華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

ANNUAL REPORT 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This annual report, for which the directors (the "Directors") of Chinese Strategic Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("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 annual 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 annual report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Kwok Hing Wilfred *J.P.* *(Chairman)*
Ms. Chan Shui Sheung Ivy

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

AUTHORISED REPRESENTATIVES

Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Chan Shui Sheung Ivy

AUDIT COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

NOMINATION COMMITTEE

Mr. Wang Chin Mong *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward

REMUNERATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing Wilfred *J.P.*
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

JOINT COMPANY SECRETARIES

Mr. Lam Kwok Hing Wilfred *J.P.*
Ms. Cheung Ching Man

COMPLIANCE OFFICER

Mr. Lam Kwok Hing Wilfred *J.P.*

REGISTERED OFFICE

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2 Church Street
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Bermuda

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT OFFICE

Union Registrars Limited
18/F, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited
43/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
China Construction Bank Corporation
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Ltd.

STOCK CODE

8089

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in businesses of properties investments, securities trading and loan financing. The turnover of the Group for the year ended 31 December 2013 decreased by 39.4% to HK$94,078,000 as compared with the preceding financial year.

Properties Investments

Through renting out of the properties, the Group recorded a rental income of approximately HK$2,835,000 for the year ended 31 December 2013 (2012: approximately HK$1,830,000). A gain arising from fair value changes of investment properties of approximately HK$2,700,000 was recorded (2012: loss approximately HK$107,000).

As at 31 December 2013, the Group held properties in Hong Kong and in Mainland China for investment purposes with total fair value amounted to approximately HK$219,964,000 (2012: approximately HK$209,157,000) on the basis of valuations carried out on 31 December 2013 by independent firms of professional valuers not connected with the Group.

Securities Trading

Segmental turnover of the securities trading business for the year ended 31 December 2013 was HK$83,340,000 (2012: approximately HK$140,804,000). The Group recorded a loss arising from the fair value changes of investments held for trading of approximately HK$13,423,000 (2012: gain approximately HK$7,255,000) and a gain on disposals of investments held for trading of approximately HK$20,284,000 (2012: approximately HK$85,000); a gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss of approximately HK$10,020,000 (2012: approximately HK$4,742,000).

As at 31 December 2013, the Group had investments held for trading amounted to approximately HK$170,831,000 (2012: approximately HK$117,399,000) and convertible instruments designated at financial assets at fair value through profit or loss amounted to approximately HK$66,612,000 (2012: approximately HK$41,441,000).

Loan Financing

The loan financing business generated an interest income of approximately HK$7,903,000 to the Group during the year (2012: approximately HK$12,701,000) representing a decrease of approximately 37.8%. An impairment loss on loan receivables of approximately HK$11,238,000 was recorded during the year ended 31 December 2013 (2012: approximately HK$29,544,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group recorded a turnover of approximately HK$94,078,000 (2012: approximately HK$155,335,000), representing a decrease of approximately 39.4% as compared with the preceding financial year. The decrease in turnover was mainly due to the decrease in volume in securities trading.

Administrative expenses for the year ended 31 December 2013 was approximately HK$46,443,000 (2012: approximately HK$47,719,000), representing a decrease of 2.7% as compared with the preceding financial year.

The loss attributable to the owners of the Company for the year ended 31 December 2013 aggregated at approximately HK$22,415,000 (2012: approximately HK$56,512,000). The basic loss per share for the year ended 31 December 2013 was approximately HK3.32 cents (2012: HK8.36 cents).

OUTLOOK

The property market of Hong Kong and Mainland China has cooled down after various measures introduced by the government over the past few years. The Board remains confident of the long term prospects in property investment in Hong Kong and Mainland China. In addition, the Board has actively explored property investment opportunities other than local and Mainland China market. Reference is made to the announcement of the Company dated 27 February 2014 in relation to a proposed property investment in Tinian Island, one of the three principal islands of the Commonwealth of Northern Mariana Islands (an inhabited island territories of the United States). The Board will from time to time review and adjust the portfolio of investment property in a prudent manner for the benefit of the Group and its shareholders.

Despite that the securities trading business has made a remarkable gain on disposals of investments held for trading during the year, the stock market in Hong Kong is expected to continue to be volatile. The Group will remain cautious in its investment strategy.

In view of the recent uncertainty in the credit market, the management has already adopted a conservative approach in implementing the lending practice and loan policy.

The Group will continue to adopt a positive but prudent approach in managing its financial resources and towards its investment strategy in exploring the feasibility of expansion into other business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

INTEREST IN A JOINT VENTURE

The Group's investment in a joint venture 長沙賽格發展有限公司 (Changsha Seg Development Co Limited) ("Changsha Seg") performed good and stable during the year ended 31 December 2013. The Group's share of result of Changsha Seg amounted to approximately HK$6,528,000 for the year ended 31 December 2013 (2012: HK$12,706,000). The net assets of Changsha Seg was approximately HK$238,615,000 (2012: approximately HK$218,580,000).

Changsha Seg is principally engaged in rental of office premises and properties investment. The Group has been working closely with its partner, Shenzhen Seg Co. Ltd., a company listed on the Shenzhen Stock Exchange, as well as the other shareholders of Changsha Seg, in respect of its operation and development.

FUND RAISING ACTIVITIES

On 27 May 2013, the Company entered into a placing agreement with FT Securities Limited as the placing agent, pursuant to which the placing agent conditionally agreed to place, on a best effort basis, up to 135,000,000 warrants to not less than six independent placees at the issue price of HK$0.01 per warrant. The subscription price is HK$0.20 (subject to adjustments) per subscription share. The gross proceeds and net proceeds of the placing are approximately HK$1,350,000 and HK$1,074,200 respectively, representing a net issue price of approximately HK$0.008 per warrant. Assuming the full exercise of the subscription rights attaching to the warrants, it is expected approximately HK$28,350,000 will be raised. The total net proceeds of approximately HK$28,074,200 (with a net subscription price of HK$0.208 per warrant). The net proceeds from the placing was used as general working capital of the Group. The placing of 135,000,000 warrants was completed on 6 June 2013. Details are set out in the announcements of the Company dated 27 May 2013 and 6 June 2013.

The Company placed 27 options on 21 June 2012 at a premium of HK$50,000 per option. Upon exercise of each of the option, the optionholder is entitled to subscribe for the convertible bonds of the Company in the principal amount of HK$1,000,000 at the subscription price of HK$1,000,000. Assuming exercise of all the 27 options, the optionholders are entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK$27,000,000 at the subscription price of HK$27,000,000. The convertible bonds are convertible into 135,000,000 new shares of the Company at the conversion price of HK$0.20 per conversion share. Details are set out in the announcements of the Company dated 30 May 2012 and 23 July 2012. The options were lapsed on 30 June 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations through a combination of shareholders equity, internally generated cash flows and interest-bearing bank borrowings.

As at 31 December 2013, the Group had cash and cash equivalent of approximately HK$38,050,000 (2012: approximately HK$43,363,000) and had interest-bearing bank borrowings of approximately HK$29,731,000 (2012: HK$30,210,000).

The gearing ratio (measured as total liabilities to total assets) was 10.7% as at 31 December 2013 (2012: 10.0%).

CAPITAL STRUCTURE

As at 31 December 2013 and 31 December 2012, the Company's issued share capital was HK$675,814, divided into 675,814,000 shares of HK$0.001 each.

CAPITAL COMMITMENTS

As at 31 December 2013, the Group did not have any capital commitment (2012: nil).

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liability (2012: nil).

CHARGES ON ASSETS

As at 31 December 2013, investment properties of the Group with an aggregate carrying value of HK$77,700,000 have been pledged to banks to secure the credit facilities granted to the Group and third parties (2012: HK$76,300,000).

SIGNIFICANT INVESTMENT

Save as disclosed in this report, the Group did not have any other significant investment during the year ended 31 December 2013 (2012: nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The reporting currency adopted by the Group is Hong Kong dollars ("HK$"). The majority of the Group's sales, receivables and expenditures are dominated in HK$, United States dollars ("USD") or Renminbi ("RMB"). HK$ is closely linked with USD. Although the exchange rate of HK$ against RMB had steadily depreciated during the year under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group's foreign exchange exposure and implement foreign currency hedging measures should the need arises.

MATERIAL ACQUISITIONS AND DISPOSALS

On 11 January 2013, the Group disposed the convertible bonds issued by Long Success International (Holdings) Limited in the principal amount of HK$20,000,000 at a cash consideration of HK$21,000,000. Details of the disposal are set out in the announcement of the Company dated 11 January 2013.

On 30 January 2013, the Group entered into a subscription agreement among Teamedics Enterprise (Holdings) Co., Limited ("Teamedics Enterprise"), Mr. Wong Chi To, Alex as a guarantor for subscription of the convertible bonds issued by Teamedics Enterprise in the principal amount of HK$8,000,000 by way of procuring the bank to grant and provide to Teamedics Enterprise and/or its subsidiary, credit facilities of HK$8,000,000 which would be secured by a deed of mortgage on a property held by a non wholly-owned subsidiary of the Company. Further details of the subscription are set out in the announcement of the Company dated 30 January 2013. A redemption notice of the convertible bonds was issued on 2 October 2013 by means of the bank credit facilities was terminated and the mortgage on the property was discharged.

On 22 February 2013, Top Status International Limited ("Top Status"), a wholly-owned subsidiary of the Company, subscribed for the convertible bonds issued by China Eco-Farming Limited ("CEF") in the principal amount of HK$34,500,000 at an initial conversion price of HK$0.01 (the "Convertible Bonds"), up to a maximum of 3,450,000,000 conversion shares, representing approximately 54.06% of the issued share capital of CEF as enlarged by the issue of the conversion shares. The subscription of the convertible bonds in the principal amount of HK$34,500,000 was completed on 30 April 2013. Details of the subscription are set out in the announcement of the Company dated 22 February 2013, 19 March 2013 and 30 April 2013.

On 2 August 2013, Top Status entered into an agreement to dispose the Convertible Bonds at a cash consideration of HK$40,000,000. The disposal constitutes a major and connected transaction of the Company and was approved by the independent shareholders of the Company at the special general meeting held on 8 January 2014. The transaction was completed on 8 January 2014. Details of the transaction are set out in the announcements of the Company dated 2 August 2013, 13 September 2013, 11 October 2013, 8 November 2013, 29 November 2013, 12 December 2013, 31 December 2013 and 8 January 2014 respectively, and the circular of the Company dated 18 December 2013.

On 31 December 2013, Major Premium Limited (the "Subscriber"), a wholly-owned subsidiary of the Company, The Incorporation of Financial Technicians Limited ("Financial Technicians") and FT Investment Management Limited ("FT Investment"), a wholly-owned subsidiary of Financial Technicians, entered into a deed of settlement ("Deed of Settlement"). Pursuant to the Deed of Settlement, FT Investment and Financial Technicians agreed with the Subscriber that 72,500,000 shares of PME Group Limited be transferred and assigned to the Subscriber absolutely for full and final settlement and discharge of the amount due and owing to the Subscriber. Details are set out in the announcements of the Company dated 1 November 2011 and 2 January 2014.

Save as disclosed above, the Group has no other material related party transactions, which constituted connected transactions under the GEM Listing Rules.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

The Group had 65 employees (2012: 56 employees) in Hong Kong and Mainland China as at 31 December 2013. During the year ended 31 December 2013, the Group incurred staff costs (including Directors' emoluments) of approximately HK$21,899,000 (2012: approximately HK$19,634,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the Board, as authorized by the shareholders of the Company at the annual general meeting of the Company, having regard to the respective Directors' skills, knowledge and involvement in the Company's affairs. None of the Directors are involved in deciding their own remuneration.

The employees are remunerated with basic salary and discretionary bonus with reference to corporate and individual's performance during the year. The Group offers competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, executive directors and employees are eligible to receive a discretionary bonus taking into account factors, such as market conditions as well as corporate and individual's performance during the year.

LITIGATIONS

With reference to the litigations of the Group, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, has obtained judgments in five (5) of its claims against the borrowers concerned while proceeding with its claim against another borrower. Fameway has successfully enforced part payment of the judgment debt against one of such borrowers, and will rely on legal advice on enforcement and further conduct in all the said claims.

Meanwhile, as previously reported, the Company and King Perfection Limited have obtained judgment in a separate matter but one of the judgment debtors has been wound up. The Company and King Perfection Limited will rely on legal advice for further conduct.

A writ of summons was issued in the High Court of the Hong Kong Special Administrative Region on 26 April 2013 against the Company as the 2nd defendant as well as another company which was previously a wholly-owned subsidiary of the Company as the 1st defendant claiming for, inter alia, an aggregate sum of RMB5,188,732,500. Under legal advice, the Company has made an application to strike out the alleged claims against the Company set out in the writ of summons on 31 July 2013.

The Company will announce or disclose the conduct of litigation matters and/or outcome of enforcement wherever appropriate or necessary.

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing Wilfred, *J.P.* ("Mr. Lam"), aged 54, was appointed as a non-executive Director on 2 September 2013 and has been re-designated as an executive Director and appointed as chairman of the Board with effect from 1 January 2014. He has also been appointed as members of the nomination committee and the remuneration committee of the Company, the authorized representatives for accepting service of process and notices in Hong Kong on behalf of the Company as required pursuant to Rule 5.24 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and compliance officer of the Company, all with effect from 8 January 2014. Mr. Lam has also been appointed as the joint company secretary of the Company, with effect from 1 February 2014.

Mr. Lam is the group vice president of 3D-GOLD Jewellery (HK) Limited; an executive director and group vice president of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on the Main Board of the Stock Exchange; a non-executive vice-chairman and non-executive director of National Arts Entertainment and Culture Group Limited (stock code: 8228), a company listed on the Growth Enterprise Market of the Stock Exchange; a non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board of the Stock Exchange; and an independent non-executive director of PME Group Limited ("PME", stock code: 379), a company listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Value Convergence Holdings Limited (stock code: 821), a company listed on the Main Board of the Stock Exchange, from 4 January 2010 to 30 May 2013. Mr. Lam is a Justice of Peace of the Hong Kong Special Administrative Region and was awarded the Queen's Badge of Honour in January 1997. He holds a bachelor degree of Law with honours from The University of Hong Kong. He is a practising solicitor in Hong Kong and is a consultant lawyer of WT Law Offices. He also holds a professional qualification of Estate Agent's (Individual) Licence in Hong Kong.

Ms. Chan Shui Sheung Ivy ("Ms. Chan"), aged 49, graduated from the University of South Australia with a Master of Business Administration degree. Ms. Chan has over 20 years of experience in investment and is currently the director of certain subsidiaries of the Company. Ms. Chan previously served as an executive director of China Chuanglian Education Group Limited (formerly known as China Oriental Culture Group Limited (Stock Code: 2371), a company listed on the Main Board of the Stock Exchange, from 24 January 2008 to 26 May 2011. She is a director of Channel Enterprises (Int'l) Limited. Since 2 May 2007, she was appointed as an executive director of PME Group Limited (Stock Code: 379) which is a company listed on the Main Board of the Stock Exchange.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yuen Wai Man ("Ms. Yuen"), aged 42, graduated from the University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of the Association of Chartered Certified Accountants, fellow member of the Hong Kong Institute of Certified Public Accountants and overseas member of the Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Yuen worked in accounting and auditing area for over 19 years. Since 1 November 2012, she was appointed as an independent non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145) which is a company listed on the Main Board of the Stock Exchange.

Mr. Wang Chin Mong ("Mr. Wang"), aged 42, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wang has more than 17 years of experience in the fields of auditing, accounting and finance.

Mr. Chow Fu Kit Edward ("Mr. Chow"), aged 46, has over 19 years of experience in power industry and is specialised in business strategy development, change management, materials procurement and marketing for power company. He holds a Master degree of Engineering in Mechanical Engineering from the University of Hong Kong and a Master degree of Business Administration from The Chinese University of Hong Kong. He is a Chartered Engineer, Member of Institution of Mechanical Engineers and The Hong Kong Institution of Engineers. Mr. Chow was an independent non-executive director of PME Group Limited (Stock Code: 379), a company listed on the Main Board of the Stock Exchange, during the period from 17 August 2007 to 31 January 2012.

SENIOR MANAGEMENT

Ms. Siu Yuk Wa Joe Joe, the Chief Financial Officer of the Group since 2008. Ms. Siu holds a Bachelor's Degree of Business Administration and is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. She has over 25 years of experience in accounting and financial management.

REPORT OF DIRECTORS

The Board presents this annual report together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in businesses of properties investments, securities trading and loan financing.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 December 2013 by business segment is set out in Note 8 to the accompanying financial statements.

