南海控股有限公司

二零一四年度 年報

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CORPORATE INFORMATION

Directors

Executive
Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong

Non-executive
Mr. Wang Gang
Mr. Lam Bing Kwan

Independent Non-executive
Prof. Jiang Ping
Mr. Hu Bin
Mr. Lau Yip Leung

Company Secretary

Mr. Watt Ka Po James

Auditor

BDO Limited
Certified Public Accountants
Hong Kong

Bermuda Legal Advisers

Appleby

Principal Place of Business in Hong Kong

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Registered Office

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Principal Registrar

MUFG Fund Services (Bermuda) Limited
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Bermuda

Hong Kong Share Registrar and Transfer Office

Tricor Abacus Limited
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Stock Code

680

Principal Bankers

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

Website Address

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CHAIRMAN'S STATEMENT

On behalf of the board of directors of Nan Hai Corporation Limited (the "Board"), I present to the shareholders the annual report of the Nan Hai Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

2014 was a year of vigorous development for the Group. By establishing its strategic presence with diversified core businesses, the Group continued to focus on the three main businesses of culture and media, property development and corporate IT application services. Driven by the rapid growth of the culture and media division, the Group recorded an increase of approximately 36% in turnover in 2014 over the corresponding period in 2013. In addition, since the litigation in relation to "The Peninsula", the property development project of the Group, was ruled in favor in the final trial last year, the development of "The Peninsula" was rolled out in an orderly manner, and the construction of Phase 3 has commenced, laying the bedrock for subsisting enhancement of the Group's operating results and cash flow in the future.

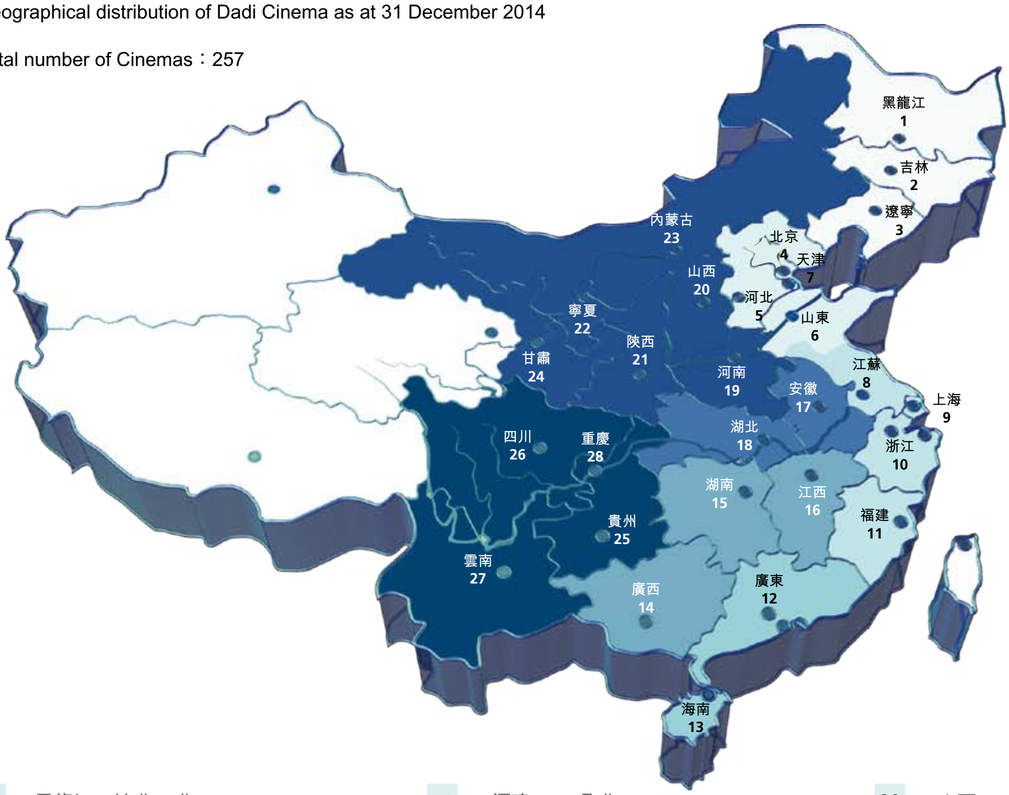
Business Review

Culture and Media

In 2014, development in the film industry in China was inspiring. According to statistics released by the State Administration of Press, Publication, Radio, Film and Television in January 2015, the national gross box office in 2014 amounted to RMB29.639 billion, representing a growth of 36.15% over the corresponding period last year. The film market in China remained the second largest film market worldwide in 2014, accounting for 13% in terms of total box office worldwide. 2014 was a blooming year for Chinese films as 17 Chinese language films ranked among the top 100 international films with the highest box office, and the box office of Chinese films accounted for 54.51% of the national gross box office. The rapid development of Chinese films was also reflected in the rapid growth of number of new cinemas and audiences. In 2014, additional 1,015 cinemas with 5,397 screens were set up in China, with a daily average growth rate of 15 screens. The total number of screens has reached approximately 23,600, representing an increase of 29.7% over the corresponding period last year.

Geographical distribution of Dadi Cinema as at 31 December 2014

Total number of Cinemas：257



1	黑龍江	Heilongjiang	4	11	福建	Fujian	9	20	山西	Shanxi	2
2	吉林	Jilin	3	12	廣東	Guangdong	67	21	陝西	Shaanxi	5
3	遼寧	Liaoning	11	13	海南	Hainan	1	22	寧夏	Ningxia	1
4	北京	Beijing	7	14	廣西	Guangxi	13	23	內蒙古	Inner Mongolia	3
5	河北	Hebei	11	15	湖南	Hunan	11	24	甘肅	Gansu	2
6	山東	Shandong	17	16	江西	Jiangxi	2	25	貴州	Guizhou	5
7	天津	Tianjin	3	17	安徽	Anhui	16	26	四川	Sichuan	2
8	江蘇	Jiangsu	18	18	湖北	Hubei	11	27	雲南	Yunnan	2
9	上海	Shanghai	7	19	河南	Henan	9	28	重慶	Chongqing	6
10	浙江	Zhejiang	9								

In the age of rapid development of the Chinese film industry, the Group actively seized the opportunity to continuously expand its presence in the second and third-tier cities in China and aimed at those first-tier cities with room for development and certain potential third and fourth-tier cities and towns through its Dadi cinema business group ("Dadi Cinema"). Dadi Cinema signed contracts with several renowned real estate enterprises in respect of cooperation in development of new projects for the purpose of enhancing the quality of Cinemas. In 2014, Dadi Cinema set up additional 42 cinemas with 229 screens in several cities, namely Beijing, Tianjin, Haikou, Hohhot and Chongqing etc.

For the year ended 31 December 2014, Dadi Cinema operated 257 cinemas with 1,262 screens, representing an increase of approximately 22% in the total number of screens over the corresponding period last year. The Group achieved another record high admission of over 49.09 million audiences in total with box office of about RMB1.46 billion during the year. Dadi Cinema has become one of the leading mainstream branded cinema operators in China at the end of 2014.

During the year, in addition to rapid expansion of its market, Dadi Cinema put extra focus on the improvement of the quality of projects. After conducting comprehensive operational assessment on operating cinemas, certain non-performing cinemas were closed or suspended. Such measures would be beneficial to our brand building and the enhancement of future profitability despite loss would be recorded in the short run.

