND BANK BALANCES

		Group		Company	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances					
Other than time deposits		**226,074**	147,413	**9,127**	80,397
Time deposits		**620,656**	908,996	**301,718**	515,000
		846,730	1,056,409	**310,845**	595,397
Less: Pledged time deposits:					
Pledged for banking facilities	28	**(19,200)**	–	**(19,200)**	–
Pledged deposits for a potential project		**–**	(124,000)	**–**	–
Cash and bank balances		**827,530**	932,409	**291,645**	595,397

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$511,325,000 (2012: HK$294,909,000), approximately HK$51,220,000 (2012: approximately HK$19,937,000) of which was domiciled in the PRC. The RMB is not freely convertible into other currencies in the PRC, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks other than time deposits earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES

The trade payables of the Group as at 31 December 2013 and 2012 were all aged within three months, as determined based on the invoice date. They are non-interest-bearing and are normally settled on terms ranging from 30 to 60 days.

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**11,253**	7,157	**4,229**	4,679
Other payables	**25,621**	146,806	**–**	–
	36,874	153,963	**4,229**	4,679

Other payables are non-interest-bearing and are normally settled on an average term of three months, except for an advance payment from an independent third party in respect of a potential project, in the amount of HK$124,000,000 as at 31 December 2012 (note 25). The payable was repaid in full during the year.

28. BANK AND OTHER LOANS

	Group	
	2013	2012
	HK$'000	HK$'000
Bank loans, secured	**11,905**	–
Other loan	**1,024**	744
	12,929	744

Bank loans, which will be matured within one year, are secured by pledged deposits of the Group of HK$19,200,000 (2012: Nil).

The Group has obtained bank facilities of approximately HK$96,000,000 (2012: Nil), of which, approximately HK$84,100,000 remained unutilised at 31 December 2013.

The amount of the other loan is unsecured, bears interest at 8% per annum and is repayable on demand.

The carrying amounts of bank and other loans approximate their fair values.

29. DERIVATIVE FINANCIAL INSTRUMENTS

a. Derivative financial asset

The derivative financial asset of the Group as at 31 December 2013 represents the profit guarantee (the "Profit Guarantee") provided by the vendors to the Company in respect of the acquisition of Viva China Sports and its subsidiaries (collectively the "Viva China Sports Group") in 2010. The vendors undertake that the audited consolidated net profit of the Viva China Sports Group shall not be less than HK$30,000,000, HK$40,000,000 and HK$50,000,000 for the years ended 31 December 2011 and 2012, and the year ending 2013, respectively, and will compensate the Company for any shortfall between the guaranteed profits and the actual profits for the relevant years. The Profit Guarantee represents a right to the return of previously transferred consideration for the acquisition of the Viva China Sports Group when the specified conditions are met and hence constitutes a contingent consideration arrangement to be accounted for as a financial asset at fair value through profit or loss in accordance with HKFRS 3 and HKAS 39. The Profit Guarantee was initially recognised in the consolidated statement of financial position at the acquisition-date fair value of HK$5,877,000, as determined by reference to a valuation performed by American Appraisal. For the purpose of the preparation of these consolidated financial statements, the fair value of the Profit Guarantee is determined to be HK$61,000,000 by American Appraisal as at 31 December 2013 (2012: HK$37,572,000 as determined by the directors of the Company), based on the unaudited consolidated net profit of the Viva China Sports Group for the year ended 31 December 2013. Accordingly, a fair value gain on the derivative financial asset of HK$62,543,000 (2012: HK$23,839,000) was recognised in profit or loss during the year ended 31 December 2013.

29. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

a. Derivative financial asset (Continued)

The shortfall between the guaranteed profits and the actual profits of the Viva China Sports Group for the year ended 31 December 2012, which was derived from its ordinary course of business, did not meet the Profit Guarantee for the corresponding year with a shortfall amounted to HK$39,721,000. The vendors have compensated the Company for such shortfall amount by cash in accordance with the terms stipulated in the agreement of the acquisition. The unaudited consolidated results of the Viva China Sports Group for the year ended 31 December 2013 indicated that there will be shortfall for the current year as well. The shortfall between the guaranteed profits and the actual profits of the Viva China Sports Group for the year ended 31 December 2013 would be confirmed upon the issue of the audited financial statements of Viva China Sports Group for the year ended 31 December 2013.