RESULTS

Details of the Group's results for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on pages 36 and 37 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 165 to 167 of this annual report.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in Notes 20 and 43 to the accompanying financial statements, respectively.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year ended 31 December 2013 are set out in Note 18 to the accompanying financial statements.

DIVIDEND

The Directors do not recommend payment of final dividend for the year ended 31 December 2013 (2012: nil).

REPORT OF DIRECTORS

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 33 to the accompanying financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2013 are set out in the section headed "Consolidated Statement of Changes in Equity" on page 40 of this annual report.

The Company had no reserves available for distribution to shareholders of the Company as at 31 December 2013 (2012: nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 13 November 2002 which was expired on 12 November 2012 (the "Expired Share Option Scheme"), to allow the Company to grant share options to the participants for the purpose of providing incentives or rewards to the participants for their contribution to the Group. Details of the share options outstanding during the year ended 31 December 2013 were:

		Number of share options							
Name of category	Date of grant of share options	Outstanding as at 01.01.2013	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.12.2013	Validity period of share options	Exercise price HK$
Employees	3/4/2007	1,000,000	–	–	–	–	1,000,000	3/4/2007 – 2/4/2017	7.35
Consultants	3/4/2007	1,200,000	–	–	–	–	1,200,000	3/4/2007 – 2/4/2017	7.35
Total		2,200,000	–	–	–	–	2,200,000		

A summary of the Expired Share Option Scheme of the Company is set out in Note 34 to the accompanying financial statements.

The Directors consider to adopt a share option scheme so that the Company can continue to provide incentives and/or rewards to the participants by way of granting options. Accordingly, an ordinary resolution will be proposed at the special general meeting to be held on 2 April 2014 ("SGM") to approve the adoption of the share option scheme. Assuming that the number of shares in issue remains at 675,814,000 prior to the SGM and no shares are issued or repurchased by the Company, the general scheme limit of the Company will be 67,581,400 shares representing 10% of the issued share capital by the time of passing the relevant resolution.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 36 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") and the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue for the year ended 31 December 2013 attributable to the Group's major customers is as follows:

	Percentage of revenue
The largest customer	19.9%
Five largest customers combined	71.4%

The principal business of the Group is properties investments, securities trading and loan financing. In the opinion of the Directors, it is therefore of no value to disclose details of the Group's suppliers.

During the year ended 31 December 2013, none of the Directors, their associates, or any substantial shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group are disclosed in Note 37 to the accompanying financial statements. The Company confirms that particulars of the connected transaction has been properly disclosed in compliance with chapter 20 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting date are set out in Note 44 to the accompanying financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2013 and up to the date of this annual report are:

Executive Directors

Mr. Lam Kwok Hing Wilfred *J.P.*	(appointed on 2 September 2013 as non-executive Director and was re-designated as executive Director and appointed as chairman of the Board on 1 January 2014)
Ms. Chan Shui Sheung Ivy	
Ms. Yeung Sau Han Agnes	(resigned on 8 January 2014)

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

Under the Bye-laws, all Directors are subject to retirement by rotation at least once every three years.

In accordance with Bye-law no. 86(2), Mr. Lam Kwok Hing Wilfred will hold office until the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer himself for re-election at the forthcoming AGM.

In accordance with Bye-law no. 87(1), Ms. Yuen Wai Man and Mr. Chow Fu Kit Edward will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

The independent non-executive Directors are appointed for a specific term, subject to retirement by rotation in accordance with the Bye-laws.

None of the Directors being proposed for re-elections at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out from pages 11 to 12 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 14 and 15 to the accompanying financial statements, respectively.

SERVICE CONTRACT AND APPOINTMENT LETTERS OF DIRECTORS

Mr. Lam Kwok Hing Wilfred has entered into an appointment letter with the Company effective from 2 September 2013 as a non-executive Director and was terminated on 31 December 2013. He has entered into another appointment letter with the Company effective from 1 January 2014 regarding the re-designation from non-executive Director to executive Director and the appointment as chairman of the Board.

Ms. Yeung Sau Han Agnes has entered into a service contract with the Company for an initial fixed term of two years commenced from 8 May 2008, which had been terminated upon her resignation with effect from 8 January 2014.

Ms. Chan Shui Sheung Ivy has entered into an appointment letter with the Company effective from 1 January 2013.

Ms. Yuen Wai Man has entered into an appointment letter with the Company for a fixed term from 4 July 2013 to 31 December 2014.

Mr. Wang Chin Mong has entered into an appointment letter with the Company for a fixed term from 10 August 2013 to 31 December 2014.

Mr. Chow Fu Kit Edward has entered into an appointment letter with the Company for a fixed term from 14 May 2013 to 31 December 2014.

DIRECTORS' INTERESTS IN CONTRACTS

On 2 August 2013, Top Status International Limited, a wholly-owned subsidiary of the Company has entered into a sale and purchase agreement with Sino Coronet Limited as purchaser (the "Purchaser") in relation to the proposed disposal of convertible bonds of China Eco-Farming Limited (a company listed on the Stock Exchange) in the principal amount of HK$34,500,000 (the "Disposal"). The sole shareholder of the Purchaser was an associate of Ms. Yeung Sau Han Agnes, a former executive Director, and therefore was a connected person of the Company. The Disposal constituted a connected transaction of the Company under the GEM Listing Rules and the Disposal was approved by the independent shareholders of the Company at the special general meeting of the Company held on 8 January 2014 and completed on the same date.

Save as disclosed above, no contract of significance in relation to the Group's business pursuant to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at 31 December 2013 or at any time during the year ended 31 December 2013.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the year ended 31 December 2013.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2013, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise 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 the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Approximate percentage of the issued share capital
Chan Shui Sheung Ivy	Beneficial owner	60,000	0.01%

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the year ended 31 December 2013 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2013.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of shares	Number of underlying shares	Approximate percentage of interests
Chinese Capital Management Limited	Beneficial owner	–	134,000,000 *(note 1)*	19.83%
PME Group Limited	Interest of corporation controlled	67,294,000 *(note 2)*	–	9.96%
Sunbright Asia Limited	Beneficial owner	61,500,000 *(note 2)*	–	9.10%
Well Support Limited	Beneficial owner	67,081,466 *(note 3)*	–	9.93%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 *(note 3)*	–	9.93%

notes:

1. This is an interest in underlying shares held directly by Chinese Capital Management Limited in respect of each warrant to subscribe for one subscription share of the Company a maximum of 134,000,000 subscription shares (with an aggregate nominal value of HK$134,000 of the subscription shares) upon full exercise of the subscription rights attaching to the warrants.

2. In accordance with the corporate substantial shareholder notices filed by PME Group Limited ("PME") and Sunbright Asia Limited ("Sunbright"), these 67,294,000 shares comprised 61,500,000 shares held by Sunbright and 5,794,000 shares held by Betterment Enterprises Limited ("Betterment"). Sunbright is wholly-owned by CR Investment Group Limited ("CR Investment"). Betterment is owned as to 99.49% by Richcom Group Limited ("Richcom"). Richcom is in turn wholly-owned by CR Investment. CR Investment is in turn wholly-owned by PME. Accordingly, each of Richcom, CR Investment and PME is deemed to be interested in the shares held by Betterment; and each of CR Investment and PME is deemed to be interested in the shares held by Sunbright.

3. Pursuant to the corporate substantial shareholder notice filed by Well Support Limited and the individual substantial shareholder notice filed by Liu Yi Dong, these shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

Save as disclosed above, the Directors were not aware of any other persons, other than a director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as at 31 December 2013 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Stock Exchange.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report from pages 23 to 33 of this annual report.

COMPLIANCE ADVISER

The GEM Listing Committee of the Stock Exchange (the "GEM Listing Committee") published a press release on 4 March 2013 to direct, among other things, that the Company appoint an independent compliance adviser (the "Compliance Adviser") satisfactory to the Stock Exchange on an on-going basis for consultation on GEM Listing Rule compliance for a period of two years.

Accordingly, the Company had appointed Guangdong Securities Limited ("Guangdong Securities") and Proton Capital Limited ("Proton Capital") as the Compliance Adviser on an on-going basis for consultation on compliance with GEM Listing Rules for periods from 23 April 2013 to 12 August 2013 and from 11 September 2013 to 1 February 2014 respectively. Owing to the personnel changes in Guangdong Securities and Proton Capital, such appointments were terminated. Upon the approval from the GEM Listing Committee for an extension of time until 14 March 2014 to appoint a new compliance adviser, the Company, in accordance with the direction and satisfaction to the Stock Exchange, appointed CLC International Limited as the new Compliance Adviser on an on-going basis for a period of 20 months commencing from 6 March 2014 to 5 November 2015.

Proton Capital being the Compliance Adviser of the Company as at 31 December 2013, confirmed that Proton Capital together with its directors, employees or associates (as defined under the GEM Listing Rules) were not interested in any share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2013 pursuant to Rule 6A.32 of the GEM Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 31 December 2013 as required under the GEM Listing Rules.

AUDITOR

The consolidated financial statements for the years ended 31 December 2010, 2011 and 2012 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

On 7 June 2013, SHINEWING was re-appointed as the auditor of the Company for a term ending upon conclusion of the forthcoming AGM. A resolution to re-appoint SHINEWING as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Lam Kwok Hing Wilfred
Chairman and Executive Director

Hong Kong, 26 March 2014

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions on Corporate Governance Practices as set out in Corporate Governance Code and Corporate Governance Report (Appendix 15) to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") (the "CG Code") for the year ended 31 December 2013 except for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company did not appoint a chairman of the Board or chief executive during the year ended 31 December 2013 and has appointed Mr. Lam Kwok Hing Wilfred as the chairman of the Board with effect from 1 January 2014 to fill up the vacancy. The Board will keep reviewing the current structure from time to time and appoint candidate with suitable knowledge, skill and experience as chief executive of the Company.

Under code provision A.2.7 of the CG Code, the chairman of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. For the year ended 31 December 2013, no such meeting was held as the Company did not have chairman of the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made a specific enquiry, all Directors confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2013.

BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of five Directors, two of whom are executive Directors, namely Mr. Lam Kwok Hing Wilfred and Ms. Chan Shui Sheung Ivy, and three of whom are independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward.

Biographical details of each Director is set out in the section headed "Directors and Senior Management" from pages 11 to 12 of this annual report.

The Board includes a balanced composition of executive Directors and independent non-executive Directors, and possesses a wide spectrum of relevant skills and experience. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his or her duties effectively and efficiently. The participation of the independent non-executive Directors in the Board brings independent opinion on issues relating to the Group's strategy, performance, conflicts of interest and management process in order to ensure the interests of all shareholders of the Company have been duly considered. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Throughout the year ended 31 December 2013, the Board consisted of three independent non-executive Directors, two of them have appropriate professional qualification or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

All independent non-executive Directors are appointed for specific terms until 31 December 2014. They are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws.

Pursuant to Rule 5.09 of the GEM Listing Rules, the Company has received a written confirmation from each of the independent non-executive Directors of his/her independence to the Company. The Company considers all independent non-executive Directors to be independent.

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and oversight of management. The Board also focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the executive Directors and senior management of the Company, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through the executive Directors who have attended the Board meetings.

During the year ended 31 December 2013, 21 Board meetings and 1 annual general meeting were held. Details of the attendance of the Directors are as follows:

Directors	Attendance of Board meetings	Annual general meeting
Executive Directors		
Mr. Lam Kwok Hing Wilfred (Appointed on 2 September 2013 as non-executive Director and was re-designated as executive Director and appointed as chairman of the Board on 1 January 2014)	4/5	N/A
Ms. Chan Shui Sheung Ivy	20/21	1/1
Ms. Yeung Sau Han Agnes (Resigned on 8 January 2014)	21/21	1/1
Independent Non-executive Directors		
Ms. Yuen Wai Man	19/21	1/1
Mr. Wang Chin Mong	21/21	1/1
Mr. Chow Fu Kit Edward	18/21	1/1

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Directors will receive details of agenda items for decision and minutes of the committee meetings in advance of each Board meeting.

The joint company secretaries of the Company (the "Joint Company Secretaries") are responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Joint Company Secretaries with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

Any Director wishing to do so in the furtherance of his or her duties may take independent professional advice at the Company's expense. Directors get familiar with the Group through initial induction, on-going participation at the Board and committee meetings, and meeting with key members of management. The Directors are encouraged to update their skills and knowledge.

TRAINING FOR DIRECTORS

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

The Directors are committed to complying with Code Provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2013 to the Company.

The individual training record of each Director received for the year ended 31 December 2013 is summarised as follows:

Directors	Type of continuous professional development programmes
Executive Directors	
Mr. Lam Kwok Hing Wilfred (Appointed on 2 September 2013 as non-executive Director and was re-designated as executive Director and appointed as chairman of the Board on 1 January 2014)	A, B
Ms. Chan Shui Sheung Ivy	A, B
Ms. Yeung Sau Han Agnes (Resigned on 8 January 2014)	B
Independent Non-executive Directors	
Ms. Yuen Wai Man	A, B
Mr. Wang Chin Mong	A, B
Mr. Chow Fu Kit Edward	B

notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 12 August 2005 with written terms of reference. It currently consists of four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward; and one executive Director, Mr. Lam Kwok Hing Wilfred. Ms. Yuen Wai Man is the chairman of this committee.

The role and function written in the terms of reference of the remuneration committee are no less exacting terms than the CG Code. The remuneration committee makes recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives. No Directors or any of his/her associates can be involved in deciding his/her own remuneration. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration are considered by the remuneration committee to determine the remuneration package of individual executive Directors including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment; or relating to dismissal or removal for misconduct to ensure that it is consistent with contractual terms and is otherwise fair, not excessive, reasonable and appropriate.

For the year ended 31 December 2013, the remuneration committee of the Company held five meetings to make recommendations to the Board on the bonus proposal for the executive Directors, the remuneration proposal for the re-appointment of an independent non-executive Director, remuneration proposal for the appointment of a non-executive Director and remuneration proposal for re-designating a non-executive Director to an executive Director and the chairman of the Board.

Details of the attendance of the Company's remuneration committee meetings are as follows:

Members	**Attendance**
Ms. Yuen Wai Man *(Chairman)*	4/5
Mr. Wang Chin Mong	5/5
Mr. Chow Fu Kit Edward	5/5
Ms. Yeung Sau Han Agnes (Resigned on 8 January 2014)	5/5

NOMINATION COMMITTEE

The nomination committee of the Company was established on 12 August 2005 with written terms of reference. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward; and one executive Director, Mr. Lam Kwok Hing Wilfred. Mr. Wang Chin Mong is the chairman of this committee.

The nomination committee is responsible for reviewing the structure, size, composition and diversity of the Board annually in order to make recommendations to the Board on any proposed changes in relation to the Directors' appointment, re-appointment and independence of independent non-executive Directors.

For the year ended 31 December 2013, the nomination committee of the Company held five meetings to review and make recommendation on the Directors' re-election, appointment of an independent non-executive Director, a non-executive Director and the re-designation of a non-executive Director to executive Director and appointment of chairman of the Board.

Details of the attendance of the Company's nomination committee meetings are as follows:

Members	Attendance
Mr. Wang Chin Mong *(Chairman)*	5/5
Ms. Yuen Wai Man	4/5
Mr. Chow Fu Kit Edward	5/5
Ms. Yeung Sau Han Agnes (Resigned on 8 January 2014)	5/5

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As at the date of this annual report, the Company's audit committee comprises three independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward. Ms. Yuen Wai Man is the chairman of this committee.

The primary duties of the audit committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor whilst getting the way with them to maximize their independence and objectivity and to approve the remuneration and term of engagement of the external auditor; reviewing the Company's financial statements, annual report and accounts, interim report and quarterly reports and financial reporting judgments contained therein; overseeing the effectiveness of the audit financial reporting system and internal control procedures of the Group; and reviewing the confidential arrangements that employees of the Company may use to report and by way of which facilitating the above-mentioned duties.

For the year ended 31 December 2013, the audit committee of the Company held five meetings to review and supervise the financial reporting process and internal control review. They had, in conjunction with the external auditor of the Company, reviewed the quarterly, interim and annual results of the Group and recommended to the Board for their consideration and approval. The audit committee of the Company was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The audit committee of the Company also carried out and discharged its other duties as set out in the CG Code.

Details of the attendance of the Company's audit committee meetings are as follows:

Members	Attendance
Ms. Yuen Wai Man *(Chairman)*	5/5
Mr. Wang Chin Mong	5/5
Mr. Chow Fu Kit Edward	5/5

The Group's unaudited quarterly and interim results and audited annual results of the year 2013 have been reviewed by this committee.