During the year, the Group continued to enhance its professional capability of distribution through its subsidiary 大地時代電影發行（北京）有限公司 (Dadi Century Film Distribution (Beijing) Company Limited) ("Dadi Distribution"), and to actively explore external cooperation and develop film distribution business. During the year, Dadi Distribution jointly with 萬達影視 (Wanda Media) and Emperor Motion Pictures (英皇電影) distributed a film namely "But Always (一生一世)". The box office of the film amounted to approximately RMB230 million. During the year, Dadi Distribution set up a joint venture namely 五洲電影發行有限公司 (WuZhou Film Distribution Co., Ltd.) with 萬達影視 (Wanda Media), 金逸影視 (Jinyi Cinemas) and 橫店電影院線 (Hengdian Cinema Circuit) to carry out in-depth cooperation in film distribution business.

In addition, the Group's subsidiary 時代廣告(北京)有限公司 (Century Advertising (Beijing) Limited) ("Century Advertising") actively developed and expanded advertising business and innovatively launched a concept of the sale of screen advertisement on the basis of number of audiences. In addition, Century Advertising enhanced the rationalisation of media resources and exploration of the market of branded clients, laying a sound foundation for business growth in the future.

Property Development

Since 2014, the property market has emerged a "new status" feature. Periodic adjustment happened subsequent to the high and rapid growth in the previous year. In view of acceleration of modern urbanization and cross-industry cooperation, the property sector would speed up its structural adjustment and reform its business model. In the short run, restriction on loans was loosened in 2014 and some cities have shown sign of recovery. It is expected that the property market will enter into the stable stage in 2015. In the long run, demand potentiality for properties in China would remain strong, the Group is prudently optimistic towards the future development of the property sector.

During the year, Phase 2 of "The Peninsula" in Shenzhen recorded an income of approximately HK$127.8 million. The development of Phases 3 to 5 of the project has been in progress as scheduled. Due to fulfillment of procedural matters laid down by the PRC governing authority in relation to both design and construction, the construction works of Phase 3 commenced in October 2014. It is expected that pre-sales of Phase 3 will commence in the first quarter of 2016. Phases 4 and 5 have been in the stage of planning and design. It is expected that the construction works of Phase 4 would commence in mid-2015.

During the year, "Free Man Garden" in Guangzhou, a project of Listar Properties Limited ("Listar", an associate of the Group), was committed to get over the adverse effect arising from the policies of limitation in purchase of property implemented by the government. As at the end of 2014, accumulated area sold of Phase 1 was approximately 177,000 sq.m., 162 units remained unsold, of which 90 units were contracted for sale with customers. Sales proceeds from the sold units of Phase 1 of approximately RMB1,598.0 million were recognised as sales income for the year according to the accounting standard. Pre-sales of Phase 2 commenced in the first quarter of 2015, and it is expected that building inspection works of Phase 2 will be carried out in the fourth quarter of 2015.

In March 2014, the Group received letters from a professional party in respect of appointment of receivers and managers ("Appointments") by a financier pursuant to share mortgages which were executed as security for payment under loan facility agreements entered into between a Group's subsidiary which is an off-shore holding company of "The Peninsula". The Company issued two announcements on 10 March 2014 and 14 March 2014 respectively, indicating that the Appointments were null, void and invalid, and a writ of summons was issued against both the financier and the receivers and managers. The Company issued an announcement on 13 June 2014, indicating that a settlement agreement was entered into with the financier. The disputed amount is not a significant figure by comparing with the high net asset value of the Group. The Group has paid the disputed amount in full pursuant to the settlement agreement.

Corporate IT Application Services

During the year, Sino-i Technology Limited ("Sino-i"), a listed subsidiary of the Company, continued to focus on the development of its corporate IT application services business through its main subsidiary 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet"), whose financial performance has been consolidated into the Group since November 2013. Following the general trend of Internet development of Chinese enterprises, CE Dongli provided e-commerce applications and services platform on the basis of website for the purpose of helping SMEs speed up the application of Internet. Xinnet committed to become one of the largest Internet-based application service providers for SMEs and individual users in China by providing various product lines such as domain name, website, storage, email service and application. In 2014, Sino-i dedicated to enhance its internal administration and continued to improve its structure and operating efficiency. However, it was unable to achieve a significant growth in total revenue by comparing with that in 2013 due to slowdown of economic growth and continuously conservative corporate IT investments by SMEs. Due to significant increase in research and development costs and amortisation of products at preliminary research and development stage , which were not adapting to the needs of the market in 2014, there was a decrease in operating results as compared with the corresponding period in 2013.

The Group is of the opinion that with increasing support to SMEs and vigorous pushing forward of the application of Internet by enterprises by the government as well as the favorable environment of rapid development of the mobile Internet consumer market, there is still enormous room for development of its corporate IT application services business in China. In the meantime, functions of communication products were improved through reassessment and renovation, and the product security was increased significantly. The increase in costs of CE Dongli during the year was attributable to the renovation and upgrading of its products as well as optimization of its internal governance which laid the foundation for the improvement of operating results in the future.

During the year, Xinnet strategically increased investment in the research and development of new products, platform renovation and cloud computing. Such upgraded products as "New Freemail" and "New Virtual Server" having certain competitive edge were continuously launched in the first half of 2014. The relevant products are still in the introduction stage of the product life cycle, their results have not yet brought significant contribution to the Group's operations. However, these strategic investments will comprehensively enhance Xinnet's competitiveness in the market of Internet-based application services. During the year, in response to market change, Xinnet strengthened its market share by adopting strategy of market-oriented pricing on domain names. In addition, Xinnet conducted reform in its operating system by the end of the year, which led an increase in costs in the short term, but would facilitate the standardisation and normalisation of operation management and persistently reduce labour cost and improve operating quality in the long run, and in turn laying a solid foundation for the future development.

Business Opportunities and Development Strategies

The Group is optimistic towards the macro economy of China and the future development of the Group's three core businesses. According to statistics of National Bureau of Statistics of China, the growth rate of annual gross domestic product (GDP) of China in 2014 was approximately 7.4%. The annual growth rate of the service sector accounted for 48.2% of the GDP. Resulting from the continuous optimization of the industry structure, the macro economy of China will maintain a steady growth in the forthcoming five years. It is expected that the modern service sector, to which the Group's core businesses of culture and media and corporate IT application services belong, would still remain in a rapid development stage in the coming five years.

According to the data published by the State Administration of Press, Publication, Radio, Film and Television, the compound annual growth rate of box office of Chinese film was about 34% in the past decade (2005-2014). Resulting from the continuous popularity of leisure concept and movie-watching habit of the domestic consumers, the Chinese film market is expected to maintain a higher growth rate of box office in the coming five years, with the possibility of entering into the golden period of development, and even replacing the United States as the largest film market in the world. For the property sector, as the government policies loosening up and the increasing level of standardisation in respect of industry development, there will be plenty of room for financing and sales for real estate companies. In the meantime, an enormous property development market will be formed in the process of persisting modern urbanization in China. Given good atmosphere of the release of the benefits from reform and the emphasis on improving living quality by consumers in China, the Group adhered to the concept of establishing a high quality community which would eventually gain wider recognition from the market.

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

With respect to culture and media, it is expected that the Group will speed up the expansion of new projects and enhance the quality of projects in the coming three to five years; continue to increase the proportion of tenancies signed with renowned property developers; strive to enhance the quality of films and operation efficiency; and enhance brand building and talent reserves for overall strengthening up its core competitiveness. Meanwhile, with the implementation of multi-brand strategy of cinemas, the Group will provide differentiated products and services for various market segments so as to strengthen and broaden the Group's market share. With respect to film distribution sector, having the advantage of its extensive cinema network, the Group will continue to expand its nationwide distribution network and enhance the competitiveness of its middle and upper stream business chain. In addition, the Group will increase investment in creation and production of contents with a view to turn this business division eventually into a highly competitive culture and media chain.