The directors of the Company have assessed the recoverability of the balance, based on their knowledge of the financial position of the vendors as at the end of the reporting period, nothing has come to their attention that there has been a significant deterioration in the credit quality of the vendors. As a result, the balance is considered fully recoverable.

b. Derivative financial liabilities

	Group and Company	
	2013	2012
	HK$'000	HK$'000
Share Warrants (note (a))	**–**	62
Contingent Consideration (note (b))	**–**	984,000
	–	984,062

Notes:

(a) Share Warrants

The Share Warrants in issue as at 31 December 2012 represented 314,519,000 warrants of the Company (the "Share Warrants") issued by the Company to certain independent third parties in the prior years.

The movements of the number of the Share Warrants and their corresponding carrying amounts during the years ended 31 December 2013 and 2012 are as follows:

	Group and Company	
	Number of share warrants	**Carrying amount**
		HK$'000
At 1 January 2012 and 1 January 2013	314,519,000	62
Expired during the year	(314,519,000)	(62)
At 31 December 2013	–	–

29. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

b. Derivative financial liabilities (Continued)

Notes: (Continued)

(a) Share Warrants (Continued)

Every five Share Warrant carries the right to subscribe for one ordinary share of the Company at HK$2.0789 per share for 2012, which was adjusted for the Share Consolidation and the issuance of the new Shares and the Initial Perpetual Convertible Bonds to vendors in relation to acquisition of approximately 25.2% of LN Shares during the year ended 31 December 2012, as further detailed in note 38(b) to the financial statements. The Share Warrants was subject to adjustments in certain events, at any time within 30 months from the date of issue. On 8 March 2013, the exercise price for the right of every five Share Warrants to subscribe for one ordinary share of the Company was further adjusted to HK$1.9542 as a result of the issue of 480,000,000 Shares.

Based on the terms and conditions of the Share Warrants, the Share Warrants are classified as derivative financial instruments (financial liabilities at fair value through profit or loss) in these financial statements and recognised in the statements of financial position at fair value. The fair values of the Share Warrants as at 31 December 2012 were determined by reference to valuations performed by American Appraisal.

(b) Contingent consideration

The Contingent Consideration arose from the possible issuance issue of Earn-Out Perpetual Convertible Bonds in relation to the acquisition of approximately 25.2% equity interest of Li Ning Co in December 2012, as further detailed in note 21 to the financial statements.

The Contingent Consideration is classified as a derivative financial instrument (financial liability at fair value through profit or loss) in these financial statements and recognised in the statement of financial position at fair value. The fair values of the Contingent Consideration as at 31 December 2012 and at the date of acquisition were HK$984,000,000. The fair values of the Contingent Consideration were determined with reference to valuations performed by American Appraisal.

The Earn-Out Perpetual Convertible Bonds were issued in advance in November 2013 based on the deed formed in August 2013. The derivative financial liability in relation to the Contingent Consideration was derecognised and an equity instrument was recognised upon the advanced issuance of Earn-out perpetual convertible bonds, the financial impact of which is based on the fair value of Earn-Out Perpetual Convertible Bonds upon the deed becoming effective. The Company will continue to assess whether any and how much undertaken convertible bonds might be cancelled in the future and recognise a corresponding derivative financial asset, if any, at its fair value (note 33 (b)). Subsequent changes of such fair value of the derivative financial asset will be recognised in profit and loss. A fair value loss of HK$156,000,000 was recognised upon the derecognition. Details of this were set out in the Company's circular dated 17 October 2013. As at 31 December 2013, the fair value of the derivative financial assets determined to be closed to zero.

30. DEFERRED TAX

Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Deferred tax assets	**7,507**	7,273
Deferred tax liabilities	**–**	(4,445)
	7,507	2,828

30. DEFERRED TAX (Continued)

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

Group

	Notes	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding taxes HK$'000	Total HK$'000
At 1 January 2012		(8,793)	(801)	(9,594)
Deferred tax credited to profit or loss during the year	10	12,399	–	12,399
Currency translation differences		23	–	23
At 31 December 2012 and 1 January 2013		**3,629**	**(801)**	**2,828**
Deferred tax credited to profit or loss during the year	10	**4,570**	**–**	**4,570**
Currency translation differences		**109**	**–**	**109**
At 31 December 2013		**8,308**	**(801)**	**7,507**

Notes:

(a) At 31 December 2013, the Group had tax losses arising in Hong Kong of approximately HK$334,490,000 (2012: HK$242,452,000), subject to the confirmation of tax losses from the Hong Kong Inland Revenue Department. These tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of HK$66,772,000 (2012: HK$27,893,000) that will expire within five years to offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Shares