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of Directors and senior management;

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

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

e) to review the Company's compliance with the corporate governance code and disclosure in the corporate governance report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2013, the remuneration paid/payable to the Company's external auditor, SHINEWING (HK) CPA Limited, is set out below:

	HK$'000
Services rendered to the Group	
– Audit services	770
– Non-audit services	–
	770

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

All Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group.

The statements of the external auditor of the Company, SHINEWING (HK) CPA Limited, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report from pages 34 to 35 of this annual report.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy of the financial position of the Group, and also enable the preparation of the financial statements in accordance with the applicable accounting standards.

Going Concern

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

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung ("Mr. Li") was a Joint Company Secretary and he has taken no less than 15 hours of relevant professional training for the year ended 31 December 2013.

On 1 February 2013, Ms. Cheung Ching Man ("Ms. Cheung"), delegated by an external service provider, has been appointed as a Joint Company Secretary. For the year ended 31 December 2013, Mr. Li served as the other Joint Company Secretary and acted as the external service provider's primary contact person at the Company. Ms. Cheung has taken no less than 15 hours of relevant professional training for the year ended 31 December 2013.

On 1 February 2014, Mr. Li tendered his resignation as Joint Company Secretary. Mr. Lam Kwok Hing Wilfred ("Mr. Lam"), being the chairman of the Board and an executive Director, was appointed as the Joint Company Secretary with effect from 1 February 2014 to assist Ms. Cheung, upon the Stock Exchange's new waiver to the Company from strict compliance with Rules 5.14 and 11.07(2) of the GEM Listing Rules in relation to Ms. Cheung's eligibility to act as the Joint Company Secretary, for the remaining period from 1 February 2014 to 31 January 2016.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the 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 shall at all times have the rights, by written requisition to the Board or the joint company secretaries of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company in Bermuda for the attention of the joint company secretaries of the Company.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the head office of the Company in Hong Kong or the registered office in Bermuda, or by e-mail to info@chinesestrategic.com for the attention of the Joint Company Secretaries.

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder(s) of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists: (a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; (b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office and principal place of business in Hong Kong of the Company for the attention of the Joint Company Secretaries.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Company has disclosed all necessary information to its shareholders and investors in compliance with the GEM Listing Rules. Moreover, the Board maintains close communications with the shareholders and investors of the Company through a number of formal communication channels which include (i) the publication of the Company's latest business developments and financial performance through its annual, interim and quarterly reports, notices, announcements and circulars; (ii) the general meetings providing an opportunity for the shareholders of the Company to raise comments and exchanging views with the Board; and (iii) the Company's website provides an effective communication platform between the Company and its investors.

There was no significant change in the Company's constitutional documents for the year ended 31 December 2013.

INTERNAL CONTROLS

The Board is responsible for the effectiveness of the Group's internal control system.

The internal control system is designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against material misstatement, loss or fraud.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

The Company has engaged an independent professional firm to conduct a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management during the year ended 31 December 2013. The Board has reviewed its progress during the year ended 31 December 2013. Such review considered the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programme and budget. The Board monitors an effective and adequate internal control system in place to safeguard the shareholders' investment and the Group's assets.

The Board has also appointed an independent compliance adviser on an on-going basis for consultation in compliance with the GEM Listing Rules and the compliance adviser has been consulted for all transactions and potential transactions of the Company.

On behalf of the Board
Lam Kwok Hing Wilfred
Chairman and Executive Director

Hong Kong, 26 March 2014

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF CHINESE STRATEGIC HOLDINGS LIMITED
(FORMERLY KNOWN AS CHINA RAILWAY LOGISTICS LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Chinese Strategic Holdings Limited (formerly known as China Railway Logistics Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 164, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

SHINEWING (HK) CPA Limited
Certified Public Accountants

Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
26 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operations			
Turnover	7	**94,078**	155,335
Revenue	7	**10,755**	14,616
Cost of sales		**(226)**	(135)
Gross profit		**10,529**	14,481
Other income and gains	9	**2,281**	6,378
Administrative expenses		**(46,443)**	(47,719)
Net increase (decrease) in fair value in investment properties	19	**2,700**	(107)
(Loss) gain arising from fair value changes of investments held for trading		**(13,423)**	7,255
Gain on disposals of investments held for trading		**20,284**	85
Net loss on derecognition of convertible instruments designated at financial assets at fair value through profit or loss		**–**	(18,934)
Gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss	24	**10,020**	4,742
Gain (loss) arising from fair value changes of derivative financial assets/liabilities	29	**2,299**	(3,217)
Gain arising from derecognition of derivative financial liabilities	29	**4,567**	–
Gain on disposal of subsidiaries	41	**–**	2,749
Impairment loss on interest in an associate	20	**–**	(1,475)
Impairment loss on loan receivables	23	**(11,238)**	(29,544)
Reversal of impairment loss on loan receivables	23	**2,015**	–
Loss on deemed disposal of partial interest in an associate	20	**(8,453)**	–
Share of profit of a joint venture		**6,528**	12,706
Finance costs	10	**(1,309)**	(2,664)
Loss before tax	11	**(19,643)**	(55,264)
Income tax (expense) credit	12	**(1,561)**	646
Loss for the year from continuing operations		**(21,204)**	(54,618)
Discontinued operations			
Profit for the year from discontinued operations	13	**–**	464
Loss for the year		**(21,204)**	(54,154)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**3,709**	(212)
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations		**–**	492
Fair value gain on available-for-sale financial assets		**8,093**	4,013
Share of translation reserve of a joint venture		**4,291**	23
Other comprehensive income for the year, net of income tax		**16,093**	4,316
Total comprehensive expense for the year		**(5,111)**	(49,838)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(22,415)**	(56,976)
– from discontinued operations		**–**	464
Loss for the year attributable to owners of the Company		**(22,415)**	(56,512)
Profit for the year attributable to non-controlling interests from continuing operations		**1,211**	2,358
		(21,204)	(54,154)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**(7,117)**	(52,200)
Non-controlling interests		**2,006**	2,362
		(5,111)	(49,838)
Basic and diluted loss per share	*17*		
From continuing and discontinued operations		**(3.32 cents)**	(8.36 cents)
From continuing operations		**(3.32 cents)**	(8.43 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Plant and equipment	18	**9,033**	10,938
Investment properties	19	**219,964**	209,157
Interest in an associate	20	**41,725**	50,178
Interest in a joint venture	21	**146,761**	135,942
Club debentures		**2,690**	2,690
Available-for-sale financial assets	22	**32,904**	22,921
		453,077	431,826
Current assets			
Loan receivables	23	**48,459**	133,952
Convertible instruments designated at financial assets at fair value through profit or loss	24	**66,612**	41,441
Prepayments, deposits and other receivables	25	**105,853**	115,131
Investments held for trading	26	**170,831**	117,399
Derivative financial assets	29	**2,014**	–
Bank balances and cash	27	**38,050**	43,363
		431,819	451,286
Current liabilities			
Accruals and other payables		**22,509**	14,190
Taxation		**9,493**	8,210
Bank borrowings	28	**29,731**	30,210
Derivative financial liabilities	29	**–**	4,567
		61,733	57,177
Net current assets		**370,086**	394,109
Total assets less current liabilities		**823,163**	825,935

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Bond payables	30	**10,000**	10,000
Deferred taxation	31	**22,525**	21,536
		32,525	31,536
Net assets		**790,638**	794,399
Capital and reserves			
Share capital	33	**676**	676
Reserves		**765,275**	771,042
		765,951	771,718
Non-controlling interests		**24,687**	22,681
Total equity		**790,638**	794,399

The consolidated financial statements on pages 36 to 164 were approved and authorised for issue by the board of directors on 26 March 2014 and are signed on its behalf by:

Lam Kwok Hing Wilfred
Director

Chan Shui Sheung Ivy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Warrant reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	676	2,901,300	7,914	3,590	1,312	3,300	13,363	(2,107,537)	823,918	20,319	844,237
Loss for the year	–	–	–	–	–	–	–	(56,512)	(56,512)	2,358	(54,154)
Other comprehensive income for the year	–	–	–	–	4,013	–	299	–	4,312	4	4,316
Total comprehensive income (expense) for the year	–	–	–	–	4,013	–	299	(56,512)	(52,200)	2,362	(49,838)
Expiration of warrant *(note 32)*	–	–	–	–	–	(3,300)	–	3,300	–	–	–
At 31 December 2012	676	2,901,300	7,914	3,590	5,325	–	13,662	(2,160,749)	771,718	22,681	794,399
Loss for the year	–	–	–	–	–	–	–	(22,415)	(22,415)	1,211	(21,204)
Other comprehensive income for the year	–	–	–	–	8,093	–	7,205	–	15,298	795	16,093
Total comprehensive income (expense) for the year	–	–	–	–	8,093	–	7,205	(22,415)	(7,117)	2,006	(5,111)
Issue of warrant *(note 32)*	–	–	–	–	–	1,350	–	–	1,350	–	1,350
At 31 December 2013	676	2,901,300	7,914	3,590	13,418	1,350	20,867	(2,183,164)	765,951	24,687	790,638

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss before tax from continuing operation	**(19,643)**	(55,264)
Profit before tax from discontinued operation	**–**	464
	(19,643)	(54,800)
Adjustments for:		
Finance costs	**1,309**	2,664
Interest income	**(1,474)**	(6,018)
Depreciation of plant and equipment	**2,515**	2,613
Impairment loss on loan receivables	**11,238**	29,544
Reversal of impairment loss on loan receivables	**(2,015)**	–
Impairment loss on available-for-sale financial assets	**110**	150
Impairment loss on interest in an associate	**–**	1,475
Loss on deemed disposal of partial interest in an associate	**8,453**	–
Share of profit of a joint venture	**(6,528)**	(12,706)
Gain on disposal of subsidiaries	**–**	(3,315)
Net (increase) decrease in fair value of investment properties	**(2,700)**	107
Gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss	**(10,020)**	(4,742)
Net loss on derecognition of convertible instruments designated at financial assets at fair value through profit or loss	**–**	18,934
(Gain) loss arising from fair value changes of derivative financial assets/liabilities	**(2,299)**	3,217
Gain arising from derecognition of derivative financial liabilities	**(4,567)**	–
Loss (gain) arising from fair value changes of investments held for trading	**13,423**	(7,255)
Loss on written off of plant and equipment	**–**	598
Operating cash flows before movements in working capital	**(12,198)**	(29,534)
Decrease in loan receivables	**74,255**	7,196
Decrease (increase) in prepayments, deposits and other receivables	**13,791**	(714)
(Increase) decrease in investments held for trading	**(33,805)**	13,819
Decrease in inventories	**–**	321
Increase in accruals and other payables	**6,548**	3,772
Increase in trade receivables	**–**	(410)
Decrease in trade payables	**–**	(526)
Decrease in receipts in advance	**–**	(481)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**48,591**	(6,557)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Proceeds on disposal/redemption of convertible instruments		**21,000**	25,010
Interest received		**1,474**	988
Refund of deposits paid for acquisition of potential investment/receivables in respect of a terminated acquisition in previous years		**–**	60,414
Disposal of subsidiaries	*41*	**–**	(678)
Acquisition of club membership		**–**	(2,690)
Acquisition of investment properties		**–**	(54,531)
Acquisition of derivative financial assets		**(230)**	–
Purchase of plant and equipment		**(610)**	(425)
Acquisition of a subsidiary	*40*	**(1,100)**	92
Acquisition of available-for-sale financial assets		**(2,000)**	–
Deposits paid for acquisition of potential investments		**(36,000)**	(20,000)
Acquisition of convertible instruments		**(36,151)**	(20,000)
NET CASH USED IN INVESTING ACTIVITIES		**(53,617)**	(11,820)
FINANCING ACTIVITIES			
Proceeds from issue of warrants	*32*	**1,350**	–
New bank borrowings raised		**–**	23,190
New bond payables raised		**–**	10,000
Proceeds from issue of option on convertible bonds		**–**	1,350
Repayment of bank borrowings		**(1,257)**	(705)
Interest paid		**(702)**	(434)
Settlement of promissory note		**–**	(13,956)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		**(609)**	19,445
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(5,635)**	1,068
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**43,363**	42,273
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE		**322**	22
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**38,050**	43,363

1. GENERAL

Chinese Strategic Holdings Limited (formerly known as China Railway Logistics Limited) (the "Company") was incorporated in Bermuda on 25 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 May 2000. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

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

The principal activities of the Company is investment holding and the principal activities of its subsidiaries are set out in note 43.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standard ("HKAS(s)") and Interpretation ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in 2012
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (revised 2011)	Employee Benefits
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
HK (International Financial Reporting Interpretation Committee) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the adoption of these new and revised HKFRSs in the current year has had no material impact on the Group's performance and positions for the current or prior financial years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements as the Group does have any offsetting agreement during the reporting period.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (revised 2011) *Separate Financial Statements* and HKAS 28 (revised 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and Hong Kong (Standard Interpretation Committee) ("HK(SIC)") – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor controls over an investee if and only if a) it has power over the investee. b) it is exposed, or has right, to variable returns from its involvement with the investee and c) has the ability to use its power over the investee to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its non-wholly owned subsidiaries in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over all of its subsidiaries and therefore, the application of HKFRS 10 has no material impact on the Group's consolidated financial statements.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interest in Joint Ventures*, and the guidance contained in a related interpretation, HK (SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (revised 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the application of HKFRS 11 does not result in any change in the Group's accounting for its joint arrangements.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

Impact of the application of HKFRS 12

HKFRS 12 Disclosure of Interests in Other Entities: Transaction Guidance is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 20, 21 and 43 to the consolidated financial statements for details).

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction in the principle (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 6 and 19 to the consolidated financial statements for the 2013 disclosures). Others than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

HKAS 19 Employee Benefits (revised 2011)

In the current year, the Group has applied HKAS 19 *Employee Benefits* (revised 2011) for the first time.

HKAS 19 (revised 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. HKAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The application of HKAS 19 (revised 2011) has not had any material impact on the consolidated financial statements as the Group does not have any defined benefit plans.

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (International Financial Reporting Interpretation Committee) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

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

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described below:

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

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

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

HKFRS 9 Financial Instruments *(Continued)*

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in the fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss are disclosed in note 6.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;

- each key assumption on which management has based its determination of fair value less costs of disposal;

- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination

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

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

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

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

Goodwill

Goodwill arising from a business combination is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture equals or exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

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

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. The Group's share in the associate's or joint venture's gains or losses resulting from these transaction is eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

Intangible asset acquired separately

Intangible asset with indefinite useful lives that are acquired separately (including club debentures) are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributable to non-controlling interest as appropriate).

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

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefits costs

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect in included in the accounting for the business combination.

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

(i) Financial assets

The Group's financial assets are classified into one of the following categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) ***Financial assets*** *(Continued)*

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) ***Financial assets*** *(Continued)*

Financial assets at FVTPL *(Continued)*

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss and gain (loss) arising from fair value changes of derivative financial assets/liabilities in the consolidated statement of profit or loss and other comprehensive income.

Convertible instruments acquired by the Group (including related embedded derivates) are designated at financial assets at FVTPL on initial recognition. Subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) ***Financial assets*** *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL or loans and receivables.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Impairment on financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) ***Financial assets*** *(Continued)*

Impairment on financial assets (Continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Impairment on financial assets *(Continued)*

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

(ii) Financial liabilities and equity instruments

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

The Group's financial liabilities are generally classified as financial liabilities at FVTPL and other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(ii) Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in gain (loss) arising from fair value changes of derivative financial assets/liabilities in profit or loss excludes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(ii) ***Financial liabilities and equity instruments*** *(Continued)*

Other financial liabilities

Other financial liabilities including accruals and other payables, bank borrowings and bond payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instrument

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

Derivative financial instruments

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

Derivatives of the Group do not qualify for hedge accounting thus they are deemed as derivative financial liability. Changes in fair values of such derivatives are recognised directly in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(ii) Financial liabilities and equity instruments *(Continued)*

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated losses.

(iii) Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in net loss on derecognition of convertible instruments designated at financial assets at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(iii) Derecognition *(Continued)*

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

Share options granted by the Company to employees of the Group in an equity settled share-based payment arrangement

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

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

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

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment loss on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an investment loss is recognised as income immediately in profit or loss unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties located in Hong Kong.

The Group recognised additional deferred taxes in respect of those investment properties situated in the People's Republic of China ("PRC") which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to land appreciation tax on disposal of these investment properties.

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

Critical judgements in applying accounting policies *(Continued)*

Classification of Changsha Seg Development Co. Limited ("Changsha Seg") as a joint venture

Changsha Seg is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Changsha Seg is classified as a joint venture of the Group. See note 21 for details.

Key sources of estimation uncertainty

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

Estimated impairment loss on loan receivables

Loan receivables are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The directors of the Company make judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

As at 31 December 2013, the carrying amount of loan receivables is HK$48,459,000 (31 December 2012: HK$133,952,000), net of accumulated impairment losses of HK$393,750,000 (31 December 2012: HK$384,527,000).