With respect to property development sector, the Group will continue to push forward the follow-up developments of "The Peninsula" and "Free Man Garden". In the process of development, increase of commercial units in proportion to residential units; focusing on development of customer based leisure style commercial units; and increase of self-owned and self-operated commercial units for the purpose of establishing a landmark of high quality community which will be the benchmark development of all remaining phases of property projects. Meanwhile, the Group will continue to actively identify potential quality projects for reserve and development for attaining sustainable revenue and return in the long run.

With respect to corporate IT application services sector, the Group will continue to push forward the comprehensive strategic adjustment of CE Dongli, including organizational restructuring and optimization and enhancement of existing products and business, and will facilitate the upgrading of enterprise operating model through the establishment of information platform. For Xinnet, the Group will push forward Xinnet's transformation from the provider of Internet-based products to the provider of application services. It is expected that Xinnet will strive to be one of the largest "providers of Internet-based applications and services" for SMEs and individual users in China in the next three years. To achieve the above strategic objectives, the Group will increase its investment in research and development and new products, expand the scope of corporate IT application services business, and strengthen the business collaboration among different business segments with a view to achieve sustainable development of relevant business and upgrading of models.

Furthermore, the Group will actively identify quality projects for investment and development in the relevant segments of its core businesses and other emerging segments having great potential in the middle to long term. The Group will strive to enhance, optimize and expand the portfolio of its core businesses to capitalize on its competitive strength and synergies in resource and capability with a view to enhance the Group's value and to attain sustainable return for shareholders.

Conclusion

Looking forward to the coming year, the Group will adhere to its diverse core business strategy and continue to deploy resources on its three major business segments, namely culture and media, property development and corporate IT application services. The Group will expand its competitive advantage in the culture and media as well as corporate IT application services sectors in addition to speeding up the development of all phases of the property projects and continuous improvement in operating efficiency, for maximizing value for shareholders of the Company.

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

Yu Pun Hoi
Chairman

Hong Kong, 27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

During the year under review, the Group was principally engaged in culture and media, property development and corporate IT application services as its core businesses. During the year, turnover was approximately HK$3,153.0 million (2013: HK$2,318.6 million), representing an increase of approximately 36.0% over the corresponding period last year. Net loss attributable to the owners of the Company was approximately HK$701.7 million (2013: net profit of HK$865.2 million). Net assets attributable to the owners of the Company were approximately HK$3,157.1 million (2013: HK$3,979.0 million), representing a value of approximately HK$0.046 (2013: HK$0.058) per share.

Culture and Media

In 2014, turnover of this division was approximately HK$2,200.0 million (2013: HK$1,516.6 million), representing a growth of approximately 45.1% over the corresponding period last year. Net loss before income tax was approximately HK$259.3 million (2013: HK$162.5 million).

As the Group continued to speed up its pace of capturing the cinematic market in 2014, the finance cost remained higher in the short run. As a result, the liability of this business division remained significant. As of 31 December 2014, Dadi Cinema operated 257 cinemas with 1,262 screens, representing an increase of approximately 22% in

Figure 1 — Statistics of number of cinemas in operation, number of screens and average number of screens per cinema of Dadi Cinema

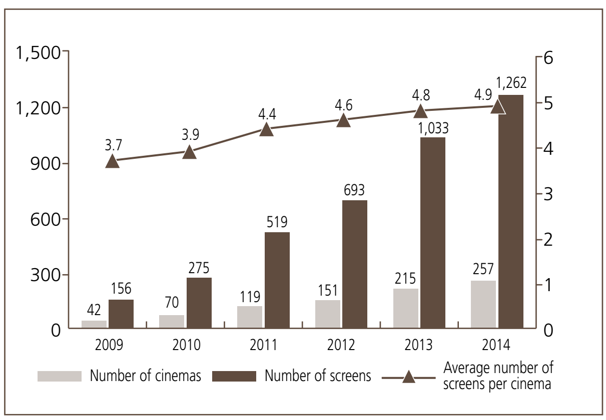
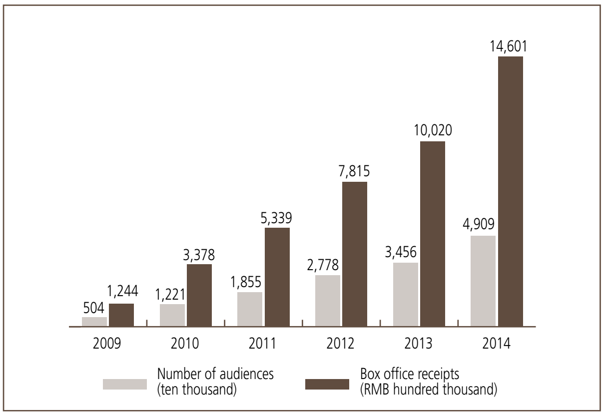


Figure 2 — Number of audiences and box office of Dadi Cinema



the total number of screens over the corresponding period last year. The Group achieved another record high admission by serving over 49.09 million audiences in total with box office of about RMB1.46 billion for the year.

While expanding number of cinemas, the Group paid more attention to the quality control of selection of locations and terms of leasing venue of cinemas, and actively explored the multi-brand strategy. During the year, new project of the "Free Man" brand was launched successfully and received favorable market response, which was a great affirmation of the Group's attempt at the multi-brand strategy.

As for operation, Dadi Cinema was committed to the improvement of the overall profitability of cinemas. On the one hand, Dadi Cinema performed a comprehensive operation assessment on cinemas in operation, and on the other hand closed those with poor performance during the year. Although a loss of approximately HK$304.7 million will be shown in the financial statements in the short term, it has a positive impact on the improvement of its branding and long-term profitability as well as the quality control of expansion. Apart from this, Dadi Cinema enhanced its overall film showing quality and service quality of cinemas in operation during the year so as to improve the competitiveness of each individual cinema in the region. In addition, Dadi Cinema focused on the sales of food and beverages in cinemas with higher gross profit margin in a planned way by means of internal training and performance reform. During the year, the sales of food and beverages recorded a significant increase of approximately 54.8% over the corresponding period last year with an increase to approximately 14.4% share of box office (2013: 13.5%).

In addition, Dadi Cinema streamlined and optimised its overall organisational operating system and fostered the construction of information technology, which will lay foundation for the subsequent continuous improvement of operating efficiency and enhancement of effectiveness.

Property Development

In 2014, turnover of this division was approximately HK$127.8 million (2013: HK$79.5 million), representing an increase of approximately 60.8% over the corresponding period last year. Net loss before income tax was approximately HK$208.3 million (2013: net profit before income tax HK$1,218.3 million). In 2013, the significant profit was attributable to the gain from a series of disposal in an aggregate of 57% of the issued share capital of Listar, and the gain from such disposals was not derived from the daily operations and principle activities of the Group. In 2014, the loss for the year was mainly due to the fact that the construction works of Phase 3 of "The Peninsula", the flagship property project of the Group, were still in progress and had yet contributed any income.

During the year, Phase 2 of "The Peninsula" in Shenzhen recorded an income of approximately HK$127.8 million. The development of Phases 3 to 5 of the project has been in progress as scheduled. The construction works of Phase 3 commenced in October 2014. It is expected that pre-sales of Phase 3 will commence in the first quarter of 2016. Phases 4 and 5 have been in the stage of planning and design. It is expected that the construction works of Phase 4 would commence in mid-2015.