	Notes	2013 No. of shares	2013 Nominal value HK$'000	2012 No. of shares	2012 Nominal value HK$'000
Authorised:					
Ordinary shares of HK$0.05 each ("Ordinary Shares")		**20,000,000,000**	**1,000,000**	20,000,000,000	1,000,000
Redeemable convertible preferred shares of HK$0.01 each ("Preferred Shares")		**6,000,000,000**	**60,000**	6,000,000,000	60,000
Total	(a, b)	**26,000,000,000**	**1,060,000**	26,000,000,000	1,060,000
Issued and fully paid:					
Ordinary Shares		**6,076,394,726**	**303,820**	5,596,394,726	279,820

A summary of the movements in the Company's issued share capital during the years ended 31 December 2013 and 2012 is as follows:

Issued Capital

	Notes	Number of Ordinary Shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2012		19,081,859,785	190,818	2,256,863	2,447,681
Consolidation of every five issued Ordinary Shares of nominal value of HK$0.01 each into one Consolidated Ordinary Share	(a)	(15,265,487,828)	–	–	–
Issue of Ordinary Shares	(c)	1,780,022,769	89,002	609,299	698,301
Share issue expenses	(c)	–	–	(1,358)	(1,358)
At 31 December 2012		5,596,394,726	279,820	2,864,804	3,144,624
Issue of Ordinary Shares	(d)	480,000,000	24,000	216,000	240,000
Share issue expenses	(d)	–	–	(324)	(324)
At 31 December 2013		6,076,394,726	303,820	3,080,480	3,384,300

Notes:

(a) Pursuant to an ordinary resolution passed on 23 November 2012, every five issued ordinary shares of the Company of HK$0.01 each were consolidated into one issued share of HK$0.05 each which became effective on 26 November 2012.

(b) Pursuant to an ordinary resolution passed on 23 November 2012, with effect from 26 November 2012, the authorised share capital of the Company has increased from HK$510,000,000 to HK$1,060,000,000 by the creation of 11,000,000,000 Shares of HK$0.05 each as detailed in note (a) above, ranking pari passu in all respects with the existing shares of the Company.

31. SHARE CAPITAL (Continued)

Notes: (Continued)

(c) On 12 October 2012, the Group entered into an acquisition agreement with two entities which are held by trusts and the beneficiaries of which included members of Mr. Li Ning and his brother, for the acquisition of approximately 25.2% equity interest in Li Ning Co, as further detailed in note 37 to the financial statements. Pursuant to the acquisition agreement, 1,780,022,769 Ordinary Shares were issued in December 2012 as part of the consideration for the aforesaid acquisition. The fair value of these shares at the date of acquisition, as determined by reference to a valuation performed by American Appraisal, amounted to approximately HK$698,301,000. The related transaction costs amounting to HK$1,358,000 have been netted off against the share premium.

(d) On 21 February 2013, the Company entered into a subscription agreement with Atlantis Investment Management (Hong Kong) Limited ("Atlantis"), an independent third party, pursuant to which the Company would issue to not less than six allottees at the direction of Atlantis 480,000,000 Shares at the cash subscription price of HK$0.50 per share, which was completed on 8 March 2013. The closing price was HK$0.40 per Share on 21 February 2013, being the date on which the terms of the issue were fixed. The net subscription price, after deduction of relevant expenses, was approximately HK$0.499 per subscription share. The net proceeds of such issue amounted to approximately HK$240,000,000 which will be applied towards general working capital of the Group as well as business development and/or investment opportunities identified by the Group from time to time. The related transaction costs amounting to HK$324,000 have been netted off against the share premium.

Share Options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 32 to the financial statements.

Share Warrants

Details of the Company's Share Warrants are included in note 29 to the financial statements.

32. SHARE OPTION SCHEME

On 29 June 2010, the Company passed an ordinary resolution to adopt a share option scheme (the "Scheme") for the purpose of providing incentives to participants to contribute to the Group and/or to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group. Participants of the Scheme include employee, officer, agent, consultant, business associate or representative of the Company or any subsidiary or otherwise contributes to the success of the Group, including any executive, non-executive or independent non-executive director of the Company or any subsidiary, who, as the broad of directors or a committee comprising directors and members of the senior management of the Company (the "Committee") (as the case may be) may determine in its absolute discretion, is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors, and subject to such conditions as the board of directors or the Committee (as the case may be) may think fit. The Scheme will remain in force for period of ten years commencing on 29 June 2010.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the number of Shares in issue from time to time. In addition, the total number of Shares which may be issued upon exercise of all options granted together with all options to be granted under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the nominal amount of all the Shares in issue as at the date of adoption of the Scheme (the "Scheme Mandate Limit"). The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. Once refreshed, the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the number of Shares in issue as at the date of approval of the refreshment by the Shareholders.