Fair value of convertible instruments designated at financial assets at FVTPL

The fair value of the convertible instruments involves assumptions on the issuer's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the fair value. The carrying amount of the convertible instruments designated at financial assets at FVTPL as at 31 December 2013 is HK$66,612,000 (31 December 2012: HK$41,441,000).

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of deposits paid for acquisition of potential investments

Deposits paid for acquisition of potential investments are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The directors of the Company make judgments on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

As at 31 December 2013, the carrying amount of deposits paid for acquisition of potential investments is HK$88,000,000 (31 December 2012: HK$52,000,000) net of accumulated impairment losses of HK$20,000,000 (31 December 2012: HK$20,000,000).

Fair value of derivative financial instruments

As described in note 29, the directors of the Company use their judgment in selecting an appropriate valuation technique which is commonly used by market participants for fair value measurement. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The carrying amount of derivative financial assets and liabilities measured at fair value at 31 December 2013 was HK$2,014,000 (2012: nil) and nil (2012: HK$4,567,000) respectively.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 6 and 29 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

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

Key sources of estimation uncertainty *(Continued)*

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2013 was approximately HK$219,964,000 (31 December 2012: HK$209,157,000).

Estimated impairment loss on interest in a joint venture

Determining whether the interest in a joint venture is impaired requires an estimation of the future cash flows expected to arise and expected dividend yield from the joint venture and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of the Group's joint venture as at 31 December 2013 was approximately HK$146,761,000 (31 December 2012: HK$135,942,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group at 31 December 2013 consists of debt, which includes cash and cash equivalents, bank borrowings disclosed in note 28, bond payables disclosed in note 30 and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Available-for-sale financial assets		
– at cost	**4,000**	2,110
– at fair value	**28,904**	20,811
	32,904	22,921
FVTPL		
– investments held for trading	**170,831**	117,399
– convertible instruments designated at financial assets at FVTPL	**66,612**	41,441
– derivative financial assets	**2,014**	–
	239,457	158,840
Loans and receivables (including bank balances and cash)	**190,689**	291,290
Financial liabilities		
Financial liability at FVTPL		
– derivative financial liability	**–**	4,567
Other financial liabilities measured at amortised cost	**62,240**	54,400

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan receivables, deposits and other receivables, bank balances and cash, financial assets at FVTPL (including investments held for trading and convertible instruments designated at financial assets at FVTPL), available-for-sale financial assets, derivative financial assets/liabilities, accruals and other payables, bond payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

i) *Currency risk*

The functional currency of certain subsidiaries established in the PRC is Renminbi ("RMB"). The RMB is not freely convertible into other currencies however, under Mainland China'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. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, that are denominated in currencies other than the functional currency of the relevant group entities were mainly denominated in United States dollars ("USD").

	Assets	
	2013	2012
	HK$'000	HK$'000
USD	**33,028**	25,630
RMB	**1,115**	798
Total	**34,143**	26,428

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

i) Currency risk (Continued)

Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates. The Group currently does not have any policy to hedge its exposure to currency risk.

No sensitivity analysis was prepared for USD because HK$ is pegged to USD and no sensitivity analysis was prepared for RMB. The fluctuation and impact is considered immaterial.

ii) Interest rate risk

The Group's exposure to changes in interest rate risk is mainly attributable to its bank balances and bank borrowings at variable-interest rate which expose the Group to cash flow interest-rate risk, while loan receivables, bond payables and convertible instruments designated at financial assets at FVTPL at fixed rates expose the Group to fair value interest-rate risk. The Group has not formulated a policy to manage the interest rate risk. The Group has not used any derivative contracts or formulated any policy to hedge its exposure to interest rate risk as the exposure is considered to be insignificant.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points and assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by approximately HK$133,000 (2012: HK$182,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure with respect to interest rate on its variable-interest rate bank balances and bank borrowings. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, unlisted investments in funds and convertible instruments designated at financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on instruments quoted on the Stock Exchange and on fund investments quoted by the financial institutions.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity securities included in investment held for trading had been 10% (2012: 10%) higher/lower, the post-tax loss for the year ended 31 December 2013 would decrease/increase by approximately HK$14,264,000 (2012: HK$9,802,000) as a result of the changes in financial assets at FVTPL.

For unlisted investments in funds included in available-for-sale financial assets, if the prices of the respective equity instruments had been 10% higher/lower, the investment revaluation reserve as at 31 December 2013 would increase/decrease by approximately of HK$2,890,000 (31 December 2012: HK$2,081,000).

For convertible instruments designated at financial assets at FVTPL, if the prices of the respective convertible instruments had been 10% higher/lower, the post-tax loss for the year ended 31 December 2013 would decrease by approximately HK$1,214,000 (2012: HK$339,000) or increase by approximately HK$1,845,000 (2012: HK$392,000) respectively, arising from the changes in fair value of convertible instruments designated at financial assets at FVTPL.

If the share price of the warrant issuer had been 10% higher/lower and all derivative components moved according to the historical correlation with the share price of the Company, the post-tax loss for the year ended 31 December 2013 would decrease or increase by approximately HK$474,000 (2012: nil), arising from changes in fair value of the derivative financial assets.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

In respect of loan receivables, representing financing advances to customers under the Group's loan financing business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

In respect of the loan receivables arising from the Group's loan financing business, 19% (2012: 30%) of the total gross loan receivables as at 31 December 2013 was due from the Group's largest customer and 47% (2012: 67%) of the total gross loan receivables as at 31 December 2013 was due from the Group's five largest customers for the Group's loan financing business.

The directors of the Company consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

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

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% of loan receivables as at 31 December 2013 and 2012.

Liquidity risk

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

The tables include both interest and principal cash flows. To the extent that interest flows and floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

At 31 December 2013

	On demand or within one year HK$'000	More than one year less than two years HK$'000	More than two year but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31 December 2013 HK$'000
Non-derivative financial liabilities						
Accruals and other payables	22,509	–	–	–	22,509	22,509
Bond payables	600	600	1,800	10,600	13,600	10,000
Bank borrowings	30,411	–	–	–	30,411	29,731
	53,520	600	1,800	10,600	66,520	62,240

At 31 December 2012

	On demand or within one year HK$'000	More than one year less than two years HK$'000	More than two year but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31 December 2012 HK$'000
Non-derivative financial liabilities						
Accruals and other payables	14,190	–	–	–	14,190	14,190
Bond payables	600	600	1,800	11,200	14,200	10,000
Bank borrowings	30,918	–	–	–	30,918	30,210
	45,708	600	1,800	11,200	59,308	54,400

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Bank loans with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK$29,731,000 (2012: HK$30,210,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid by monthly installments in the next 18 years (2012: 19 years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$36,263,000 (2012: HK$37,739,000).

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2013			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
– listed equity securities held for trading	**170,831**	**–**	**–**	**170,831**
– convertible instruments designated at FVTPL	**–**	**66,612**	**–**	**66,612**
– derivative financial assets	**–**	**2,014**	**–**	**2,014**
Available-for-sale financial assets				
– unlisted investment in funds	**–**	**28,904**	**–**	**28,904**
	170,831	**97,530**	**–**	**268,361**

	31 December 2012			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
– listed equity securities held for trading	117,399	–	–	117,399
– convertible instruments designated at FVTPL	–	34,475	6,966	41,441
Available-for-sale financial assets				
– unlisted investment in funds	–	20,811	–	20,811
	117,399	55,286	6,966	179,651
Financial liabilities at FVTPL				
– derivative financial liabilities	–	4,567	–	4,567

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

There were no transfers between levels of fair value hierarchy in the current and prior years.

The valuation techniques and inputs used in Level 2 fair value measurements of financial instruments as set out below:

	Valuation technique	**Key input**
Convertible instruments designated at financial assets at FVTPL issued by Hong Kong listed companies	Binominal option pricing model	Discount rate and volatility levels
Derivative financial assets	Binominal option pricing model	Discount rate and volatility levels
Unlisted investment in funds	Quoted price from bank	Quoted price from bank

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Convertible instruments designated at financial assets at FVTPL issued by a Hong Kong private company HK$'000
At 1 January 2013	6,966
Total losses in profit or loss	(6,966)
At 31 December 2013	–

The above total gains or losses for the year recognised in profit or loss are included in the statement of profit or loss and other comprehensive income.

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

7. TURNOVER AND REVENUE

Turnover

Turnover represents the aggregate of rental income; net proceeds from the disposal of investments held for trading; and interest income from the provision of loan financing during the year. The following is an analysis of the Group's turnover from continuing operations:

	2013 HK$'000	2012 HK$'000
Rental income	2,835	1,830
Net proceeds from the disposal of investments held for trading	83,340	140,804
Interest income from the provision of loan financing	7,903	12,701
	94,078	155,335

Revenue

Revenue represents the aggregate of rental income; dividend income from investments held for trading; and interest income from the provision of loan financing during the year. The following is an analysis of the Group's revenue from continuing operations:

	2013 HK$'000	2012 HK$'000
Rental income	2,835	1,830
Interest income from the provision of loan financing	7,903	12,701
Dividend income from investment held for trading	17	85
	10,755	14,616

8. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

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

1. Properties investments – investment in properties for rental income purpose

2. Securities trading – trading of securities and dividend income from investment held for trading

3. Loan financing – provision of financing services

An operating segment regarding computer telephony which included leasing of telecommunication equipments and computer telecommunications and computer telephony system, and provision of consulting and maintenance services was discontinued during the year ended 31 December 2012. The segment information reported on the following for the year ended 31 December 2012 does not include any amounts for these discontinued operations, which are described in more details in note 13.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

	2013 **HK$'000**	2012 HK$'000
Segment revenue		
– Properties investments	**2,835**	1,830
– Loan financing	**7,903**	12,701
– Dividend income from investment held for trading	**17**	85
	10,755	14,616

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

	2013 HK$'000	2012 HK$'000
Segment profit (loss)		
– Properties investments	**3,786**	8,111
– Securities trading	**1,914**	5,925
– Loan financing	**(10,626)**	(28,373)
	(4,926)	(14,337)
Unallocated corporate expenses	**(24,122)**	(28,506)
Unallocated corporate income	**2,281**	6,378
Net loss on derecognition of convertible instruments designated at financial assets at FVTPL	**–**	(18,934)
Gain arising from fair value changes of convertible instruments designated at financial assets at FVTPL	**10,020**	4,742
Gain on disposal of subsidiaries	**–**	2,749
Gain (loss) arising from fair value changes of derivative financial assets/liabilities	**2,299**	(3,217)
Gain arising from derecognition of derivative financial liabilities	**4,567**	–
Impairment loss on interest in an associate	**–**	(1,475)
Loss on deemed disposal of partial interest in an associate	**(8,453)**	–
Finance costs	**(1,309)**	(2,664)
Loss before tax	**(19,643)**	(55,264)

The accounting policies of the operating segment are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit/loss attributable to each segment without allocation of central administration costs, directors' emoluments, net loss on derecognition of convertible instruments designated at financial assets at FVTPL, gain arising from fair value changes of convertible instruments designated at financial assets at FVTPL, gain on disposal of subsidiaries, impairment on available-for-sale financial assets, impairment loss on interest in an associate, loss on deemed disposal of partial interest in an associate, gain arising from derecognition and gain or loss arising from fair value change of derivative financial assets/liabilities, gain arising from derecognition of derivative financial liabilities, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2013 HK$'000	2012 HK$'000
Segment assets		
– Properties investments	381,405	371,798
– Securities trading	172,591	159,539
– Loan financing	49,183	119,738
Total segment assets	603,179	651,075
Unallocated corporate assets	281,717	232,037
Consolidated assets	884,896	883,112
Segment liabilities		
– Properties investments	10,418	3,924
– Securities trading	3,458	2,192
– Loan financing	821	835
Total segment liabilities	14,697	6,951
Unallocated corporate liabilities	79,561	81,762
Consolidated liabilities	94,258	88,713

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to operating segments other than available-for-sale financial assets, certain plant and equipment, club debentures, deposits paid for acquisition of potential investments, convertible instruments designated at financial assets at FVTPL, derivative financial assets, bank balances and cash and certain other receivables; and

- all liabilities are allocated to operating segments other than certain other payables and accruals, bond payables, bank borrowings, derivative financial liabilities, taxation and deferred taxation.

Other segment information

For the year ended 31 December 2013

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets from continuing operation					
Depreciation on plant and equipment	212	–	147	2,156	2,515
Additions to plant and equipment, and investment properties	4,241	–	–	27	4,268
Impairment loss on loan receivables	–	–	11,238	–	11,238
Reversal of impairment loss on loan receivables	–	–	(2,015)	–	(2,015)
Share of profit of a joint venture	(6,528)	–	–	–	(6,528)
Fair value losses/(gains) on					
– investment properties	(2,700)	–	–	–	(2,700)
– investments held for trading	–	13,423	–	–	13,423
Gains on disposals of investments held for trading	–	(20,284)	–	–	(20,284)

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2013 *(Continued)*

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets from continuing operation:

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Gain arising from fair value changes of convertible instruments designated at financial assets at FVTPL	–	(10,020)	–	–	(10,020)
Gain arising from fair value changes of derivative financial assets/liabilities	–	2,299	–	–	2,299
Gain arising from derecognition of derivative financial liabilities	–	(4,567)	–	–	(4,567)
Interest income	–	(1,203)	(4)	(267)	(1,474)
Finance costs	–	702	–	607	1,309
Income tax expense	278	1,268	–	15	1,561

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2012

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets from continuing operation					
Depreciation on plant and equipment	94	–	147	2,357	2,598
Additions to plant and equipment, and investment properties	59,844	–	–	425	60,269
Loss on write-off of plant and equipment	–	–	–	598	598
Impairment loss on loan receivables	–	–	29,544	–	29,544
Gain on disposal of subsidiaries	–	–	–	(2,749)	(2,749)
Share of profit of a joint venture	(12,706)	–	–	–	(12,706)
Fair value losses/(gains) on					
– investment properties	107	–	–	–	107
– investments held for trading	–	(7,255)	–	–	(7,255)
Gains on disposals of investments held for trading	–	(85)	–	–	(85)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets from continuing operation:					
Fair value gains on convertible instruments designated at financial assets at FVTPL	–	(4,742)	–	–	(4,742)
Loss arising from fair value changes of derivative financial liabilities	–	–	–	3,217	3,217
Loss on derecognition of convertible instruments designated at financial assets at FVTPL	–	18,934	–	–	18,934
Interest income	(3)	(15)	(82)	(5,918)	(6,018)
Finance costs	–	434	–	2,230	2,664
Income tax credit	(646)	–	–	–	(646)

8. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in the PRC and Hong Kong.

Information about the Group's revenue from continuing operation from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong	**10,111**	13,978	**135,005**	139,934
PRC	**644**	638	**285,168**	268,971
	10,755	14,616	**420,173**	408,905

Note: Non-current assets excluded those relating to financial instruments.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenues of the Group are as follows:

	2013 HK$'000	2012 HK$'000
Customer A[1]	**2,142**	1,586
Customer B[2]	**2,010**	2,022
Customer C[2]	**1,907**	3,071
	6,059	6,679

1 Revenue from loan financing and properties investments
2 Revenue from loan financing

9. OTHER INCOME AND GAINS

The analysis of the Group's other income and gains are as follow:

	2013 **HK$'000**	2012 HK$'000
Continuing operations		
Bank interest income	**46**	30
Interest on promissory note receivable	**185**	5,030
Other interest income	**79**	958
Interest on convertible instruments	**1,164**	–
Others	**807**	360
	2,281	6,378

10. FINANCE COSTS

	2013 **HK$'000**	2012 HK$'000
Continuing operations		
Interest on:		
Bank borrowings	**702**	434
Promissory note payables *(note)*	**–**	1,887
Bond payables	**607**	343
	1,309	2,664

Note: The promissory note payables were issued in relation to the transactions (as details in note 38(f)) with certain related parties (as detailed in note 37(a)) at interest rate of 6% per annum and were disposed of through disposal of subsidiaries during the year ended 31 December 2012.

11. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	2013 HK$'000	2012 HK$'000
Continuing operations		
Staff costs including directors' emoluments:		
Salaries and allowances	21,243	19,144
Contributions to retirement benefits scheme	656	490
	21,899	19,634
Auditors' remuneration	770	730
Depreciation of plant and equipment	2,515	2,598
Loss on write-off of plant and equipment	–	598
Minimum lease payments under operating leases	4,398	4,365
Impairment on available-for-sale financial assets	110	150
Gross rental income	(2,835)	(1,830)
Less: outgoings (included in cost of sales)	226	135
Net rental income	(2,609)	(1,695)

12. INCOME TAX EXPENSE (CREDIT)

	2013 HK$'000	2012 HK$'000
Continuing operations		
Current tax:		
Hong Kong	**1,283**	1,717
Deferred taxation *(note 31)*	**278**	(2,363)
	1,561	(646)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years ended 31 December 2013 and 2012.