During the year, "Free Man Garden" in Guangzhou, a project of Listar, was committed to get over the adverse effect arising from the policies of limitation in purchase of property implemented by the government. As at the end of 2014, a total number of 1,507 units of Phase 1 had been launched for sales, of which 1,345 units were sold (as at 31 December 2013: 1,504 units launched for sale with 1,214 units sold), accumulated area sold was approximately 177,000 sq.m.. 162 units remained unsold, of which 90 units were contracted for sale with customers. Sales proceeds from the sold units of Phase 1 of approximately RMB1,598.0 million were recognized as sales income for the year according to the accounting standard. Pre-sales of Phase 2 commenced in the first quarter of 2015, and it is expected that building inspection works of Phase 2 will be carried out in the fourth quarter of 2015.

Corporate IT Application Services

Due to the consolidation of Xinnet, in 2014, turnover of the Group's corporate IT application services division was approximately HK$784.8 million (2013: HK$683.4 million), representing a growth of approximately 14.8% over the corresponding period last year. Net loss before income tax was approximately HK$177.0 million (2013: HK$92.9 million). The increase in loss for the year was mainly due to the significant increase in R&D expenses and the amortization on intangible assets.

Following the development trend of Internet application by Chinese enterprises, CE Dongli positioned itself to help those traditional enterprises accelerate the application of Internet through the provision of its corporate IT application services. As for SMEs, it provided e-commerce applications and services platform on the basis of websites for the purpose of helping enterprises speed up the application of Internet. During the year, CE Dongli initiated the following transformations: in the aspect of services, it implemented differentiation of services such as design, operation and maintenance, and established database for sales and major customers; in the aspect of platform establishment, it conducted transformation in sales support system, design support system, service support system and management support system; in the aspect of products, it strived to produce high value-added products by increasing investment in research and development. The renovation and upgrading of CE Dongli's products as well as the optimisation of its internal governance resulted in the increase in costs during the year. However, the improvement of product quality and operating efficiency will lay foundation for the improvement of operating results in the future.

Synergetic development effects have been created since the consolidation of Xinnet into the corporate IT application services division of the Group. During the year, Xinnet increased strategic investment in research and development of new products, platform renovation and cloud computing, and continuously launched such upgraded products as "New Freemail" and "New Virtual Server" having certain competitive edge. In addition, Xinnet's compressive strategy of market-oriented pricing on domain names strengthened its market share and continuously enhanced its brand awareness. Furthermore, reform was conducted in Xinnet's operating system during the year, which would facilitate the standardisation and normalisation of operation management, reduce labor cost and improve operating quality and efficiency. In the coming year, Xinnet will continue to transform and optimize different aspects such as R&D technical reserves, delicate management of customers and line of thought of user-oriented products.

II. PROSPECTS

In 2014, growth rate of economy started to slow down in China, but the "new status" of economic structure became more optimistic. The national leaders were committed to economic structural reform, while the economic development is shifting from the extensive growth of scale and pace to the intensive growth of quality and efficiency. China's economic growth will rely more on innovation, service and domestic consumption. The active encouragement of development and innovation of cultural business and entrepreneurship by national policies and a range of favorable policies for supporting healthy development of small scale enterprises will offer new opportunities for the business development of the Group.

The Chinese government has given out a strong sign of reform since 2014, showing the world the expected stable and sustainable economic growth of China. Such favorable macroeconomic environment and policies as the continued deepening of the institutional and systematical reform, the acceleration of new form of urbanization and the encouragement of the development of cultural industries, strengthened the Group's determination of its business expansion in China.

The active capital transactions of the film market in China, higher degree of openness of policies and acceleration in the reform of cinemas system have a progressive influence on the development of the film industry. The Group will seize the new opportunities in the development of the film industry to actively expand and optimise the layout of cinemas in various cities. During the year, while continuing its exploitation in second and third-tier cities, the Group also gradually increased its influence in first-tier cities by consolidating its multi-branding strategy. The Group will actively foster the establishment of cinema information technology and enhance the quality of cinema service, thereby actively expand the value-added services of cinemas. As for the improvement in the quality of cinema service, the Group will focus on the enhancement in the quality of cinema's film showing and the improvement of operating efficiency with a view to continuously improve the profitability of cinemas. The Group will continue to develop its partnership with notable real estate developers to enhance its market competitiveness for expansion. In addition, the Group will continue to explore innovative operating models in respect of value-added business such as sales of food and beverages and screen advertisement so as to further enhance the profit margin of cinemas.

During the process of development, the Group also noticed that there are various issues resulting from the rapid expansion. Facing to the shortage of talents and the drastic competition in the market, the Group is confident and determined to explore the right path for its rapid expansion. Information technology, chain refinement operation and distinctive value-added business will lay foundation for the Group's establishment of core competitiveness in this sector and for the maintenance of healthy and sustainable development. In the meantime, it is an effective way for the Group to manage and control risks and to secure investment interests as well.

In the aspect of property development sector, the Group will continue to speed up the follow-up development of different phases of "The Peninsula" and "Free Man Garden" projects. In the future, "The Peninsula" will provide more units having panoramic view of Shenzhen Bay as well as ancillary commercial facilities which are rich in creativity, striving to build a benchmark international seacoast community in the South China Sea and to maximize its revenue. Pre-sale of Phase 2 of "Free Man Garden" project started in the first quarter of 2015, and the development and construction works of other phases have been carried out as planned. In the meantime, the Group will constantly and actively explore potential projects of high quality in first-tier cities for reserve and development for securing long-term sustainable return.

In the aspect of corporate IT application services sector, development and application of new technology such as big data, cloud computing, mobile Internet and 4G etc. will push forward the development and maturation of the information technology market. In 2015, the Group will continue to actively satisfy the market demand for corporate IT application services and the development of corporate Internet through its listed subsidiary, Sino-i. It will speed up the research and development of new products in corporate IT application services with a view to achieve sustainable development of corporate IT application services and the upgrading of models, thereby strengthening and enhancing the presence and influence of the Group in the market of corporate IT application services.

III. FINANCIAL RESOURCES AND LIQUIDITY

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2014, net assets attributable to the owners of the Company amounted to approximately HK$3,157.1 million (2013: HK$3,979.0 million), including cash and bank balances of approximately HK$1,400.8 million (2013: HK$1,559.6 million) which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2014, the Group's aggregate borrowings were approximately HK$5,751.8 million (2013: HK$5,558.2 million), of which approximately HK$3,845.1 million (2013: HK$3,044.4 million) were bearing interest at fixed rates while approximately HK$1,906.7 million (2013: HK$2,513.8 million) were at floating rates.

The gearing ratio of the Group which is calculated as net debt divided by the adjusted capital plus net debt, increased from approximately 46.02% as at 31 December 2013 to approximately 53.23% as at 31 December 2014.

As at 31 December 2014, the Group's capital commitment was approximately HK$560.4 million, of which approximately HK$99.6 million would be used as the funding for the construction of the headquarters of corporate IT application services, and approximately HK$460.8 million would be used as capital expenditures for the expansion of its cinema business.

The Group's contingent liabilities as at 31 December 2014 were approximately HK$2,609.7 million in connection with the guarantees given to secure credit facilities and guaranteed return.

As at 31 December 2014, certain interests in leasehold land, buildings, other property, plant and equipment, properties under development and completed properties held for sale, trade receivables, bank deposits and intangible assets with a total net carrying value of approximately HK$4,095.6 million were pledged to secure the credit facilities granted to the Group. In addition, trading securities with a carrying value of approximately HK$0.3 million and certain shares of several subsidiaries were pledged, bank accounts were charged and shareholders' loans of certain subsidiaries and an associate were assigned for securing the Group's credit facilities.

IV. EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

V. EMPLOYEES AND REMUNERATION POLICY

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave etc.. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. In general, salary review is conducted annually. As at 31 December 2014, the Group had approximately 13,777 employees (2013: 12,461 employees). The salaries of and allowances for employees for the year ended 31 December 2014 were approximately HK$971.7 million (2013: HK$803.8 million).