As at the date of this report, the total number of Shares available for issue under the Scheme is 607,639,472 representing 10% of the existing issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the proposed date of grant. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

32. SHARE OPTION SCHEME (Continued)

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors or the Committee, save that such period shall not be more than 10 years from the date of grant. Unless the Board may otherwise determine, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

The exercise price of share options is determinable by the Board or the Committee, but shall be at least the highest of (i) the Stock Exchange closing price of the Shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Notes	**Weighted average exercise price** (HK$ per share)	**Number of options** '000
At 1 January 2012		0.354	956,700
Forfeited during the year	(b)	0.547	(264,150)
Adjustment arising from Share Consolidation		–	(570,600)
At 31 December 2012 and 1 January 2013		1.592	121,950
Granted during the year		0.5	380,700
Forfeited/expired during the year	(b)	1.01	(33,090)
At 31 December 2013	(c)	0.75	469,560

Notes:

(a) The fair values of the share options granted under the Scheme during the year ended 31 December 2013 were HK$63,338,000 in aggregate, which were estimated as at the respective dates of grant using a binominal model, taking into account the terms and conditions upon which the options were granted, the valuation of which was performed by American Appraisal. The following table lists the inputs to the model used:

Dividend yield (%)	0
Expected volatility (%)	51 – 56
Expected life of options (years)	3 – 6
Risk-free interest rate (%)	0.59 – 1.31
Weighted average share price (HK$ per share)	0.45

The expected life of the share options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. No other feature of the share options granted was incorporated into the measurement of fair value.

Equity-settled share option expense of HK$30,060,000 (2012: HK$5,677,000) was recognised in profit or loss during the year ended 31 December 2013 in respect of the share options granted under the Scheme.

(b) 33,090,000 (2012: 264,150,000) share options granted under the Scheme were forfeited/expired during the year ended 31 December 2013 upon the resignation of certain grantees during the year.

32. SHARE OPTION SCHEME (Continued)

Notes: (Continued)

(c) As at 31 December 2013 and at the date of approval of these financial statements, the Company had 469,560,000 share options outstanding under the Scheme, which represented approximately 7.7% of the Shares in issue as at 31 December 2013 and at the date of approval of these financial statements respectively.

(d) The exercise prices and exercise periods of the share options outstanding under the Scheme as at the end of the reporting period are as follows:

2013

Number of options ('000)	Exercise price* (HK$ per share)	Exercise period
6,133	3.9	2 Jul 2011 to 1 Jul 2016
6,133	3.9	2 Jul 2012 to 1 Jul 2017
6,134	3.9	2 Jul 2013 to 1 Jul 2018
2,320	4.15	6 Sep 2011 to 5 Sep 2016
2,320	4.15	6 Sep 2012 to 5 Sep 2017
2,320	4.15	6 Sep 2013 to 5 Sep 2018
2,200	4.15	6 Sep 2014 to 5 Sep 2019
1,200	4.15	6 Sep 2015 to 5 Sep 2020
19,600	0.75	20 Sep 2011 to 19 Sep 2015
44,400	0.75	20 Sep 2011 to 19 Sep 2017
84,300	0.5	2 Jul 2013 to 1 Jul 2016
97,500	0.5	2 Jul 2014 to 1 Jul 2017
97,500	0.5	2 Jul 2015 to 1 Jul 2018
97,500	0.5	2 Jul 2016 to 1 Jul 2019
469,560		

2012

Number of options ('000)	Exercise price* (HK$ per share)	Exercise period
7,133	3.9	2 Jul 2011 to 1 Jul 2016
7,133	3.9	2 Jul 2012 to 1 Jul 2017
7,134	3.9	2 Jul 2013 to 1 Jul 2018
2,320	4.15	6 Sep 2011 to 5 Sep 2016
2,320	4.15	6 Sep 2012 to 5 Sep 2017
2,320	4.15	6 Sep 2013 to 5 Sep 2018
2,200	4.15	6 Sep 2014 to 5 Sep 2019
1,200	4.15	6 Sep 2015 to 5 Sep 2020
34,800	0.75	20 Sep 2011 to 19 Sep 2015
55,390	0.75	20 Sep 2011 to 19 Sep 2017
121,950		

* The exercise prices of the share options are subject to adjustment in the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than issuance of shares as consideration in respect of a transaction)

.