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

12. INCOME TAX EXPENSE (CREDIT) *(Continued)*

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

	2013 **HK$'000**	2012 HK$'000
Continuing operations		
Loss before tax	**(19,643)**	(55,264)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**(3,241)**	(9,119)
Tax effect of share of result of a joint venture	**(1,077)**	(2,097)
Tax effect of expenses not deductible for tax purpose	**9,916**	20,783
Tax effect of income not taxable for tax purpose	**(4,455)**	(6,263)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(612)**	346
Tax effect on investment properties for deferred tax purpose	**(36)**	(2,561)
Tax effect of tax loss not recognised	**1,724**	198
Tax effect of deductible temporary differences not recognised	**346**	181
Utilisation of tax losses previously not recognised	**(1,004)**	(2,114)
Income tax expense (credit) for the year	**1,561**	(646)

12. INCOME TAX EXPENSE (CREDIT) *(Continued)*

The principal components of the Group's deferred tax assets not provided for, on the cumulative temporary differences at the end of the reporting period are as follows:

	Other temporary differences HK$'000	Estimated tax losses HK$'000	Total HK$'000
At 1 January 2012	37,144	34,762	71,906
Movement for the year	181	(1,916)	(1,735)
At 31 December 2012 and 1 January 2013	37,325	32,846	70,171
Movement for the year	617	720	1,337
At 31 December 2013	**37,942**	**33,566**	**71,508**

No deferred tax assets attributable to other temporary differences and tax losses of the Group have been recognised for both years due to unpredictability of future profit streams. At the end of the reporting period, the Group had unexpired estimated tax losses available for off-setting future taxable profits and other deductible temporary differences of approximately HK$179,220,000 (2012: HK$174,856,000) and HK$146,772,000 (2012: HK$143,033,000) respectively.

During the year ended 31 December 2013, tax loss of approximately HK$6,085,000 (2012: HK$12,813,000) for which no deferred tax asset were recognised previously was utilised.

13. DISCONTINUED OPERATIONS

On 30 April 2012, the Group entered into a sale and purchase agreement for disposal of a subsidiary, CentreWorld Holding Ltd. ("CentreWorld"), which carried out all of the Group's operations of sale of computer telephony for a cash consideration of HK$300,000 to an independent third party. The disposal of the operation was completed on 30 April 2012, on which date control of CentreWorld passed to the acquirer.

The profit for the year ended 31 December 2012 from the discontinued operation was analysed as follows:

	2012 HK$'000
Loss of computer telephony operation for the period	(102)
Gain on disposal of computer telephony operation *(note 41)*	566
	464

The results of the computer telephony operation for the period from 1 January 2012 to 30 April 2012, which had been included in consolidated statement of profit or loss and other comprehensive income were as follows:

	1/1/2012- 30/4/2012 HK$'000
Revenue	2,413
Cost of sale	(1,156)
Gross profit	1,257
Selling and distribution expenses	(4)
Administrative expenses	(1,355)
Loss for the period	(102)

13. DISCONTINUED OPERATIONS *(Continued)*

Loss for the period from discontinued operation has been arrived at after charging:

	Period ended 30 April 2012 HK$'000
Depreciation on plant and equipment	15
Minimum lease payables under operating lease	128
Cost of inventories recognised as an expense	1,156

During the year ended 31 December 2012, CentreWorld contributed HK$323,000 to the Group's net operating cash flows, and nil in respect of investing activities and financing activities.

The carrying amounts of the assets and liabilities of CentreWorld at the date of disposal are disclosed in note 41.

14. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

	2013 **HK$'000**	2012 HK$'000
Executive directors and chief executives:		
Fees	**–**	–
Salaries and other benefits *(Note)*	**3,588**	2,392
Contributions to retirement benefits scheme	**30**	28
Performance bonus	**1,656**	1,104
	5,274	3,524
Non-executive director		
Fee	**119**	–
Independent non-executive directors		
Fees	**993**	968
	6,386	4,492

Note: Other benefits include housing allowance.

No directors and chief executives waived their emoluments for each of the years ended 31 December 2013 and 2012. No emoluments have been paid to the directors of the Company and chief executives as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2013 and 2012.

14. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

The details of directors' remuneration of each director and chief executives for the years ended 31 December 2013 and 2012 are set out below:

For the year ended 31 December 2013

Name of directors	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Performance bonus HK$'000	Total HK$'000
Executive directors					
Yeung Sau Han Agnes[1]	–	1,794	15	828	2,637
Chan Shui Sheung Ivy	–	1,794	15	828	2,637
Non-executive director					
Lam Kwok Hing Wilfred[2]	119	–	–	–	119
Independent non-executive directors					
Yuen Wai Man	331	–	–	–	331
Wang Chin Mong	331	–	–	–	331
Chow Fu Kit Edward	331	–	–	–	331
	1,112	3,588	30	1,656	6,386

1 Resigned on 8 January 2014.

2 Appointed as non-executive director on 2 September 2013 and re-designated to executive director on 1 January 2014.

14. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

For the year ended 31 December 2012

Name of directors	Fees	Salaries and other benefits	Contributions to retirement benefits schemes	Performance bonus	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Yeung Sau Han Agnes	–	1,196	14	552	1,762
Chan Shui Sheung Ivy	–	1,196	14	552	1,762
Independent non-executive directors					
Yuen Wai Man	276	–	–	–	276
Lam Ka Wai Graham[3]	242	–	–	–	242
Wang Chin Mong	276	–	–	–	276
Chow Fu Kit Edward[4]	174	–	–	–	174
	968	2,392	28	1,104	4,492

3 Resigned on 27 April 2012.

4 Appointed on 14 May 2012.

The Company did not appoint a chief executive during the years ended 31 December 2013 and 2012. Ms. Chan Shui Sheung Ivy ("Ms. Chan") and Ms. Yeung Sau Han Agnes ("Ms. Yeung") (resigned on 8 January 2014) performed the duties of chief executive. Their emoluments disclosed above include those services rendered by Ms. Chan and Ms. Yeung.

15. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included two directors (2012: two directors) of the Company, whose emoluments have been included in note 14 above. The emoluments of the remaining three individuals for the year ended 31 December 2013 (2012: three individuals) were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and allowances	**2,950**	2,687
Contributions to retirement benefits schemes	**45**	42
Performance bonus	**173**	253
	3,168	2,982

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
Below HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**2**	1

Other than the emoluments of directors disclosed in note 14, the emoluments of the senior management whose profiles are set out in the section headed "Directors and Senior Management" of the annual report (of which these financial statements form a part) fell within the following bands:

	2013 No. of employees	2012 No. of employees
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**1**	–

16. DIVIDEND

No dividend was paid or proposed during the year nor has any dividend been proposed since the end of the reporting period (2012: nil).

17. LOSS PER SHARE

For continuing and discontinued operations

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

	2013 **HK$'000**	2012 HK$'000
Loss		
Loss for the year attributable to owners of the Company	**(22,415)**	(56,512)

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**675,814,000**	675,814,000

17. LOSS PER SHARE *(Continued)*

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2013 **HK$'000**	2012 HK$'000
Loss for the year attributable to owners of the Company	**(22,415)**	(56,512)
Less:		
Profit for the year from discontinued operations	**–**	464
Loss for the purpose of basic and diluted loss per share from continuing operation	**(22,415)**	(56,976)

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

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK0.07 cents per share for the year ended 31 December 2012, based on the profit for the year ended 31 December 2012 from the discontinued operations of HK$464,000 and the denominators detailed above for both basic and diluted earnings per share.

The computation of diluted loss per share does not assume the exercise of the Company's share options, non-listed warrants and the option to subscribe convertible bond because the respective exercise prices of the Company's share options and non-listed warrants were higher than the average market price of the Company's shares for both 2013 and 2012 and the respective exercise price of the Company's option to subscribe shares was higher than the average market price of the Company's shares for 2013.

18. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Equipment on lease to customers HK$'000	Equipment for development HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
Cost								
At 1 January 2012	391	3,427	2,655	43	442	2,479	14,461	23,898
Exchange adjustment	–	2	8	–	–	–	–	10
Additions	212	38	175	–	–	–	–	425
Disposal of subsidiaries	–	(966)	(1,776)	(43)	(442)	–	–	(3,227)
Write-off	(391)	(774)	(131)	–	–	–	–	(1,296)
At 31 December 2012 and 1 January 2013	212	1,727	931	–	–	2,479	14,461	19,810
Additions	–	183	25	–	–	402	–	610
At 31 December 2013	212	1,910	956	–	–	2,881	14,461	20,420
Depreciation								
At 1 January 2012	212	1,752	2,158	34	395	1,262	4,290	10,103
Exchange adjustment	–	1	5	–	–	–	–	6
Charge for the year	226	326	127	–	1	497	1,436	2,613
Disposal of subsidiaries	–	(964)	(1,758)	(34)	(396)	–	–	(3,152)
Eliminated on write-off	(388)	(209)	(101)	–	–	–	–	(698)
At 31 December 2012 and 1 January 2013	50	906	431	–	–	1,759	5,726	8,872
Charge for the year	96	420	125	–	–	414	1,460	2,515
At 31 December 2013	146	1,326	556	–	–	2,173	7,186	11,387
Carrying amounts								
At 31 December 2013	66	584	400	–	–	708	7,275	9,033
At 31 December 2012	162	821	500	–	–	720	8,735	10,938

18. PLANT AND EQUIPMENT *(Continued)*

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

Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Computer equipment	30%
Equipment on lease to customers	30%
Equipment for development	30%
Motor vehicles	30%
Vessel	10%

19. INVESTMENT PROPERTIES

	2013 **HK$'000**	2012 HK$'000
FAIR VALUE		
At 1 January	**209,157**	148,716
Acquire on an acquisition of a subsidiary *(note 40)*	**3,658**	–
Additions	**–**	59,844
Net increase (decrease) in fair value recognised in profit or loss	**2,700**	(107)
Exchange adjustments	**4,449**	704
At 31 December	**219,964**	209,157
Investment properties held under medium-term leases		
– Hong Kong	**82,100**	76,300
– PRC	**137,864**	132,857
	219,964	209,157

The fair value of the Group's investment properties at 31 December 2013 and 2012 have been arrived at on the basis of a valuation carried out on the respective dates by Jointgoal Surveyors Limited ("Jointgoal Surveyors") or Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuers not connected with the Group.

19. INVESTMENT PROPERTIES *(Continued)*

The valuation using market comparison approach was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions if such information is available.

For properties without market transaction prices information, the fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in related location and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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

As at 31 December 2013, the Group's investment properties with carrying amounts of HK$71,400,000 (2012: HK$70,300,000) and HK$6,300,000 (2012: HK$6,000,000) have been pledged to secure banking facilities granted to the Group (note 28) and a convertible bond issuer (note 24(e)) respectively.

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

	Level 2 HK$'000	Level 3 HK$'000	Fair value As at 31/12/2013 HK$'000
Investment properties	**62,478**	**157,486**	**219,964**

There were no transfers into or out of Level 2 and Level 3 during the year.

19. INVESTMENT PROPERTIES *(Continued)*

Valuation techniques and inputs used in Level 2 fair value measurements of investment properties:

The fair values of certain investment properties located in Hong Kong and PRC are determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

Information about Level 3 fair value measurements of investment properties:

Valuation technique	Key input	Significant unobservable inputs
Income approach	Rental yield, time factor and discount rates	Rental yield ranging from 2.2% to 4.25% and discount rate ranging from 2.2% to 4.25%

The fair value measurement of investment properties based on income approach determined by using discounted cash flow is positively correlated to the rental yield, and negatively correlated to the discount rates. A slight increase in discount rate used would result in a significant decrease in fair value measurement of the properties, vice versa.

Reconciliation of Level 3 fair value measurements of investment properties on recurring basis:

	Investment properties classified as Level 3 HK$'000
1 January 2013	**153,370**
Net increase in fair value recognised in profit or loss	**614**
Exchange adjustments	**3,502**
At 31 December 2013	**157,486**

The above net increase in fair value recognised in profit or loss are included in statement of profit or loss and other comprehensive income and is attributable to the change in unrealised gains or losses relating to investment properties held at the end of the reporting period.

20. INTEREST IN AN ASSOCIATE

	2013 HK$'000	2012 HK$'000
Cost of investment in:		
a listed associate in HK	**43,200**	51,653
Less: Impairment loss recognised for the year	**(1,475)**	(1,475)
	41,725	50,178
Fair value of listed investments	**74,529**	50,178

The fair values of the Group's interests in an associate disclosed above are based on the quoted market price available on Stock Exchange, which are level 1 input in terms of HKFRS 13.

As at 31 December 2013 and 2012, the Group had interest in the following associate:

Name	Form of business structure	Place of incorporation/ operations	Particulars of issued capital	Percentage of equity interest attributable to the Group		Principal activity
				2013 *Note*	2012	
China Eco- Farming Limited ("CEF")	Listed company in the Stock Exchange	Bermuda/ Hong Kong	Issued capital	**20.98%**	25.17%	Investment holding

Note: During the year, CEF issued 586,000,000 new shares by placing which the percentage of equity interest attributable to the Group was diluted from 25.17% to 20.98%. An amount of approximately HK$8,453,000 in respect of deemed disposal was recognised in profit or loss during the year ended 31 December 2013.

As at 31 December 2013, included in the cost of investment in a listed associates in Hong Kong is goodwill of HK$41,725,000 (2012: HK$50,178,000) arising on acquisition of an associate.

No impairment of interest in an associate recognised during the year ended 31 December 2013 (2012: HK$1,475,000).

20. INTEREST IN AN ASSOCIATE *(Continued)*

Summarised financial information of the associate

Summarised financial information in respect of the Group's associate is set out below.

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

CEF

	2013	2012
	HK$'000	HK$'000
Current assets	**19,298**	5,806
Non-current assets	**7,978**	7,894
Current liabilities	**(11,981)**	(31,098)
Non-current liabilities	**(4,806)**	–

	2013	2012
	HK$'000	HK$'000
Revenue	**19,194**	20,798
Loss and total comprehensive expense for the year from continuing operations	**(25,760)**	(21,046)

20. INTEREST IN AN ASSOCIATE *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net deficiency in shareholders' equity of CEF	**(10,489)**	(17,398)
Proportion of the Group's ownership interest in CEF	**20.98%**	25.17%
Goodwill	**41,725**	50,178
Carrying amount of the Group's interest in CEF	**41,725**	50,178

The Group has stopped recognising its share of losses of the associate when applying the equity method. The unrecognised share of the associate, both for the year and cumulatively, are set out below:

	2013 HK$'000	2012 HK$'000
The unrecognised share of losses of an associate for the year	**5,404**	3,814
Cumulative share of losses of an associate	**9,218**	3,814

21. INTEREST IN A JOINT VENTURE

	2013	2012
	HK$'000	HK$'000
Cost of investment in an unlisted joint venture in the PRC	**96,719**	96,719
Share of post acquisition profits	**39,340**	32,812
Share of post acquisition other comprehensive income	**10,702**	6,411
	146,761	135,942

As at 31 December 2013 and 2012, the Group had interest in the following joint venture:

Name	Form of business structure	Place of incorporation and operations	Particulars of paid-up capital	Percentage of equity interest attributable to the Group	Principal activity
				Note	
Changsha Seg	Limited liability company	PRC	RMB35,000,000	54%	Rental of office premises, and properties investment

Note: The Group holds 54% of the issued share capital of Changsha Seg, however, the Group only have joint control over the composition of the board of directors of Changsha Seg which is therefore classified as a joint venture of the Group.

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

Included in the cost of investment in the joint venture as at 31 December 2013 is goodwill of HK$17,909,000 (2012: HK$17,909,000) arising on the acquisition. There are no movements in the goodwill during each of the reporting periods.

Summarised financial information of a material joint venture

Summarised financial information in respect of the Group's joint venture is set out below.