REPORT OF THE DIRECTORS

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

Principal Activities

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in culture and media services, property development and corporate IT application services.

Segment Information

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

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 43.

The Board do not recommend the declaration of the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 154.

Property, Plant and Equipment

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

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and associates as at 31 December 2014 are set out in notes 15 and 16 to the financial statements respectively.

Bank and Other Borrowings and Financing

Details of the bank and other borrowings and financing of the Group as at 31 December 2014 are set out in notes 28 and 30 to the financial statements respectively.

Share Capital

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

REPORT OF THE DIRECTORS

Reserves

Details of the movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements.

Distributable Reserves

As at 31 December 2014, the amount of the Company's reserves available for distribution was approximately HK$724.6 million. In addition, the Company's share premium account with a balance of HK$965.9 million may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

The Group's sales to the five largest customers for the year ended 31 December 2014 accounted for less than 30% of the Group's total turnover.

For the year ended 31 December 2014, the percentage of purchase attributable to the Group's five largest suppliers was 74.67% with the largest supplier accounted for 68.26%.

Neither the directors, any of their associates nor any shareholders (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2014.

Directors' Emoluments

Details of directors' emoluments are set out in note 39 to the financial statements.

Directors' Interest in Competing Business

As at 31 December 2014, none of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

Pension Costs

Details of retirement benefit plans in respect of the year are set out in note 38 to the financial statements.

REPORT OF THE DIRECTORS

Directors

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

Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong
Mr. Wang Gang#
Mr. Lam Bing Kwan#
Prof. Jiang Ping*
Mr. Hu Bin*
Mr. Lau Yip Leung*

Non-executive directors
* Independent non-executive directors

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

In accordance with Bye-law 99 of the Company's Bye-Laws ("Bye-Laws"), Mr. Yu Pun Hoi, Ms. Chen Dan, Ms. Liu Rong, Prof. Jiang Ping and Mr. Lau Yip Leung shall retire at the forthcoming annual general meeting ("AGM") and, being eligible, will offer themselves for re-election.

Biographical Details of Directors and Senior Management

Biographical Details of Directors

Executive Directors

Mr. Yu Pun Hoi, aged 56, holding a degree of Doctor of Philosophy conferred by Peking University, joined the Board in September 2000. Mr. Yu is the chairman of the Board, the chairman of executive committee and nomination committee of, and a controlling shareholder of the Company.

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

Ms. Chen Dan, aged 46, graduated from Beijing Finance & Trade College with a Bachelor degree in Trade & Economics, and obtained a degree of EMBA in China Europe International Business School, and is also a qualified lawyer in the PRC.

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

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

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Directors (Continued)

Executive Directors (Continued)

Ms. Liu Rong, aged 43, graduated from the Law School of Anhui University with a Bachelor degree in Laws, and got a Master of Laws conferred by the Law Institute of Chinese Academy of Social Science, and is also a qualified lawyer in the PRC. In addition, Ms. Liu graduated from the International MBA School of National School of Development of Peking University in 2013. Prior to joining the Group, Ms. Liu worked in Chinese government departments and law firms.

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

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

Non-executive Directors

Mr. Wang Gang, aged 59, graduated from Capital University of Economics and Business in the PRC with a Bachelor degree in Business Economics, and obtained an MBA degree from National University of Singapore. Prior to joining the Group, Mr. Wang worked in the headquarters of Agricultural Bank of China for many years, and was appointed as a general manager working in the bank's branch office in Singapore.

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

Mr. Lam Bing Kwan, aged 65, graduated from the University of Oregon in the United States of America with a Bachelor degree in Business Administration in 1974. Prior to joining the Group, Mr. Lam had been in senior management positions in the banking and financial industry for more than 10 years.

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

Independent Non-executive Directors

Prof. Jiang Ping, aged 84, graduated from Moscow University with a Bachelor degree in Laws in 1956. Prof. Jiang is the lifetime professor of China University of Political Science and Law, conducting lectures for doctoral degree class in civil and commercial laws. Prof. Jiang is also the honorary president of China Comparative Law Research Centre, the chairman of Beijing Arbitration Commission, and the honorary arbitrator in China International Economic and Trade Arbitration Commission.

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

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Directors (Continued)

Independent Non-executive Directors (Continued)

Mr. Hu Bin, aged 43, is a director of the Research Center for Financial Supervision and Regulation and Financial Legislations at The Institute of Finance and Banking of Chinese Academy of Social Science (CASS). Mr. Hu got his doctoral degree in laws from the graduate school of CASS in 2002 and became a research professor in the Institute of Finance and Banking in 2009.

In September 2013, Mr. Hu was appointed an independent non-executive director, the chairman of remuneration committee, and a member of audit committee and nomination committee of both the Company and Sino-i. Moreover, Mr. Hu is also an independent non-executive director of Anhui Expressway Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Lau Yip Leung, aged 54, graduated from the City University of Hong Kong and awarded an honours degree of Bachelor of Arts in Accountancy in 1991, and also holds an MBA conferred by the University of Hull, UK. Mr. Lau is a fellow member of The Association of Chartered Certified Accountants, a member of The Institute of Chartered Accountants in England and Wales, and a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau started his public practice business in 1998, and has been a partner of Messrs. Fung Lau & Company, Certified Public Accountants, since October 2000.

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

Biographical Details of Senior Management

Ms. Yu Xin (aged 38)
General Manager
廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited)

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

Ms. Yu joined the Company in January 2011 in the position of controller in fund management department. Ms. Yu was transferred to 廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited) ("Dadi Construction"), a subsidiary of the Company, in August 2011 in the position of deputy general manager, and was then promoted to executive deputy general manager in December 2013, and further promoted to general manager in February 2015, responsible for daily operation management of Dadi Construction.

Ms. Yu is also a director of a number of subsidiaries of the Company.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Senior Management (Continued)

Mr. Xue Bo Ying (aged 46)
General Manager
Nan Hai Development Limited

General Manager
深圳半島城邦房地產開發有限公司 (The Peninsula Shenzhen Property Development Co., Ltd.)
(formerly known as 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited))

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

Mr. Xue joined the Group in January 2006 as an architectural design director, responsible for overall architectural design of various property projects of the Group in the PRC. In February 2009, Mr. Xue was appointed as an executive deputy general manager of Nan Hai Development Limited ("NHD"), a wholly-owned subsidiary of the Company, and was promoted to general manager of NHD and appointed as a general manager of 深圳半島城邦房地產開發有限公司 (The Peninsula Shenzhen Property Development Co., Ltd.) in July 2010.

Mr. Xue is also a member of executive committee of the Company, and a director of a number of subsidiaries of the Company.

Mr. Cheng Chih Hung (aged 59)
Executive Director
Nan Hai Development Limited

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

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

Mr. Cheng is also a director of a number of subsidiaries of the Company.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Senior Management (Continued)

Mr. Chen Ming Fei (aged 38)
General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

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

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

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

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

Mr. Han Qi (aged 41)
Technical Deputy General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

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

Mr. Han joined Sino-i Group in 2011, and was appointed as deputy general manager of technical operations in Xinnet. In March 2015, Mr. Han was re-designated as technical deputy general manager of CE Dongli.