At the end of the reporting period, the exercise in full of the outstanding share options under the Scheme would, under the present capital structure of the Company, result in the issue of 469,560,000 additional Ordinary Shares and additional share capital of HK$23,478,000 and share premium of HK$333,387,600, before taking into account any transfer of share option reserve to the share premium account.

33. PERPETUAL CONVERTIBLE BONDS

The perpetual convertible bonds issued during the years are as follows:

	Notes	Group and Company 2013 HK$'000	2012 HK$'000
– Initial	(a)	**955,480**	955,480
– Earn-out	(b)	**1,139,046**	–
Balance at 31 December		**2,094,526**	955,480

(a) Initial Perpetual Convertible Bonds

In December 2012, the Company issued Initial Perpetual Convertible Bonds with a principal amount of HK$780,000,000 for the acquisition of approximately 25.2% equity interest in Li Ning Co, as further detailed in note 21 to the financial statements, which are convertible at the option of the bondholders into Shares anytime at a conversion price of HK$0.325 per Share. There was no conversion into ordinary shares during the year. The Initial Perpetual Convertible Bonds are non-redeemable, non-interest bearing and have no maturity period, save that they will become due and payable upon the liquidation of the Company. The distribution on the Initial Perpetual Convertible Bonds will be equal to the distribution or dividend that would otherwise have been paid on the conversion shares into which the convertible bonds are convertible had the relevant right of conversion been exercised prior to the record date applicable to the distribution or dividend declaration, and shall be paid at the same time as the Company pays the relevant distribution or dividends to its shareholders. As the Company has no contractual obligations to repay its principal nor to pay any distributions, nor deliver a variable number of its ordinary shares to the bondholders, the Initial Perpetual Convertible Bonds are accounted for as equity instruments and are included in the shareholders' equity, and respective distributions if and when declared are treated as equity dividends. The related transaction costs amounting to HK$62,000 have been netted off against the carrying amount.

(b) Earn-out Perpetual Convertible Bonds

On 30 August 2013, the Company entered into the Deed with Victory Mind Assets and Dragon City to advance the timetable for the possible issuance of earn-out perpetual convertible bonds in relation to the acquisition of approximately 25.2% equity interest of Li Ning Co in December 2012. The execution and performance of the Deed were approved in the extraordinary general meeting of shareholders on 4 November 2013. The earn-out perpetual convertible bonds with a fair value of HK$1,140,000,000 were issued in advance in November 2013 and were classified as equity and the related derivative financial liabilities were derecognised at the same time, the financial impact of which was based on the fair value of earn-out perpetual convertible bonds upon the Deed becoming effective. As a result, the Group has recorded a loss of HK$156,000,000 (2012: Nil). Upon the completion of the advanced issuance, the holder of the perpetual convertible bonds are subject to certain undertakings, under which a portion of perpetual convertible bonds may have to be returned to the Company in the event that certain performance targets of LN Group are not met. The Company will continue to assess whether any and how much undertaken perpetual convertible bonds might be cancelled in the future and recognise a corresponding derivative financial asset, if any, at its fair value. Subsequent changes of fair value of such derivative financial asset will be recognised in profit and loss. Details of this transaction were set out in the Company's circular dated 17 October 2013. The related transaction costs amounting to approximately HK$954,000 have been offset against the carrying amount.

34. RESERVES

(a) Group

(i) 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.

(ii) The share option reserve represents the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.3 to the financial statements. The amount will either to be transferred to the share premium account when the related share options are exercised, or transferred to retained profits/accumulated losses should the related share options lapse or be forfeited.

(iii) Pursuant to the relevant laws and regulations for wholly-owned enterprise, a portion of the profits of the Group's wholly-owned-subsidiary which is established in the PRC has been transferred to reserve funds which are restricted as to use.