The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

Changsha Seg

	2013 **HK$'000**	2012 HK$'000
Current assets	**7,109**	5,511
Non-current assets	**324,086**	306,763
Current liabilities	**(92,580)**	(93,694)
Included in the amounts disclosed above are:		
Cash and cash equivalents	**4,142**	3,250
Current financial liabilities (excluding trade and other payables and provisions)	**–**	(25,633)

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

	2013 HK$'000	2012 HK$'000
Revenue	**25,117**	22,108
Profit for the year from continuing operations	**12,089**	23,529
Other comprehensive income for the year	**7,946**	42
Total comprehensive income for the year	**20,035**	23,571

Included in the amounts disclosed above are:

	2013 HK$'000	2012 HK$'000
Depreciation and amortisation	**4,772**	5,194
Interest income	**13**	29
Interest expense	**917**	1,767
Income tax expense	**1,387**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Changsha Seg recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of the joint venture	**238,615**	218,580
Proportion of the Group's equity interest in Changsha Seg	**54%**	54%
Goodwill	**17,909**	17,909
Carrying amount of the Group's equity interest in Changsha Seg	**146,761**	135,942

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise:

	2013 HK$'000	2012 HK$'000
Unlisted investment in funds, at fair value	**28,904**	20,811
Unlisted equity investments in Hong Kong, at cost	**4,500**	2,500
Less: impairment loss recognised	**(500)**	(390)
	4,000	2,110
	32,904	22,921

The Group's investment in the unlisted equity investments represented (i) 3.08% (2012: 2.99%) equity interest in a Hong Kong private limited company engaged in the retailing of watches and clocks in Hong Kong; and (ii) 5% (2012: 5%) equity interest in a Hong Kong private company engaged in investment holding. These investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. Impairment loss of HK$110,000 (2012: HK$150,000) was recognised in the profit or loss during the year ended 31 December 2013 as the investee had incurred continuing operating loss in the past few years and no future cash inflow is expected from the investee.

The Group's unlisted investment in funds is measured at fair value and is classified as Level 2 fair value measurement (see note 6(c)). Fair value gain of HK$8,093,000 (2012: HK$4,013,000) was recognised in other comprehensive income during the year ended 31 December 2013. Unlisted investment in funds that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2013 HK$'000	2012 HK$'000
USD	**28,904**	20,811

23. LOAN RECEIVABLES

	2013 HK$'000	2012 HK$'000
Loan receivables arising from loan financing business:		
Secured loan receivables	**206,121**	205,593
Unsecured loan receivables	**73,796**	125,154
Less: impairment loss recognised	**(237,947)**	(228,724)
	41,970	102,023
Other loan receivables:		
Promissory note receivables	**–**	14,801
Amount due from a former subsidiary	**151,980**	151,980
Advance to CEF	**6,489**	17,128
Other unsecured loan receivable	**3,823**	3,823
	162,292	187,732
Less: impairment loss recognised	**(155,803)**	(155,803)
	6,489	31,929
	48,459	133,952

The secured loan receivables arising from loan financing business are secured by listed equity shares, convertible bonds issued by listed companies, unlisted shares and properties located in Hong Kong and bear interest at fixed interest rate ranging from 8% to 14 % (2012: 8% to 14%) per annum.

The unsecured loan receivables arising from loan financing business bear interest at a fixed rate ranging from 8% to 14% (2012: 5% to 14%) per annum. No unsecured loan receivable (2012: HK$51,416,000) is guaranteed by independent third parties.

The promissory note was unsecured and bear interest at a rate of 2% per annum based on the principal amount and has been repaid during the year ended 31 December 2013.

23. LOAN RECEIVABLES *(Continued)*

Amount due from a former subsidiary and other unsecured loan receivable is unsecured, non-interest bearing and repayable on demand.

Advance to CEF, an associate of the Company, is unsecured, bears interest at 6% per annum and repayable on 31 July 2013, which is extended to 30 September 2014 during the year ended 31 December 2013.

The following table illustrates the ageing analysis, based on the loan drawn down date, of the loan receivables (net of accumulated impairment losses) outstanding at the end of the reporting period:

	2013 **HK$'000**	2012 HK$'000
More than 3 months but less than 6 months	**5,118**	–
More than 6 months but less than 12 months	**–**	23,970
More than 12 months	**43,341**	109,982
	48,459	133,952

The Group's loan financing customers and promissory note holder included in the loan receivables are due for settlement at the date specified in the respective loan agreements. Further details on the Group's credit policy are set out in note 6.

The ageing analysis of loan receivables which were past due but not impaired is as follows:

	2013 **HK$'000**	2012 HK$'000
More than 3 months but less than 6 months	**–**	14,096
More than 6 months but less than 12 months	**22,079**	–
	22,079	14,096

23. LOAN RECEIVABLES *(Continued)*

Included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK$22,079,000 (31 December 2012: HK$14,096,000) which are past due but not impaired as at 31 December 2013 for which the Group has not provided for impairment loss. The Group holds securities of companies listed in the Stock Exchange as collateral over those balances. Management believes that no further impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are considered fully recoverable.

During the year ended 31 December 2013, impairment loss of HK$11,238,000 (2012: HK$29,544,000) on loan receivables was recognised in the consolidated statement of profit or loss and other comprehensive income. The loan receivables impaired were related to past due loan receivables which management, after taking actions to negotiate with the borrowers, to dispose of the related collaterals and/or issuing writs to sue for the overdue balances, assessed that the entire amount of the relevant receivables is irrecoverable.

The Group held certain equity securities listed on the Stock Exchange with fair value of HK$47,576,000 as at 31 December 2013 (2012: HK$51,672,000) as collateral over the secured loan receivables.

The movement of accumulated impairment losses of the loan receivables during the reporting period is as follows:

	2013 **HK$'000**	2012 HK$'000
At 1 January	**384,527**	354,983
Impairment losses recognised	**11,238**	29,544
Impairment losses reversed	**(2,015)**	–
At 31 December	**393,750**	384,527

Included in the impairment loss recognised at 31 December 2013 was individually impaired loan receivables with a carrying amount of HK$393,750,000 (31 December 2012: HK$384,527,000) before impairment.

24. CONVERTIBLE INSTRUMENTS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2013 HK$'000**	2012 HK$'000
Unlisted instrument issued by Hong Kong listed companies			
New Environmental Energy Holdings Limited ("NEE") convertible bond	*(a)*	**17,937**	13,475
Long Success International (Holdings) Limited ("LS") convertible bond	*(b)*	**–**	21,000
CEF Convertible bond	*(c)*	**40,000**	–
The Hong Kong Building and Loan Agency Limited ("HKBL") convertible bond	*(d)*	**8,675**	–
		66,612	34,475
Unlisted instrument issued by Hong Kong private companies			
Teamedics Enterprise (Holdings) Co., Limited ("TE") convertible bond	*(e)*	**–**	6,966
		66,612	41,441

24. CONVERTIBLE INSTRUMENTS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS *(Continued)*

Notes:

(a) Convertible bonds of NEE (the "NEE CBs") represent five-year zero coupon rate convertible bond issued by NEE, a company listed on the Main Board of the Stock Exchange. The NEE CBs can be converted, in an amount of not less than HK$1,000,000, into new ordinary shares of NEE at any time within a period of five years starting from 11 December 2009 at a conversion price of HK$1.18. The conversion price of NEE Convertible bond was changed from HK$1.18 per share to HK$1.13 per share on 23 May 2011, and subsequently to HK$0.85 per share as at 31 December 2013. As at 31 December 2013, the fair value of the NEE CBs with principal amounts of HK$16,000,000 (2012: HK$16,000,000) was HK$17,937,000 (2012: HK$13,475,000). The gain arising from fair value changes of NEE CBs of HK$4,462,000 (2012: HK$1,863,000) was recorded in profit or loss for the year ended 31 December 2013.

(b) During the year ended 31 December 2012, First Champion Worldwide Limited ("First Champion"), a wholly-owned subsidiary of the Company and as a subscriber, agreed to subscribe for the three-year zero coupon rate convertible bonds which were issued by LS in the principal amount of HK$20,000,000. Assuming the conversion rights attaching to the convertible bonds were exercised in full at the initial conversion price of HK$0.08 per conversion share, a total of 250,000,000 conversion shares of LS will be allotted and issued. As at 31 December 2012, the fair value of the convertible notes of LS was HK$21,000,000. During the year ended 31 December 2013, First Champion disposed of the convertible bonds to a purchaser, Mr. Lin Jiantuan, an independent third party, for the cash consideration of HK$21,000,000.

(c) During the year ended 31 December 2013, Top Status International Limited ("Top Status"), an indirectly wholly-owned subsidiary of the Company and as a subscriber, agreed to subscribe for 5%-coupon rate convertible bonds which were issued by CEF in the principal amount of HK$34,500,000. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the initial conversion price of HK$0.01 per conversion share, a total of 3,450,000,000 conversion shares of CEF will be allotted and issued. As at 31 December 2013, the fair value of the convertible notes of CEF was HK$40,000,000. Subsequent to the end of the reporting period, Top Status disposed of the convertible bonds to the purchaser, Sino Coronet Limited, which the sole shareholder and sole director is an associate of Ms. Yeung Sau Han Agnes, for the cash consideration of HK$40,000,000. Completion was taken place after the approval of the independent shareholders by way of poll at the Special General Meeting on 8 January 2014. The gain arising from fair value changes of CEF convertible bonds of HK$5,500,000 was recorded in profit or loss for the year ended 31 December 2013.

24. CONVERTIBLE INSTRUMENTS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS *(Continued)*

Notes: (Continued)

(d) During the year ended 31 December 2013, Sure Venture Investment Limited ("Sure Venture"), an indirectly wholly-owned subsidiary of the Company and as a Subscriber, agreed to subscribe for the convertible bonds with 10% coupon rate which were issued by HKBL in the principal amount of HK$1,566,000 for HK$1,651,000 which are matured on 31 December 2015. Assuming the conversion rights attaching to the convertible bonds are exercised in full which the initial conversion price was HK$0.18 per conversion share and then adjusted to HK$0.14 per share as at 31 December 2013, a total of 15,660,000 conversion shares of HKBL will be allotted and issued. As at 31 December 2013, the fair value of the convertible notes of HKBL was HK$8,675,000. The gain arising from fair value changes of HKBL convertible bonds of HK$7,024,000 was recorded in profit or loss for the year ended 31 December 2013.

(e) During the year ended 31 December 2012, Miracle Stand Limited ("Miracle Stand"), an indirectly wholly-owned subsidiary of the Company and as a subscriber, TE which is an investment holding company and its subsidiaries (collectively referred to as the "Teamedics Group") is engaged in manufacturing and trading of electronic products and Mr. Wong Chi To Alex, the Guarantor and the shareholder of TE, entered into the subscription agreement pursuant to which Miracle Stand has agreed to subscribe for the convertible bonds which were issued by TE in the principal amount of HK$5,900,000 with 12% coupon rate per annum by way of procuring The Hong Kong and Shanghai Banking Corporation ("Bank") to grant and provide to TE and/or Teamedics International Company Limited credit facilities of HK$5,050,000 and RMB30,000 (totally approximate HK$5,087,000). Assuming the conversion rights attaching to the convertible bonds are exercised in full at the conversion price of HK$8 per conversion share, up to 737,500 conversion shares of TE will be allotted and issued. As at 31 December 2013, HK$6,300,000 (2012: HK$6,000,000) of the Group investment properties have been pledged to secure banking facilities granted to TE (note 19).

At the expiration of the credit facility available period or in case the credit facility is being cut, withdrawn, revoked or otherwise no longer available for the use of the Teamedics Group prior to the expiration of the credit facility available period (collectively, the "Credit Facility Expiration"), Miracle Stand shall make repayment up to HK$5,087,000 ("Monetary Amount"), but if the aggregate amount due and owing by Teamedics Group to the Bank at Credit Facility Expiration is less than the Monetary Amount, Miracle Stand shall pay to the Teamedics Group in cash for the difference between the actual amount paid by Miracle Stand to the Bank and final settlement of the consideration or any outstanding part thereof. The amount of HK$5,087,000 was credited to other payables as at 31 December 2012. As at 31 December 2013, the fair value of the TE convertible bond was zero (2012: HK$6,966,000) as Teamedics Group had default in interest and principal payments of the bank loans. The loss arising from fair value changes of TE convertible bonds of HK$6,966,000 was recorded in profit or loss for the year ended 31 December 2013 (2012: gain arising from fair value changes of TE convertible bonds of HK$1,879,000). Subsequent to 31 December 2013, the Group had repaid the amount due owing by Teamedics Group to the Bank and the pledged investment properties of the Group had been released.

24. CONVERTIBLE BONDS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS *(Continued)*

Notes: (Continued)

(f) During the year ended 31 December 2011, the Group acquired convertible notes with principal amount HK$30,000,000 which were issued by HSI, a private company incorporated in Hong Kong with limited liability which is engaged mainly in investment holding of luxurious residential houses. The conversion price is HK$300,000 per share of HSI. The fair value of the convertible notes of HSI as at 31 December 2011 was HK$37,921,000. During the year ended 31 December 2012, HSI early redeemed part of the convertible notes in principal amount of HK$20,800,000 with the consideration of HK$25,010,000. The convertible notes were matured on 24 October 2012. The Group has demanded for payment of the convertible note not converted or redeemed of HK$6,000,000 from HSI. According to legal advice from solicitor, no conversion rights were attached after the expiry date of convertible notes. The amount of HK$6,000,000 of receivable was recorded as other receivables as at 31 December 2012.

(g) During the year ended 31 December 2011, the Group acquired the convertible bonds with principal amount HK$28,000,000 which were issued by IFT a private company incorporated in Hong Kong with limited liability which is engaged mainly in financial services. The conversion price is HK$0.65 per share of IFT. The fair value of the convertible bonds of IFT as at 31 December 2011 was HK$45,483,000. The convertible bonds were matured on 31 October 2012. The Group has demanded for payment from IFT not converted or redeemed of HK$30,520,000 from IFT. According to legal advice from solicitor, no conversion rights were attached after the expiry date of convertible notes. The amount of HK$30,520,000 of receivable was recorded as other receivables as at 31 December 2012.

A fair value gain on the convertible bonds designated at financial assets at FVTPL of approximately HK$10,020,000 in aggregate was recorded for the year ended 31 December 2013 (2012: HK$4,742,000). The loss on redemption of convertible bonds (note 23(f) & (g)) during the year ended 31 December 2012 was HK$18,934,000.

24. CONVERTIBLE BONDS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS *(Continued)*

The fair values of the convertible instruments designated as financial assets at FVTPL were valued by Grant Sherman Appraisal Limited ("Grant Sherman") using the Binominal Option Pricing Model. The inputs into the model of each convertible bond as at 31 December 2013 and 2012 were as follows:

	2013	2012
NEE		
Stock price	HK$0.68	HK$0.35
Adjusted conversion price	HK$0.85	HK$1.13
Volatility	78.54%	71.57%
Dividend yield	0%	0%
Option life (years)	0.94	1.94
Risk free rate	0.19%	0.116%
HKBL		
Stock price	HK$0.75	N/A
Conversion price	HK$0.14	N/A
Volatility	94.74%	N/A
Dividend yield	0%	N/A
Option life (years)	2	N/A
Risk free rate	0.36%	N/A

* The information are extracted from the valuation report performed by Grant Sherman, an independent qualified professional valuer not connected with the Group.

Details of the fair value measurement for the convertible instruments at financial assets at FVTPL are disclosed in note 6(c).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Deposits paid for acquisition of potential investments *(Note a)*	**76,000**	72,000
Accumulated impairment loss on the deposits paid for acquisition of potential investments	**(20,000)**	(20,000)
	56,000	52,000
Prepayments	**1,673**	1,156
Rental and utility deposits	**689**	890
Other receivables *(Note b)*	**46,772**	59,006
Deposit with a securities broker *(Note c)*	**719**	2,079
	105,853	115,131

Notes:

(a) Included in deposits paid for acquisition of potential investments as at 31 December 2013 is an amount of nil (2012: HK$32,000,000) due from a related party (as detailed in note 37(a)). It was unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2011, HK$20,000,000 was paid to Peak Prosper Holdings Limited ("PPH"), an independent third party of the Group, for the acquisition of convertible bond and the impairment of HK$20,000,000 had been made since the year ended 31 December 2011 (note 39(i)).

During the year ended 31 December 2012, HK$20,000,000 and during the year ended 31 December 2013, further deposit of HK$20,000,000 was paid to an independent third party of the Company for potential investment. The transaction was not yet completed.

During the year ended 31 December 2013, HK$16,000,000 was paid to an independent third party of the Company for potential investment. The transaction was not yet completed.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes (Continued):

(b) Included in other receivables as at 31 December 2013 is an amount of HK$32,000,000 (2012: HK$2,900,000) due from a related party (as detailed in note 37(a)). It was unsecured, non-interest bearing and repayable on demand.

Included in other receivables as at 31 December 2012 is an amount of HK$36,500,000 transferred from two convertible bonds expired during the year ended 31 December 2012. During the year ended 31 December 2013, shares of a listed company in Stock Exchange with fair value of HK$30,520,000, which were subsequently classified as investments held for trading in the consolidated statement of financial position, and cash amounting HK$5,980,000 were received as settlement of the receivables.