REPORT OF THE DIRECTORS

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2014, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

The Company

Long position in shares in issue

	Number of shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi ("Mr. Yu")	–	36,096,430,679 *(Note 1)*	–	36,096,430,679	52.58%
Chen Dan	32,000,000	–	–	32,000,000	0.05%
Wang Gang	8,500,000	–	–	8,500,000	0.01%

Note:

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

REPORT OF THE DIRECTORS

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

Associated Corporations

As disclosed above, Mr. Yu is entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares of the associated corporations of the Company within the meaning of Part XV of the SFO. Sino-i is a company whose shares are listed on the Stock Exchange, and is an associated corporation of the Company within the meaning of Part XV of the SFO. As at 31 December 2014, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

Sino-i

Long position in shares in issue

	Number of shares				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi	–	12,515,795,316 *(Note 1)*	–	12,515,795,316	62.85%

Note:

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

Save as disclosed above, as at 31 December 2014, none of the directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

REPORT OF THE DIRECTORS

Share Option Scheme

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

During the year ended 31 December 2014, no share options have been granted under the Scheme by the Company.

A summary of the Scheme is as follows:

(1) Purpose

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

(2) Participants

The participants include:

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

Share Option Scheme (Continued)

(3) Maximum number of shares

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

(4) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the share options granted to each participant under the Scheme and any other schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the relevant class of shares of the Company in issue. Any further grant of share options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme and to the relevant rules under the Listing Rules.

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

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

(6) Minimum period for exercising a share option

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

(7) Acceptance and payment on acceptance

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

(8) Basis of determining the exercise price

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

(9) Remaining life of the Scheme

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

REPORT OF THE DIRECTORS

Arrangements to Purchase Shares or Debentures

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

Directors' Service Contracts

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

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

Directors' Interests in Contracts

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

REPORT OF THE DIRECTORS

Substantial Shareholders' Interests and Short Positions

As at 31 December 2014, those persons (other than directors and chief executive of the Company) who had interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	*Notes*
Dadi Holdings Limited	Corporate interest	36,096,430,679	52.58%	1
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	1
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	1
Staverley Assets Limited	Beneficial interest	4,893,197,974	7.12%	1
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	1
Kung Ai Ming	Corporate interest	3,811,819,898	5.55%	2
Yu Ben Hei	Corporate interest	3,742,493,498	5.45%	2
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2
CITIC Capital Holdings Limited	Corporate interest	10,100,000,000	14.71%	3
CITIC Capital Credit Limited	Security interest	10,100,000,000	14.71%	3
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	4
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	4
Lee Tat Man	Beneficial interest Security interest	60,900,000 7,700,000,000	0.09% 11.22%	

REPORT OF THE DIRECTORS

Substantial Shareholders' Interests and Short Positions (Continued)

Notes:

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

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

3. CITIC Capital Credit Limited is a wholly-owned subsidiary of CITIC Capital Holdings Limited. CITIC Capital Holdings Limited was taken to be interested in those shares in which CITIC Capital Credit Limited held a security interest.

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

Save as disclosed above, as at 31 December 2014, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

Related Party Transactions

Details of related party transactions of the Company and the Group are set out in note 44 to the financial statements.

Pre-Emptive Rights

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

Purchase, Sale or Redemption of Listed Securities

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

Public Float

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

REPORT OF THE DIRECTORS

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the "Corporate Governance Report" on pages 30 to 40.

Audit Committee

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Lau Yip Leung, Prof. Jiang Ping and Mr. Hu Bin. The Audit Committee has reviewed with the auditor of the Company and management the accounting principles and practices adopted by the Group, the audited consolidated financial statements of the Group for the year ended 31 December 2014, and discussed the auditing, financial control, internal control and risk management systems.

Auditor

The financial statements for the year ended 31 December 2014 were audited by BDO Limited ("BDO"). A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO as auditor of the Company.

On behalf of the Board
Yu Pun Hoi
Chairman

Hong Kong, 27 March 2015

CORPORATE GOVERNANCE REPORT

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

Compliance with Corporate Governance Code

In the opinion of the Board, the Company has complied with the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2014, except for the deviations from Code Provisions A.2.1, A.4.1, A.6.7 and E.1.2. Explanations for such non-compliance are provided below.

Model Code for Securities Transactions

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

Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the year ended 31 December 2014.

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

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

Board of Directors

The current Board is made up of eight directors including three executive directors, two non-executive directors and three independent non-executive directors (the "INEDs"). The directors are, collectively and individually, aware of their responsibilities to the shareholders. The directors' biographical information is set out on pages 17 to 19 under the heading "Biographical Details of Directors and Senior Management". The Board consists of the following:

Executive Directors

Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong

Non-executive Directors

Mr. Wang Gang
Mr. Lam Bing Kwan

Independent Non-executive Directors

Prof. Jiang Ping
Mr. Hu Bin
Mr. Lau Yip Leung

CORPORATE GOVERNANCE REPORT

Board of Directors (Continued)

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

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

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

To the best knowledge of the Company, the Board members do not have any financial, business and family or other material/relevant relationship with each other. During the year, the Board held 7 meetings.

Chairman and Chief Executive Officer

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

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

Non-executive Directors

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

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

Independent Non-executive Directors

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

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

CORPORATE GOVERNANCE REPORT

Board of Directors (Continued)

Independent Non-executive Directors (Continued)

Pursuant to Code Provision A.4.3, any further appointment of independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by the shareholders of the Company. Notwithstanding that Prof. Jiang Ping and Mr. Lau Yip Leung have served as an independent non-executive director of the Company for more than nine years, (i) the Board has assessed and reviewed the annual confirmation of independence based on the requirement set out in Rule 3.13 of the Listing Rules and affirmed that Prof. Jiang Ping and Mr. Lau Yip Leung remain independent; (ii) the Nomination Committee of the Company has assessed and is satisfied of the independence of Prof. Jiang Ping and Mr. Lau Yip Leung; and (iii) the Board considers that Prof. Jiang Ping and Mr. Lau Yip Leung remain independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Notwithstanding the length of their service, the Company believes that their valuable knowledge and experience in the Group's business will continue to benefit the Company and the shareholders as a whole.

Directors' Training

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

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

Board Committees

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

Executive Committee

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

Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong
Mr. Xue Bo Ying*
Mr. Chen Ming Fei*

* Senior Management

CORPORATE GOVERNANCE REPORT

Board Committees (Continued)

Executive Committee (Continued)

The primary duties of the Executive Committee are empowered to plan, determine, approve, implement, handle, arrange, review and amend all policies, operations and internal control of the Group, ensuring that the delegation of its powers to the senior management is clearly defined, and that a transparent reporting procedural system is in place and effectively monitored. The Executive Committee held 7 meetings during the year.

Audit Committee

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

Mr. Lau Yip Leung *(Chairman of the Audit Committee)*
Prof. Jiang Ping
Mr. Hu Bin

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

During the year, the Audit Committee held 2 meetings, in particular, to review with management the accounting principles and practices adopted by the Group, the audited financial statements for the year ended 31 December 2013 and the unaudited interim results for the six months ended 30 June 2014, and discussed the auditing, financial control, internal control and risk management systems.

Remuneration Committee

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

Mr. Hu Bin *(Chairman of the Remuneration Committee)*
Prof. Jiang Ping
Mr. Lau Yip Leung

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

During the year, the Remuneration Committee held 1 meeting, in particular, to review and recommend to the Board the remuneration policies and the remuneration packages of the Company.

CORPORATE GOVERNANCE REPORT

Board Committees (Continued)

Remuneration Committee (Continued)

For the year ended 31 December 2014, the emoluments paid or payable to members of senior management was within the following band:

Emolument band	Number of individuals 2014	2013
HK$Nil — HK$1,000,000	**5**	8

Nomination Committee

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

Mr. Yu Pun Hoi *(Chairman of the Nomination Committee)*
Ms. Chen Dan
Prof. Jiang Ping*
Mr. Hu Bin*
Mr. Lau Yip Leung*

* INED

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

During the year, the Nomination Committee held 1 meeting, in particular, to review and assessment of the independence of all INEDs of the Company; to consider and recommend to the Board for approval the list of retiring directors for re-election at the annual general meeting held on 26 May 2014 (the "2014 AGM"); and to review the structure, size and composition of the Board.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has adopted a board diversity policy in relation to the nomination and appointment of new directors, which sets out the selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Nomination Committee reviewed the board diversity policy and recommended the Board that the existing Board was appropriately structured and no change was required.