34. RESERVES (Continued)

(b) Company

	Note	Share premium account HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2012		2,256,863	61,102	(709,217)	1,608,748
Loss for the year and total comprehensive loss for the year		–	–	(18,941)	(18,941)
Issues of shares		609,299	–	–	609,299
Share issues expenses		(1,358)	–	–	(1,358)
Equity-settled share option arrangements	33(a)	–	5,677	–	5,677
Transfer of share option reserve upon forfeiture of share options		–	(14,276)	14,276	–
At 31 December 2012 and 1 January 2013		**2,864,804**	**52,503**	**(713,882)**	**2,203,425**
Loss for the year and total comprehensive loss for the year		**–**	**–**	**(503,090)**	**(503,090)**
Issues of shares		**216,000**	**–**	**–**	**216,000**
Share issues expenses		**(324)**	**–**	**–**	**(324)**
Equity-settled share option arrangements		**–**	**30,060**	**–**	**30,060**
Transfer of share option reserve upon the forfeiture or expiry of share options		**–**	**(3,403)**	**3,403**	**–**
At 31 December 2013		**3,080,480**	**79,160**	**(1,213,569)**	**1,946,071**

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is available for distributions or payment of dividends to shareholders of the Company subject to the provisions of the Company's articles of association, provided that immediately following the distribution of dividends, the Company is able to pay off its debts as and when they fall due in the ordinary course of business.

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Non-cash transactions

On 12 October 2012, the Group entered into a sale and purchase agreement with two entities which are held by trusts and the beneficiaries of which included family members of Mr. Li Ning and his brother, for the acquisition of 266,374,000 LN Shares, representing approximately 25.2% equity interest in Li Ning Co as at the date of acquisition.

The purchase consideration for the acquisition was satisfied by the issue of 1,780,220,769 Shares credited as fully paid at issuance, the issue of initial perpetual convertible bonds with a principal amount of HK$780,000,000 and the contingent consideration of the issue of earn-out perpetual convertible bonds based on the operating performance of LN Group for the financial periods between 2013 and 2017, subject to a maximum principal amount of HK$780,000,000.

In November 2013, the Group has completed the advanced issuance of earn-out perpetual convertible bonds (note 33(b)).

36. OPERATING LEASE ARRANGEMENT

(a) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from six months to two years.

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**6,127**	4,726	**5,641**	1,254
In the second to fifth years, inclusive	**2,093**	220	**2,093**	–
	8,220	4,946	**7,734**	1,254

37. CAPITAL COMMITMENTS

As at 31 December 2013, the Group had the following capital commitments:

	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for:		
Construction work	**–**	1,592
	–	1,592

Note:

At 31 December 2013, the Company did not have any significant capital commitments (2012: Nil).

38. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Gross sponsorship income received and receivable from an associate	(i)	**56,701**	–
Gross underwriting commission fee received from an associate	(ii)	**18,617**	–
Service income received from an associate	(iii)	**–**	50

(i) Gross sponsorship income received and receivable in relation to some sports event and competition managed by the Group from LN Group, which was charged in accordance with the terms negotiated between the related parties. Mr. Li Ning is a common director of the Company and LN Group.

38. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

(ii) Gross underwriting commission fee of HK$18,617,000 represented 2.5% of the principal amount of convertible securities underwritten by the Group under the Li Ning Open Offer. It is determined after arm's length negotiations between the Group and LN Group with reference to current prevailing market rate. Mr. Li Ning is a common director of the Company and LN Group. The underwriting commission fee, after elimination of the attributable portion of the unrealised transaction with LN Group and net of related expenses, amounted to HK$12,960,000 was recorded as other income (note 5).

(iii) Service income represented an agency fee for service rendered in relation to the endorsement of brand products of LN Group, which was charged in accordance with the terms negotiated between the related parties. Mr. Li Ning is a common director of the Company and LN Group. Pursuant to the relevant agency contract entered with the sports talent appointed by LN Group for the provision of the aforesaid endorsement, the service income recognised by the Group was calculated based on certain percentage of the gross sponsorship fee on a time apportionment basis in accordance with the service agreement entered into with Mr. Li Ning, over the relevant service period.

On 8 February 2012, the related company ceased to be a connected party of the Group, as Mr. Li Ning, who was previously deemed to be interested in 30.8% of the equity interest in the related party and considered as a connected person of the Company, has decreased his shareholding to approximately 25.40%, and this transaction ceased to constitute a continuing connected transaction from 9 February 2012 onwards.

(b) Other Transactions with related parties

During the year ended 31 December 2012, the Group acquired approximately 25.2% equity interest in Li Ning Co from two entities which are held by trusts and the beneficiaries of which include family members of Mr. Li Ning and his brother, based on terms mutually agreed between the Group and the related parties. Mr. Li Ning is an executive director of the Company. Further details of the transactions are included in note 21 to the financial assets.