During the year ended 31 December 2011, the Group disposed of the inventories to an independent third party PRC company at a consideration of HK$23,197,000. The balance of the proceeds of HK$13,128,000 (2012: HK$19,586,000) was included in the other receivables as at 31 December 2013. It was unsecured, non-interest bearing and had been due as at 31 December 2013. Repayment schedule has been revised after 31 December 2013 and the remaining balance will be repaid by four installments quarterly up to 15 March 2015.

(c) Deposit with a securities broker was unsecured, non-interest bearing and repayable on demand.

The movements in provision for impairment losses of the deposit paid for acquisition of potential investments were as follows:

	2013 **HK$'000**	2012 HK$'000
At 1 January	**20,000**	26,286
Disposal of subsidiaries	**–**	(6,286)
At 31 December	**20,000**	20,000

At the end of each reporting period, the Group's deposits paid for acquisition of potential investment were individually determined to be impaired. No collaterals were pledged on the impaired deposits paid for acquisition of potential investment as at 31 December 2013 and 2012. Management considers that the recoverability of certain deposits paid for acquisition of potential investment was uncertain and legal action has been taken by the Group in respect of the deposits paid of HK$20,000,000 included both years ended 31 December 2013 and 2012, details are set out in note 39(i).

26. INVESTMENTS HELD FOR TRADING

Investments held for trading consisted of:

	2013 HK$'000	2012 HK$'000
Listed securities held for trading, at fair value		
– Equity securities listed in Hong Kong	**170,831**	117,399

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Stock Exchange.

27. BANK BALANCES AND CASH

Bank balances carry interest at market rates at 0.01% (2012: 0.01%) per annum.

The bank balances are deposited with creditworthy banks with no recent history of default.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	2013 HK'000	2012 HK'000
Amounts denominated in:		
RMB	**1,115**	798

The Group's material bank balances that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2013 HK'000	2012 HK'000
USD	**4,124**	4,819

28. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Secured loans	**29,731**	30,210
Carrying amount repayable:		
Within one year	**2,063**	1,254
More than one year but not exceeding two years	**1,319**	1,285
More than two years but not more than five years	**4,148**	4,041
More than five years	**22,201**	23,630
	29,731	30,210
Carrying amount repayable within one year	**2,063**	1,254
Carrying amount of bank loans that are not repayable within one year from the end of reporting period but contain a repayment on demand clause and show under current liabilities	**27,668**	28,956
	29,731	30,210

The Group's bank borrowings are all denominated in Hong Kong Dollar. As at 31 December 2013, the bank borrowings were secured by Group's three investment properties with the carrying amount of HK$71,400,000 (2012: HK$70,300,000). The bank borrowings bear interest from HIBOR+1.75% to 2.5% (2012: HIBOR+1.75% to 2.5%) per annum. The range of effective interest rates (which are also equal to contracted interest rates) due in the Group's borrowings for the year ended 31 December 2013 are from 1.95% to 2.5% (2012: 1.95% to 2.5%).

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The derivative financial assets/liabilities of the Group are not for the hedging purpose.

Derivative financial assets

During the year ended 31 December 2013, Sure Venture Investment Limited ("Sure Venture"), an indirectly wholly-owned subsidiary of the Company and as a subscriber, agreed to purchase from an independent third party for the 20,000,000 warrants which were issued by Chinese Food and Beverage Limited ("CFB") at a consideration of HK$230,000. Assuming the warrants are exercised in full at the initial exercise price of HK$0.7 per warrant, a total of 20,000,000 shares of CFB will be allotted and issued. During the year ended 31 December 2013, 10,000,000 warrants were exercised for a cash consideration of HK$7,000,000 of which those converted shares were recognised as investments held for trading. As at 31 December 2013, the fair value of the remaining warrants of CFB was HK$2,014,000. The fair value changes of CFB warrants of HK$2,299,000 was recorded in profit or loss for the year ended 31 December 2013 (2012: nil).

The following is the derivative financial assets recognised and movements thereon during the reporting period:

	HK$'000
At 1 January 2013	–
Additions	230
Increase in fair value	2,299
Exercises of option	(515)
At 31 December 2013	2,014

The fair value of the warrant to subscribe for shares was valued by Grant Sherman, an independent qualified professional valuer not connected with the Group. The valuation was made by using the Binominal Option Pricing Model.

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES *(Continued)*

Derivative financial assets *(Continued)*

The inputs into the model were as follows:

	2013
Applicable stock price	**HK$0.72**
Exercise price	**HK$0.70**
Volatility	**71.89%**
Dividend yield	**0%**
Option life (years)	**0.95**
Risk free rate	**0.192%**

Derivative financial liabilities

On 30 May 2012, the Company and the placing agent entered into the option placing agreement pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed procure, not less than six independent placees to subscribe for up to 27 options at a premium of HK$50,000 per option.

The following is the derivative financial liabilities recognised and movements thereon during the reporting period:

	HK$'000
At 1 January 2012	–
Additions	1,350
Increase in fair value	3,217
At 31 December 2012 and 1 January 2013	4,567
Expiration	(4,567)
At 31 December 2013	–

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES *(Continued)*

Derivative financial liabilities *(Continued)*

Upon exercise of each of the option, the optionholder was entitled to subscribe for the convertible bonds of the Company in the principal amount of HK$1,000,000 at the subscription price of HK$1,000,000. Assuming exercise of all the 27 options, the optionholders were entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK$27,000,000 at the subscription price of HK$27,000,000. The convertible bonds were convertible into 135,000,000 new shares of the Company at the conversion price of HK$0.20 per conversion share. Receipt of HK$1,350,000 in relation to the premium of 27 options of HK$50,000 per option was credited to liabilities at the date of the issue of the options and fair value of HK$4,567,000 was recognised as at 31 December 2012. During the year ended 31 December 2013, the options was expired and no option has been exercised, the gain arising from derecognition of options of HK$4,567,000 was recorded in profit or loss for the year ended 31 December 2013.

Options to subscribe for, in aggregate, convertible bonds were granted by the Group in conjunction with the issue of the convertible bonds in the principal amount of HK$27,000,000 by the Group on 21 June 2012.

The fair value of the option to subscribe for convertible bonds as at 31 December 2012 was valued by Grant Sherman, an independent qualified professional valuer not connected with the Group. The valuation was made by using the Binominal Option Pricing Model and considering the present value of the stream of future cash flows discounted at the interest rate of 5.85%.

The inputs into the model were as follows:

	31 December 2012
Spot price	HK$0.215
Exercise price	HK$0.2
Volatility	46.67%
Dividend yield	0%
Option life (years)	2.41
Risk free rate for convertible bond	0.118%
Risk free rate for convertible bond option	0.05%

30. BOND PAYABLES

The bond payables are repayable on 5 December 2019, unsecured, transferrable and bearing interest rate of 6% per annum.

31. DEFERRED TAXATION

The following are the major deferred tax liability recognised and movements thereon during the reporting period:

	Fair value changes in investment properties HK$'000
As 1 January 2012	23,778
Credit to profit or loss *(note 12)*	(2,363)
Exchange adjustment	121
At 31 December 2012 and 1 January 2013	21,536
Charge to profit or loss *(note 12)*	278
Exchange adjustment	711
At 31 December 2013	**22,525**

32. NON-LISTED WARRANTS

On 10 June 2009, the Company and Fortune (HK) Securities Limited, an independent third party, entered into a placing agreement in respect of the placement of 110,000,000 warrants of the Company to independent investors at a price of HK$0.05 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.001 each at a subscription price of HK$1.40. Pursuant to the supplement agreement dated 8 September 2009, the warrants price was amended from HK$0.05 to HK$0.03 per warrant and the exercise price was amended from HK$1.40 to HK$0.80 per warrant. The placement was completed on 20 November 2009 with the warrants expiring on 19 November 2012. Details of the above are set out in the Company's announcements dated 10 June 2011, 8 September 2009, 9 November 2009 and 20 November 2009.

No warrant had been exercised during the year ended 31 December 2012 and it was expired on 19 November 2012. The amount previously recognised in warrant reserve was transferred to accumulated loss.

On 27 May 2013, the Company and FT Securities Limited entered into a placing agreement in respect of the placement of 135,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.001 each at a subscription price of HK$0.20. Details of the above are set out in the Company's announcement dated 28 May 2013.

The placement was completed on 6 June 2013 with the warrants expiring on 6 June 2015. No warrant had been exercised during the year ended 31 December 2013.

33. SHARE CAPITAL

	Number of shares '000	**Nominal value** HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 1 January 2012, 31 December 2012 and 31 December 2013	100,000,000	100,000
Issued and fully paid ordinary shares of HK$0.001 each		
At 1 January 2012, 31 December 2012 and 31 December 2013	675,814	676

34. SHARE OPTION SCHEME

Pursuant to resolutions passed at a special general meeting of the shareholders held on 13 November 2002, the Company terminated the old share option scheme and adopted a new share option scheme ("New Share Option Scheme") in order to comply with the new requirements of Chapter 23 of GEM Listing Rules effective on 1 October 2001. Under the terms of the New Share Option Scheme, the board of directors of the Company may, at their discretion, grant options to the participants fall within the definition prescribed in the New Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

The New Share Option Scheme remained in force for a period of 10 years from 13 November 2002. The New Share Option Scheme was expired during the year ended 31 December 2012. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Exercise of share options

No share options had been granted or exercised during the year ended 31 December 2013 and 2012 under the New Share Option Scheme.

Details of the share options outstanding during the year ended 31 December 2013 and 2012 were:

	Date of grant	Exercisable period	Subscription Price per share HK$
Employees	3/4/2007	3/4/2007-2/4/2017	7.35
Consultants	3/4/2007	3/4/2007-2/4/2017	7.35

As at 31 December 2013 and 2012, there were 2,200,000 outstanding share options granted to the employees and the consultants of the Group respectively. No share options were granted or lapsed during each of the reporting periods.

35. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group had contracted with tenants for the following future minimum lease payments:

	2013 **HK$'000**	2012 HK$'000
Within one year	**2,835**	2,821
In the second to fifth year inclusive	**1,862**	2,800
	4,697	5,621

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties. Leases are negotiated and rentals are fixed for one to five (2012: one to five) years.

The Group as lessee

The Group had commitments for future minimum lease payments in respect of premises under various non-cancellable operating leases which fall due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**3,782**	2,610
In the second to fifth year inclusive	**1,429**	678
	5,211	3,288

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Leases are negotiated and rentals are fixed for an average of three years (2012: three years).

36. RETIREMENT BENEFITS SCHEMES

The Group maintains various retirement schemes for its employees. The retirement scheme for employees of the PRC representative office is a mandatory central pension scheme organised by the PRC government, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries are charged as expenses when the employees have rendered services entitling them to the contribution. The employer contributions vest fully once they are made. The Group's Hong Kong employees are covered by the Mandatory Provident Fund, which is managed by an independent trustee. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' income with the maximum contribution by each of the Group and the employees limited to HK$1,000 per month up to 31 May 2012 and HK$1,250 per month since 1 June 2012.

During the year, the aggregate contributions made by the Group to the retirement schemes were approximately HK$656,000 (2012: HK$490,000). There were no material forfeitures available to offset the Group's future contributions for the two years ended 31 December 2013 and 2012.

37. RELATED PARTY TRANSACTIONS

(a) The Group had various transactions as detailed in notes 10, 23 and 25 in these consolidated financial statements and the following related party transactions with subsidiaries of PME Group Limited ("PME"). During the year ended 31 December 2013 and 2012, the Company is an associate of PME.

	2013 **HK$'000**	2012 HK$'000
Acquisitions of securities listed on the Stock Exchange from certain related parties	–	52,128,000

37. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2013 **HK$'000**	2012 HK$'000
Short-term benefits	**8,367**	7,404
Post-employment benefits	**75**	70
	8,442	7,474

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

(c) Save as disclosed elsewhere in these consolidated financial statements, the Group had not entered into any significant related party transactions during the years ended 31 December 2013 and 31 December 2012.

38. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2013:

(a) Other receivables of HK$30,520,000 were settled by certain shares of a company listed in the Stock Exchange, which were recorded as investment held for trading, with fair value of approximately HK$30,520,000 by the borrower.

(b) Loan receivables of HK$6,018,000 fully impaired in prior years were settled by certain listed shares, which were recorded as investment held for trading, with fair value of approximately HK$2,015,000 by the borrower.

38. MAJOR NON-CASH TRANSACTIONS *(Continued)*

For the year ended 31 December 2012:

(c) On 5 November 2012, 22,713,043 convertible preference shares with a carrying amount of HK$15,523,000 was fully converted into 227,130,430 new ordinary shares of CEF. Investment in CEF by the Group was classified as interest in an associate (note 20).

(d) As disclosed on note 24(e), convertible bonds issued by TE in the principal amount of HK$5,900,000 was acquired by way of procuring the bank to grant and provide to TE and/or Teamedics International Company Limited credit facilities of HK$5,050,000 and RMB30,000 (totally approximate HK$5,087,000) was recognised as convertible instruments designated at financial assets at FVTPL and was credited other payables at the issue date of convertible bonds.

(e) Loan receivables of HK$16,226,000 were settled by certain listed shares, which were recorded as investment held for trading, with fair value of HK$16,226,000 by the borrower.

(f) During the year, the Group has several transactions with the subsidiaries of PME. The Group issued total of HK$84,128,000 of promissory notes for the acquisition of certain listed securities in Hong Kong of HK$52,128,000 from the subsidiaries of PME and the contemplation in purchase of convertible bond in the principal of HK$32,000,000, details of which set out in note 25(a) and note 37(a).

39. LITIGATIONS

Up to the reporting date, the litigations listed below are related to the Group.

(i) On 7 September 2011, King Perfection Limited ("King Perfection"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with PPH, an independent third party, for a conditional purchase of the convertible bonds in the principal amount of HK$110,040,000, which are convertible into 70 shares in the share capital of Precise Billion Limited ("PBL"), a wholly owned subsidiary of PPH, for a total consideration of HK$220,000,000. Deposit on HK$20,000,000 was paid by the Group to PPH in September 2011.

However, the conditions of the agreement had not been fulfilled before the long stop date and King Perfection is entitled to the refund of the deposit paid pursuant to the agreement.

On 2 February 2012, King Perfection duly presented a cheque from PPH to the Group for payment but the cheque was subsequently found to be dishonoured.

After servicing the notice of the said dishonour to PPH and thereby demanding the payment with no reply, on 9 March 2012, King Perfection and the Group issued a writ of summons in the Court of First Instance of Hong Kong against PPH, claiming for the refund of the deposit in the sum of HK$20,000,000. Management considers that the recoverability of the deposit paid was uncertain and impairment loss on the full amount of the deposit paid of HK$20,000,000 was made as at 31 December 2011. (note 25(a))

Judgment was arranged by the court on 22 February 2013 which PPH has to pay King Perfection (a) the sum of HK$20,000,000, (b) damages to be assessed and (c) costs to be taxed. As at the date of this report, no amount has been received. The management considered that the recoverability of the outstanding amount of HK$20,000,000 was uncertain, no reversal of impairment loss was made for the year ended 31 December 2013.

39. LITIGATIONS *(Continued)*

(ii) On 28 March 2012 and 7 September 2012, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Group, issued writ of summons in the High Court of Hong Kong against certain borrowers, claiming for repayment of the loan receivables of HK$240,558,000 and HK$228,724,000 as at 31 December 2013 and 31 December 2012, respectively. Management considers that the recoverability of the loan receivables was uncertain and impairment loss of HK$11,238,000 and HK$29,544,000 was recognised in profit and loss for the year ended 31 December 2013 and 31 December 2012, respectively (note 23).

Fameway issued amended writ of summons in the High Court of Hong Kong against certain borrowers on 4 December 2012, 24 December 2012 and 28 December 2012 in relation to the above loan receivable balances except for the litigation case which got court judgments on 23 November 2012 and 19 February 2013. Both judgments were in favour of the Group. The defendants were ordered to pay the outstanding amount of loan receivables of total HK$110,544,000 and the relative interest and the costs of the action incurred by the Group. Securities of HK$2,015,000 were received as part of the settlement of the loan. Due to the uncertainty of the recoverability of the remaining loan receivables, the management considered that no reversal of impairment loss should be made for the remaining loan receivable for the year ended 31 December 2013.

(iii) On 6 May 2013, a writ of summons has been served to the Company, claiming for repayment for the loss of the plaintiff of HK$5,188,732,500. The legal case is related to the breach of contracts in respect of the investment in joint venture which will conduct railway cargo transportation services in the PRC. After consultation with the legal advisor, the management considered that the Company has good case to strike out the claim as the Company is even not a party of the alleged agreement. The hearing of this legal case will be on 20 May 2014.