Corporate Governance Functions

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

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

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 code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Number of Meetings and Directors' Attendance

The following table shows the individual attendance of each director at the meetings of the full Board ("BM"), the Shareholders ("GM"), the Executive Committee ("ECM"), the Audit Committee ("ACM"), the Remuneration Committee ("RCM") and the Nomination Committee ("NCM") for the year ended 31 December 2014:

	Attendance/Number of Meetings					
Name of Director	**BM**	**GM**	**ECM**	**ACM**	**RCM**	**NCM**
Executive Directors						
Mr. Yu Pun Hoi	7	–	7	N/A	N/A	1
Ms. Chen Dan	7	1	7	N/A	N/A	1
Ms. Liu Rong	7	–	7	N/A	N/A	N/A
Non-executive Directors						
Mr. Wang Gang	7	1	N/A	N/A	N/A	N/A
Mr. Lam Bing Kwan	7	1	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Prof. Jiang Ping	7	–	N/A	2	1	1
Mr. Hu Bin	7	1	N/A	2	1	1
Mr. Lau Yip Leung	7	1	N/A	2	1	1
Number of meetings held during the year	7	1	7	2	1	1

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

One independent non-executive director of the Company was unable to attend the 2014 AGM due to his personal engagement.

Code Provision E.1.2 stipulates that the chairman of the board should attend annual general meeting.

The chairman of the Board was unable to attend the 2014 AGM due to his unexpected illness.

CORPORATE GOVERNANCE REPORT

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

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

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 41 and 42.

The remuneration paid to the external auditor of the Group in respect of audit services and non-audit services for the year ended 31 December 2014 amounted to HK$7.1 million and HK$Nil respectively. An analysis of the remuneration paid to the external auditor of the Company is set out in note 8 to the financial statements.

Internal Controls

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

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

Company Secretary

Mr. Watt Ka Po James, the Company Secretary of the Company, is an employee of the Company and have day-to-day knowledge of the Company's affairs. Mr. Watt has taken no less than 15 hours of relevant professional training in 2014.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Shareholders' Rights (Continued)

2. Procedures for putting forward proposals at shareholders' meeting

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

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

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

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

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

(b) not less than one hundred shareholders.

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

3. Shareholders' enquiries

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

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

CORPORATE GOVERNANCE REPORT

Investor Relations

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

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

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

Constitutional Documents

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

INDEPENDENT AUDITOR'S REPORT

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香港干諾道中111號
永安中心25樓

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

We have audited the consolidated financial statements of Nan Hai Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 43 to 152, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's result and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number P04434

Hong Kong, 27 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue/Turnover	5(a)	**3,153,015**	2,318,601
Cost of sales and services provided	8	**(1,078,165)**	(804,545)
Gross profit		**2,074,850**	1,514,056
Other operating income	5(b)	**229,914**	160,072
(Loss)/Gain on disposal and dissolution of subsidiaries	36(a)	**(3,822)**	1,371,277
Selling and marketing expenses		**(1,207,718)**	(950,119)
Administrative expenses		**(507,768)**	(469,474)
Other operating expenses		**(831,388)**	(409,174)
Finance costs	7	**(302,097)**	(255,012)
Fair value change on financial liability at fair value through profit or loss		**1,588**	(32,046)
Share of results of associates		**(178,596)**	(18,989)
(Loss)/Profit before income tax	8	**(725,037)**	910,591
Income tax expense	9	**(21,942)**	(58,029)
(Loss)/Profit for the year		**(746,979)**	852,562
(Loss)/Profit for the year attributable to:			
Owners of the Company	10	**(701,731)**	865,197
Non-controlling interests		**(45,248)**	(12,635)
		(746,979)	852,562
		HK cent	HK cent
(Losses)/Earnings per share for the year	11		
— Basic		**(1.02)**	1.26
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
(Loss)/Profit for the year	**(746,979)**	852,562
Other comprehensive income, including reclassification adjustments		
Items that may be reclassified subsequently to profit or loss:		
Exchange (loss)/gain on translation of financial statements of foreign operations	**(132,440)**	139,980
Exchange differences reclassified on disposal and dissolution of subsidiaries	**13,149**	(155,776)
Other comprehensive income for the year, including reclassification adjustments	**(119,291)**	(15,796)
Total comprehensive income for the year	**(866,270)**	836,766
Total comprehensive income attributable to:		
Owners of the Company	**(821,933)**	842,536
Non-controlling interests	**(44,337)**	(5,770)
	(866,270)	836,766

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**2,568,549**	2,587,325
Prepaid land lease payments under operating leases	14	**27,235**	28,469
Interests in associates	16	**505,682**	775,154
Interest in a joint venture	17	**2,499**	–
Loan receivable from an associate	27(g)	**311,972**	283,611
Available-for-sale financial assets		**324**	324
Deposits and other receivables	19	**404,636**	338,129
Intangible assets	20	**146,998**	221,562
Deferred tax assets	31	**120,441**	115,758
Pledged and restricted bank deposits	24	**45,614**	46,759
		4,133,950	4,397,091
Current assets			
Inventories	21	**5,931,704**	5,863,146
Financial assets at fair value through profit or loss	22	**1,587**	931
Trade receivables	23	**137,923**	71,314
Deposits, prepayments and other receivables	19	**1,000,165**	811,554
Amounts due from associates	27(c)	**2,915**	5,631
Pledged and restricted bank deposits	24	**1,074,694**	999,233
Time deposits maturing over three months	24	**625**	653
Cash and cash equivalents	24	**279,877**	512,957
		8,429,490	8,265,419
Non-current assets classified as held for sale	18	**97,655**	–
		8,527,145	8,265,419
Current liabilities			
Trade payables	25	**272,019**	205,747
Other payables and accruals	26	**1,679,052**	1,007,949
Deferred revenue		**17,839**	42,633
Provision for tax		**1,014,552**	1,023,608
Amount due to a director	27(a)	**6,240**	19,939
Amounts due to shareholders	27(b)	**1**	5,006
Amounts due to associates	27(c)	**6,981**	15,109
Bank and other borrowings	28	**3,049,047**	3,690,722
Finance lease liabilities	29	**585**	118
Finance from a third party	30	**291,992**	764,923
		6,338,308	6,775,754
Net current assets		**2,188,837**	1,489,665
Total assets less current liabilities		**6,322,787**	5,886,756

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
Non-current liabilities			
Bank and other borrowings	28	**2,409,042**	1,102,358
Finance lease liabilities	29	**1,168**	110
Deferred tax liabilities	31	**30,811**	32,386
Financial liability at fair value through profit or loss	30	**59,423**	61,011
		2,500,444	1,195,865
Net assets		**3,822,343**	4,690,891
EQUITY			
Share capital	32	**686,455**	686,455
Reserves	34	**2,470,657**	3,292,590
Equity attributable to the Company's owners		**3,157,112**	3,979,045
Non-controlling interests	35	**665,231**	711,846
Total equity		**3,822,343**	4,690,891