During the year ended 31 December 2013, the Group exercised its rights for subscription and excess application for the convertible securities in the principal amount of HK$3.50 per unit of convertible securities. Approximately 146,759,000 units of convertible securities were allotted to the Group at the total consideration of approximately HK$513,656,000. In this connection, the Group's equity interests in Li Ning Co has increased from approximately 25.2% to approximately 26.1% with effect from April 2013, assuming all holders of the convertible securities convert the convertible securities in full upon completion of the Li Ning Open Offer.

(c) Outstanding balance with a related party

Details of the Group's balance with a related party included in trade receivables are disclosed in note 23 to the financial statements.

(d) Compensation of key management personnel of the Group

Details of directors' emoluments and highest paid individuals are included in notes 8 and 9 to the financial statements, respectively.

The related party transactions during the year under review as set out in this note did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 20 of during the year under review as the GEM Listing Rules.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including foreign currency risk, interest risk and other price risk), liquidity risk and credit risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk (including foreign currency risk, interest risk and other price risk), liquidity risk and credit risk are kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest-bearing assets in relation to cash at banks carried at effective interest rates with reference to the market, details of which are disclosed in note 28 to the financial statements. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group's cash at banks is considered minimal.

Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument (excluding investment in an associate) will fluctuate because of changes in foreign exchange rates. The Group operates in Hong Kong and the PRC. Most of the sales and trading transactions are settled in RMB. Deposits invested into various bank deposits are denominated in RMB and HK$. As at the end of the reporting period, foreign currencies were translated into HK$ at the closing rate. As at 31 December 2013, cash and bank balances denominated in RMB and domiciled outside the PRC amounted to HK$460,105,000 (2012: HK$274,972,000) and the remaining balance of HK$367,425,000 (2012: HK$657,437,000) was mainly denominated in HK$ or denominated in RMB and domiciled in the PRC. The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to foreign currency risk at year end date.

If RMB appreciates/depreciates against HKD by 5%, profit or loss, and equity would be increased/decreased by approximately HK$23,005,000 (2012: 13,749,000).

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. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The carrying amounts of trade receivables, other receivables and deposits, amounts due from subsidiaries and cash and cash equivalents included in the face of the statements of financial position represent the Group's or the Company's maximum exposure to credit risk in relation to its financial assets.

The Group generally has established long-term and stable relationships with its customers. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group generally allows credit period of 30 days extending up to 120 days to its major trade customers. The Group has no other significant concentration of credit risk in respect of its trade receivables. The Group maintains its cash and cash equivalents with reputable banks in Hong Kong and the PRC, therefore the directors consider that the credit risk for such is minimal. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, other payables and accruals bank and other loan and an amount due to a non-controlling shareholder, also in respect of its cash flow management.

The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 3 months projection. Long term liquidity needs for a 180-day and 365-day lookout period are identified monthly. Net cash requirements are compared to available funds in order to determine headroom or any shortfalls. This analysis shows if available funds are expected to be sufficient over the lookout period. The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30 day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of borrowings and the ability to sell longer-term financial assets. The Group's liquidity is mainly dependent upon the cash received from its trade customers.

The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is within one year or on demand.

The contractual undiscounted payments are approximate to their carrying amounts.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

Fair value risk and disclosures

At 31 December 2013, the Group held certain derivative financial instruments which are carried in the financial statements at fair value, as further detailed in note 29 to the financial statements. In respect of the derivative financial asset, its fair value was measured based on a valuation technique for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (the "Level 3 measurement"). In respect of the derivative financial liabilities, their fair values were measured based on a valuation technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (the "Level 2 measurement"). During the year ended 31 December 2013, there were no transfers into or out of Level 3 fair value measurements (2012: Nil).

In respect of the Group's financial assets and liabilities as at 31 December 2013 and 2012 which are carried in the financial statements at other than fair value, in the opinion of the directors of the company, the carrying amounts of these financial assets and liabilities are reasonable approximation of their respective fair values as these financial instruments are due to be received or settled within one year. Accordingly, no disclosure of the fair values of these financial instruments is made.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group actively and regularly reviews and manages its capital structure to ensure optimal structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditure, projected strategic investment opportunities and 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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2013 and 2012.