Details of which are set out in the announcement of the Company dated on 6 May 2013.

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2013

On 13 December 2013, Fair General Limited ("Fair General"), a wholly owned subsidiary of the Company, and Teamedics Enterprise (Holdings) Company Limited ("Teamedics"), which is wholly-owned by an independent third party, Mr. Wong Chi To Alex ("Mr. Wong"), entered into the sale and purchase agreement pursuant to which Mr. Wong agreed to sell and Fair General agreed to purchase 10,000 ordinary shares in the issued share capital of Kenbo Trading Limited ("Kenbo") at the consideration of HK$1, and its indebtedness at the consideration of HK$1,100,000. Upon completion, Fair General became the sale legal and beneficial owner of the entire issued share capital of Kenbo. The date of completion of the purchase of shares was on 13 December 2013. Kenbo was mainly holding an investment property for earning rental income of approximately HK$90,000 per annum. The acquisition had been accounted for as an acquisition of assets and liabilities.

Acquisition-related costs amounting to HK$52,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income statement.

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

	HK$'000
Investment properties	3,658
Accrual and other payable	(1,780)
Bank borrowing	(778)
	1,100

Total consideration satisfied by:

	HK$'000
Cash	1,100

Analysis of net cash inflow and cash equivalents arising on acquisition of assets through acquisition of a subsidiary:

	HK$'000
Cash consideration paid	1,100

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

(Continued)

For the year ended 31 December 2012

On 26 March 2012, Best Marvel Investment Limited ("Best Marvel"), a wholly owned subsidiary of the Company, and Sun Famous Investment Limited ("Sun Famous"), which is wholly-owned by an independent third party, Mr. Wong Sat Pan Sdanty, entered into the subscription agreement pursuant to which Sun Famous has agreed to issue and Best Marvel has agreed to subscribe for the subscription shares at the subscription price of HK$999. Upon completion of the subscription, 999 subscription shares were allotted and issued to Best Marvel, representing 99.9% of the enlarged issued share capital of Sun Famous. The date of completion of the subscription of shares was on 13 June 2012. Sun Famous was mainly holding a deposit for acquisition of investment property for earning rental income of approximately HK$6,627,000. The acquisition had been accounted for as an acquisition of assets and liabilities.

Acquisition-related costs amounting to HK$160,000 have been excluded from the consideration transferred and have been recognised as an expense in the year ended 31 December 2012, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income statement.

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

	HK$'000
Deposit paid for acquisition of investment property	6,627
Cash and bank	92
Accrual and other payables	(6,718)
	1

Total consideration satisfied by:

	HK$'000
Cash	–
Subscription of new shares	1
	1

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

For the year ended 31 December 2012 *(Continued)*

Analysis of net cash inflow and cash equivalents arising on acquisition of assets through a subsidiary:

	HK$'000
Bank balances and cash acquired	92
Cash consideration paid	–
	92

41. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2012

On 30 April 2012, Rich Best Asia Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Best Access Investment Holdings Limited, an independent third party of the Company, in relation to the disposal of the entire equity interest of CentreWorld at the consideration of HK$300,000. At the date of disposal CentreWorld had 40% of equity interest in an associate, Beijing Teletron Systems Integration Co., Ltd.; wholly-owned subsidiaries of i) Netwin Worldwide Limited, ii) Interworth, Inc., iii) Proactive Technology Limited and iv) Proactive Technology Development (Beijing) Ltd. The disposal of CentreWorld and its subsidiaries has triggered to the discontinued operation of Computer Telephony segment (note 13).

On 12 June 2012, Rich Best Asia Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Ultimate Skill Limited, an independent third party of the Company, in relation to the disposal of the sale shares and sale loan of Plenty Fair Limited ("Plenty Fair") at the total consideration of HK$8,000.

On 12 June 2012, Rich Best Asia Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Value Advantage Limited, an independent third party of the Company, in relation to the disposal of the sale shares of Wise Venture Enterprises ("Wise Venture") at the total consideration of HK$8,000.

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2012 *(Continued)*

On 27 December 2012, Rich Best Asia Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Ultimate Skill Limited, an independent third party of the Company, in relation to the disposal of the sale shares of Base Express Investment Limited ("Base Express") at the total consideration of HK$18,000.

On 28 December 2012, Rich Best Asia Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Value Advantage Limited, an independent third party of the Company, in relation to the disposal of the sale shares of Oasis Choice Holdings Limited ("Oasis Choice") at the total consideration of HK$50,000.

The consolidated net liabilities of computer telephony segment, Plenty Fair, Wise Venture, Base Express and Oasis Choice at the date of disposal was as follows:

	CentreWorld	Plenty Fair	Wise Venture	Base Express	Oasis Choice	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net liabilities disposed of:						
Plant and equipment	75	–	–	–	–	75
Inventories	325	–	–	–	–	325
Trade receivables	884	–	–	–	–	884
Loan receivables	–	25,307	26,607	–	–	51,914
Prepayments, deposits and other receivables	423	–	–	18,309	3,786	22,518
Bank balance and cash	1,062	–	–	–	–	1,062
Trade payables	(679)	–	–	–	–	(679)
Accruals and other payables	(1,864)	–	–	–	–	(1,864)
Promissory note payables	–	(25,617)	(26,814)	(19,628)	–	(72,059)
Taxation	–	–	–	–	(4,615)	(4,615)
	226	(310)	(207)	(1,319)	(829)	(2,439)
Release of foreign currency translation reserve	(492)	–	–	–	–	(492)
	(266)	(310)	(207)	(1,319)	(829)	(2,931)
Gain on disposal *(Note)*	566	318	215	1,337	879	3,315
Total consideration	300	8	8	18	50	384
Satisfied by:						
Cash	300	8	8	18	50	384

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2012 *(Continued)*

	CentreWorld	Plenty Fair	Wise Venture	Base Express	Oasis Choice	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net cash inflow arising on disposals						
Cash consideration	300	8	8	18	50	384
Bank balances and cash disposal of	(1,062)	–	–	–	–	(1,062)
	(762)	8	8	18	50	(678)

Note: Excluded the gain on disposal of CentreWorld which engaged computer telephony operation and included in profit for the year from discontinuing operations of HK$566,000 (note 13), the gain on disposal of subsidiaries presented on the face of consolidated statement of profit or loss and other comprehensive income was HK$2,749,000.

The impact of disposal of computer telephony segment on the Group's results and cash flows in the current and prior periods is disclosed in note 13. The disposal of Plenty Fair, Wise Venture, Base Express and Oasis Choice did not result in significant impact on the Group's cash flow or operating results for the year ended 31 December 2012.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK$'000	2012 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**8**	8
Current assets		
Prepayments, deposits and other receivables	**382**	576
Amounts due from subsidiaries*	**295,960**	286,222
Investments held for trading	**658**	539
Bank balances and cash	**26,974**	31,334
	323,974	318,671
Current liabilities		
Other payables and accruals	**2,945**	652
Amounts due to subsidiaries*	**12,606**	2,574
Derivative financial liabilities	**–**	4,567
Secured bank borrowings	**7,051**	7,393
	22,602	10,619
Net current assets	**301,372**	308,052
Non-current liabilities		
Bond payables	**10,000**	10,000
Net assets	**291,380**	298,060
Capital and reserves		
Share capital	**676**	676
Reserves *(Note a)*	**290,704**	297,384
Total equity	**291,380**	298,060

* Unsecured, interest-free and repayable on demand

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note a: Movements of share premium and reserves during the year are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	2,901,300	16,500	3,590	3,300	(2,579,626)	345,064
Loss for the year	–	–	–	–	(47,680)	(47,680)
Expiration of warrant *(note 32)*	–	–	–	(3,300)	–	(3,300)
At 31 December 2012	2,901,300	16,500	3,590	–	(2,627,306)	294,084
Loss for the year	–	–	–	–	(4,730)	(4,730)
Issue of warrant *(note 32)*	–	–	–	1,350	–	1,350
At 31 December 2013	2,901,300	16,500	3,590	1,350	2,632,036	290,704

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2013 and 2012 are as follows:

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
Asiaciti Management Limited	Hong Kong	Ordinary	HK$100	100%	Investment holdings
Best Core Investment Limited	British Virgin Islands ("BVI")	Ordinary	USD1,000	100%	Holding of investment properties
Fameway Finance Limited	Hong Kong	Ordinary	HK$1	100%	Provision of financing services
First Champion Worldwide Limited	BVI	Ordinary	USD1,000	100%	Trading of securities
Forever Success International Limited	Hong Kong	Ordinary	HK$1	100%	Provision of management services
Gold Wide Holding Limited	Hong Kong	Ordinary	HK$160,000	75%	Investment holdings
Host Luck Limited	Hong Kong	Ordinary	HK$10,000	99.9%	Holding of investment properties
Luck Bloom International Limited	Hong Kong	Ordinary	HK$1	100%	Provision of management services
Rich Best Asia Limited	BVI	Ordinary	USD1,000	100%	Investment holdings
Sun Famous Investment Limited	Hong Kong	Ordinary	HK$1,000	99.9%	Holding of investment properties
Top Status International Limited	BVI	Ordinary	US$1	100%	Investment holdings
深圳市盛世富強科技有限公司*	PRC	Ordinary	USD5,000,000	100%	Holdings of investment properties

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities at the end of both years or at any time during both years.

* 深圳市盛世富強科技有限公司 is a wholly foreign owned enterprise.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

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

Name	Place of incorporation/ operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Gold Wide Holding Limited	Hong Kong	**75%**	75%	**1,206**	2,352	**24,682**	22,681
Individually immaterial subsidiaries with non-controlling interests						**5**	–
						24,687	22,681

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

Gold Wide Holdings Limited

	2013 HK$'000	2012 HK$'000
Current assets	**52**	56
Non-current assets	**156,845**	148,831
Current liabilities	**(198)**	(189)
Equity attributable to owners of the Company	**132,017**	126,017
Non-controlling interests	**24,682**	22,681

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Gold Wide Holdings Limited *(Continued)*

	2013 HK$'000	2012 HK$'000
Revenue	**4,836**	9,412
Expenses	**(14)**	(6)
Profit attributable to owners of the Company	**3,616**	7,054
Profit attributable to non-controlling interests	**1,206**	2,352
Profit for the year	**4,822**	9,406
Other comprehensive income attributable to owners of the Company	**2,384**	13
Other comprehensive income attributable to the non-controlling interests	**795**	4
Other comprehensive income for the year	**3,179**	17
Total comprehensive income for the year	**8,001**	9,423

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Gold Wide Holdings Limited *(Continued)*

	2013 HK$'000	2012 HK$'000
Total comprehensive income attributable to owners of the Company	**6,000**	7,067
Total comprehensive income attributable to the non-controlling interests	**2,001**	2,356
Total comprehensive income for the year	**8,001**	9,423
Dividends paid to non-controlling interests	**–**	–
Net cash inflow (outflow) from operating activities	**(3)**	(41)
Net cash inflow (outflow) from investing activities	**–**	–
Net cash inflow (outflow) from financing activities	**–**	–
Net cash inflow (outflow)	**(3)**	(41)

44. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, the Group had the following events after the reporting period.

(i) On 2 August 2013, Top Status, an indirectly wholly-owned subsidiary of the Company, entered into an agreement with the vendor, Sino Coronet Limited, a related party, pursuant to which Top Status agreed to sell and the vendor agreed to purchase, the CEF CB for a consideration of HK$40,000,000. On 6 January 2014, the transaction has been completed and the consideration was settled by cash.

(ii) On 9 January 2014, Gain Millennia Limited (the "Lessee"), a wholly-owned subsidiary of the Company, entered into a leasing agreement (the "Leasing Agreement") with Hong Kong Entertainment (Overseas) Investments Limited (the "Lessor"), Mega Stars Overseas Limited ("MSOL") and Tinian Dynasty Investments Limited ("TDIL"), pursuant to which the Lessor has conditionally agreed to, as head lessee of various pieces of land in Tinian, the Commonwealth of Northern Mariana Islands ("CNMI") (the "Land"), grant the leasing of the Land, together with the Tinian Dynasty Hotel & Casino on the Land (the "Hotel and Casino"), to the Lessee during the term of the land lease ending on 18 May 2051 (the "Land Lease"), and the Lessee has agreed to take up the Land Lease from the Lessor, at the consideration of HK$1,000,000,000, which shall be satisfied as to HK$300,000,000 by cash and as to HK$700,000,000 by promissory notes. Details of this proposed transaction are set out in the Company's announcement dated 27 February 2014. Up to the reporting date, the above transaction has not been completed.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
Turnover	**94,078**	155,335	89,500	68,435	8,916
Revenue	**10,755**	14,616	44,000	36,766	8,916
Cost of sales	**(226)**	(135)	(941)	(4,127)	(3,104)
Gross profit	**10,529**	14,481	43,059	32,639	5,812
Other income and gains	**2,281**	6,378	3,108	2,203	4,685
Distribution and selling expenses	**–**	–	–	(23)	(20)
Administrative expenses	**(46,443)**	(47,719)	(45,096)	(33,406)	(36,424)
Gain on disposal of an investment property	**–**	–	880	14,610	15,123
Fair value changes in investment properties	**2,700**	(107)	5,695	12,840	27,432
Gain (loss) arising from fair value changes of investments held for trading	**(13,423)**	7,255	(100,151)	(137,021)	(13,048)
Gain (loss) on disposals of investments held for trading	**20,284**	85	(23,709)	(18,746)	–
(Loss) gain on disposal of convertible instruments designated at financial assets at fair value through profit or loss	**–**	(18,934)	(1,869)	562	–

FIVE-YEAR FINANCIAL SUMMARY

RESULTS *(Continued)*

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
Gain (loss) arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss	**10,020**	4,742	5,302	(103,253)	17,529
Gain (loss) arising from fair value changes of derivative financial liabilities	**2,299**	(3,217)	–	–	–
Gain arising from derecognition of derivative financial liabilities	**4,567**	–	–	–	–
Gain on deconsolidation of a subsidiary	**–**	–	–	414,302	–
Impairment loss on interest in associate	**–**	(1,475)	–	–	–
Impairment loss on loan receivables	**(11,238)**	(29,544)	(199,180)	–	–
Reversal of impairment loss on loan receivables	**2,015**	–	–	–	–
Impairment loss on investment deposits paid	**–**	–	(26,286)	–	–
Gain on disposal of subsidiaries	**–**	2,749	–	–	205
Gain on disposal of an associate	**–**	–	–	–	94
Other expenses	**–**	–	–	(2,300)	(3,823)
Share of result of an associate	**–**	–	–	–	(23)
Loss on deemed disposal of partial interest in an associate	**(8,453)**	–	–	–	–
Share of profit (loss) of a jointly controlled entity	**6,528**	12,706	13,614	10,520	(4,028)
Finance costs	**(1,309)**	(2,664)	(224)	–	(3)
(Loss) profit before tax	**(19,643)**	(55,264)	(324,857)	192,927	13,511
Income tax credit (expense)	**(1,561)**	646	(9,534)	(12,727)	(8,084)
Profit/(loss) for the year from discontinued operations	**–**	464	(214)	–	(10,872)
(Loss) profit for the year	**(21,204)**	(54,154)	(334,605)	180,200	(5,445)
Attributable to:					
Owners of the Company	**(22,415)**	(56,512)	(337,115)	178,252	(5,512)
Non-controlling interests	**1,211**	2,358	2,510	1,948	67
	(21,204)	(54,154)	(334,605)	180,200	(5,445)

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)		
Total non-current assets	**453,077**	431,826	309,932	286,584	266,666
Total current assets	**431,819**	451,286	587,192	875,315	695,135
Total current liabilities	**61,733**	57,177	29,109	19,282	11,263
Total non-current liabilities	**32,525**	31,536	23,778	8,055	5,665
Equity attributable to owners of the Company	**765,951**	771,718	823,918	1,117,360	927,538
Non-controlling interest	**24,687**	22,681	20,319	17,202	17,335

SUMMARY OF INVESTMENT PROPERTIES

Address	Lot number	Tenure	Existing use
Hong Kong			
Flat A on 12th Floor with Car Parking Space No. 11 on 2nd Basement Floor, The Colonnade, No. 152 Tai Hang Road, Hong Kong	174/10359th shares of and section A Inland Lot No. 2478	Medium-term lease	Residential and residential car parking
PRC			
The Whole of 33rd Floor, Shidai-Caifu Building, Futian District, Shenzhen City, Guangdong Province, The PRC	–	Medium-term lease (A term of 50 years expiring on 25 June 2050)	Commercial office
G17102-16, Shui Tou Sha Village, Nanao Town, Longgang District, Shenzhen City, The PRC	–	Medium-term lease (A term of 50 years expiring on 1 January 2043)	Residential