The Group regards total equity attributable to the shareholders of the Company presented on the face of the consolidated statement of financial position as capital, for capital management purposes. The amount of capital as at 31 December 2013 amounted to approximately HK$3,570,926,000 (2012: HK$3,204,953,000), which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

40. FINANCIAL INSTRUMENTS BY CATEGORY

Other than derivative financial instruments being classified as financial asset/liabilities at fair value through profit or loss as disclosed in note 29 to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2013 and 2012 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

41. EVENTS AFTER THE REPORTING PERIOD

On 24 January 2014, an indirect wholly-owned subsidiary of the Company entered into the sale and purchase agreement with the purchaser to dispose its equity interests in a subsidiary in Zhongshan and the completion of which shall take place upon issuance of the written confirmation by the Group in respect of full payment of the consideration.

42. DIVIDENDS

The Directors did not declare an interim dividend and did not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

PARTICULARS OF INVESTMENT PROPERTIES

31 December 2013

Location	Use	Tenure	Attributable Interest of the Group
Land Lot Nos. 50, 52, 61, No. 22 Kaifa Road, Shenyang Economic and Technology Development Zone, Shenyang, Liaoning Province, the PRC	For generating rental income and/or capital appreciation	Medium term	100% directly

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities and total equity of the Group for the last five financial years/period, as extracted from the published audited financial statements of the Group, is set out below:

RESULTS

	Year ended 31 December				Period from 1 August 2008 to 31 December
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**125,162**	68,191	80,130	11,419	10,887
PROFIT/(LOSS) BEFORE TAX	**(645,763)**	(296,088)	40,511	(64,105)	(52,646)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	**(640,919)**	(282,595)	39,452	(62,957)	(52,006)

ASSETS AND LIABILITIES

	31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**3,338,903**	3,219,325	1,060,901	525,441	204,031
CURRENT ASSETS	**1,121,657**	1,458,017	1,153,361	1,521,540	42,730
CURRENT LIABILITIES	**135,302**	230,908	114,473	26,192	5,306
NET CURRENT ASSETS	**986,355**	1,227,109	1,038,888	1,495,348	37,424
TOTAL ASSETS	**4,460,560**	4,677,342	2,214,262	2,046,981	246,761
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,325,258**	4,446,434	2,099,789	2,020,789	241,455
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	**4,322,802**	3,455,299	2,079,865	1,997,508	237,599

GLOSSARY

In this annual report, unless the context requires otherwise, the following expressions shall have the following meanings:

"American Appraisal"	American Appraisal China Limited, an independent professional qualified valuer
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Bidding Confirmation"	Bidding confirmation for Changbai Land
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Changbai Land"	the land use right of a parcel of land of approximately 117,200 sq. m., situated within the region east to Three Changbai Street, south to Guihua Road, west to Two Changbai Street and north to South Binhe Road in Changbai Dao of Heping District, Shenyang, Liaoning Province, the PRC (中國遼寧省瀋陽市和平區長白島，東至長白三街，南至規劃道路，西至長白二街，北至濱河南路)
"Company" or "Viva China"	Viva China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (stock code: 8032)
"connected person(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Directors"	the directors of the Company
"Dragon City"	Dragon City Management (PTC) Limited, a company incorporated in BVI
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of the Hong Kong
"HKICPA"	The Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKFRSs"	Hong Kong Financial Reporting Standards which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations
"Lead Ahead"	Lead Ahead Limited, a company incorporated in the BVI
"Li Ning Co"	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued LN Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2331)

GLOSSARY

"Li Ning Open Offer"	the proposed open offer of convertible securities by Li Ning Co in the principal amount of HK$3.50 for every two existing LN Shares held by the qualifying shareholders of Li Ning Co
"LN Group"	Li Ning Co and its subsidiaries
"LN Share(s)"	the share(s) of HK$0.10 each in the share capital of Li Ning Co
"PRC"	the People's Republic of China which, for the purpose of this annual report, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Consolidation"	the consolidation of every five ordinary shares of the Company of nominal value of HK$0.01 each into one ordinary share of the Company of nominal value of HK$0.05 each pursuant to an ordinary resolution passed by the Shareholders on 23 November 2012
"Share(s)"	ordinary shares of nominal value of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SY PLR Bureau"	瀋陽市規劃和國土資源局和平分局 (The Heping Branch of the Shenyang Planning and Land and Resources Bureau*)
"Underwriting Agreement"	the underwriting agreement dated 23 January 2013 entered into between the Company and Li Ning Co in relation to the Li Ning Open Offer
"US GAAP"	the Generally Accepted Accounting principles in the United States
"Victory Mind Assets"	Victory Mind Assets Limited, a company incorporated in BVI
"%"	per cent.

* For identification purpose only