Yu Pun Hoi
Director

Chen Dan
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**–**	1
Interests in subsidiaries	15	**–**	–
Amounts due from subsidiaries	27(d)	**37,018**	117,474
		37,018	117,475
Current assets			
Amounts due from subsidiaries	27(d)	**4,956,728**	4,865,675
Amount due from an associate	27(c)	**139,412**	139,264
Other receivables and deposits		**474**	296
Cash and cash equivalents	24	**1,555**	2,910
		5,098,169	5,008,145
Current liabilities			
Other payables and accruals		**177,922**	119,434
Amount due to a director	27(a)	**11,594**	39,266
Amounts due to subsidiaries	27(e)	**444,704**	490,425
Finance lease liabilities	29	**–**	3
Bank and other borrowings	28	**650,494**	534,863
Loan from subsidiaries	27(f)	**1,466,005**	–
		2,750,719	1,183,991
Net current assets		**2,347,450**	3,824,154
Total assets less current liabilities		**2,384,468**	3,941,629
Non-current liabilities			
Loan from subsidiaries	27(f)	**–**	1,367,219
		–	1,367,219
Net assets		**2,384,468**	2,574,410
EQUITY			
Share capital	32	**686,455**	686,455
Reserves	34	**1,698,013**	1,887,955
Total equity		**2,384,468**	2,574,410

Yu Pun Hoi
Director

Chen Dan
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		**(725,037)**	910,591
Adjustments for:			
Interest income		**(56,347)**	(36,715)
Interest expenses		**290,444**	177,147
Finance costs on finance from a third party		**11,653**	77,865
Depreciation of property, plant and equipment		**491,210**	221,405
Amortisation of intangible assets other than goodwill		**76,521**	49,643
Write-off of property, plant and equipment		**30,937**	4,224
Write-off of intangible assets		**–**	2,594
Loss/(Gain) on disposal and dissolution of subsidiaries	36(a)	**3,822**	(1,371,277)
Operating lease charges on prepaid land leases		**557**	560
Bad debt written off and provision for impairment of receivables		**33,002**	36,038
Write-back of provision for impairment of trade receivables		**(1,073)**	–
Write-back of long outstanding payables		**–**	(19,027)
Loss/(Gain) on disposal of property, plant and equipment		**3,434**	(1,106)
Fair value change on financial assets at fair value through profit or loss		**(677)**	95
Fair value change on financial liability at fair value through profit or loss		**(1,588)**	32,046
Share of results of associates		**178,596**	18,989
Operating profit before working capital changes		**335,454**	103,072
Increase in inventories		**(85,370)**	(294,995)
Increase in trade receivables, deposits, prepayments and other receivables		**(319,338)**	(212,795)
Increase in trade payables, other payables and accruals		**768,176**	1,095,706
Decrease in deferred revenue		**(23,887)**	(4,338)
Increase/(Decrease) in amounts due to associates		**2,182**	(92,121)
(Increase)/Decrease in financial assets at fair value through profit or loss		**(6)**	232
Cash generated from operations		**677,211**	594,761
Interest received		**27,986**	32,246
Interest paid		**(355,045)**	(239,718)
Income taxes paid		**(12,351)**	(44,929)
Net cash generated from operating activities		**337,801**	342,360

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from investing activities			
Payments to acquire intangible assets		**(6,465)**	(26,182)
Payments to acquire property, plant and equipment		**(573,171)**	(815,900)
Net cash outflow arising from establishing a joint venture	17	**(2,499)**	–
Net cash inflow arising from acquisition of interest in subsidiaries	37	**–**	4,897
(Increase)/Decrease in deposits and other receivables		**(75,222)**	110,092
Increase in pledged and restricted bank deposits		**(99,369)**	(278,792)
Decrease in time deposits maturing over three months		**12**	41,665
Proceeds from disposal of property, plant and equipment		**6,787**	1,573
Net cash inflow arising from disposal of subsidiaries	36(a)	**61**	733,284
Payments for setting up an associate		**(14,048)**	(1,922)
Capital contribution by non-controlling equity holder of a subsidiary		**5,170**	2,534
Net cash used in investing activities		**(758,744)**	(228,751)
Cash flows from financing activities			
Repayments of bank and other borrowings		**(957,383)**	(2,134,762)
Repayments of finance lease liabilities		**(462)**	(126)
Repayments of finance from a third party		**(484,584)**	(840,037)
Proceeds from bank and other borrowings		**1,730,412**	3,249,202
Repayments to a director		**(13,287)**	(76,363)
Repayments to shareholders		**(5,005)**	–
Net cash generated from financing activities		**269,691**	197,914
Net (decrease)/increase in cash and cash equivalents		**(151,252)**	311,523
Cash and cash equivalents at 1 January		**512,957**	187,116
Effect of foreign exchange rate changes, on cash held		**(81,828)**	14,318
Cash and cash equivalents at 31 December		**279,877**	512,957
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**279,877**	512,957

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2014

	Equity attributable to the Company's owners								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	686,455	965,911	1,911,436	172,918	713,062	(470,737)	3,979,045	711,846	4,690,891
Loss for the year	–	–	–	–	–	(701,731)	(701,731)	(45,248)	(746,979)
Other comprehensive income									
Items that may be reclassified subsequently to profit or loss									
Exchange (gain)/loss on translation of financial statements of foreign operations	–	–	–	–	(133,351)	–	(133,351)	911	(132,440)
Exchange differences reclassified on disposal and dissolution of subsidiaries	–	–	–	–	13,149	–	13,149	–	13,149
Total comprehensive income for the year	–	–	–	–	(120,202)	(701,731)	(821,933)	(44,337)	(866,270)
Transfer to general reserve	–	–	–	4,701	–	(4,701)	–	–	–
Released on disposal and dissolution of subsidiaries	–	–	–	–	–	–	–	(7,448)	(7,448)
Capital contribution by non-controlling equity holder of a subsidiary	–	–	–	–	–	–	–	5,170	5,170
At 31 December 2014	686,455	965,911*	1,911,436*	177,619*	592,860*	(1,177,169)*	3,157,112	665,231	3,822,343

* These reserve accounts comprise the consolidated reserves of HK$2,470,657,000 (2013: HK$3,292,590,000) in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. General information

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

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

The financial statements for the year ended 31 December 2014 were approved for issue by the board of directors (the "Board") on 27 March 2015.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements on pages 43 to 152 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.2 Business combination and basis of consolidation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.2 Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

2.3 Subsidiaries

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

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

2.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.4 Associates (Continued)

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

2.5 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

— Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

— Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

The Group accounts for its interests in joint ventures in the same manner as investments in associates i.e. using the equity method — see note 2.4.

2.6 Foreign currency translation

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

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

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

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

2.7 Property, plant and equipment

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

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

Buildings	5%
Leasehold improvements, furniture, fixtures and equipment	10% to 33-$^{1}/_{3}$% over lease terms whichever involves shorter period
Motor vehicles/Yachts	10% to 33-$^{1}/_{3}$%

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

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

Construction in progress represents assets under construction and is carried at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

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

2.8 Operating lease prepayments and land use right

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.16. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.9 Goodwill

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is tested annually for impairment (see note 2.22).

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.10 Other intangible assets and research and development activities

Other intangible assets

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

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

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

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.22.

Research and development costs

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

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

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

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

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

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

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

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

All other development costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.11 Financial assets

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

Financial assets are classified into the following categories:

— financial assets at fair value through profit or loss

— loans and receivables

— available-for-sale financial assets

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

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

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

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

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

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

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.19 to these financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

(iii) Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

(i) Financial assets at amortised cost

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

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.12 Inventories

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

(i) *Properties under development*

The cost of properties under development for sale comprises the acquisition cost of land, materials, labour and other direct expenses and an appropriate proportion of overheads, and capitalised finance costs (see note 2.25).

(ii) *Completed properties held for sale*

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

(iii) *Confectionery and others*

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

2.13 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.14 Financial liabilities

The Group's financial liabilities include bank and other borrowings, finance from a third party, trade and other payables, and finance lease liabilities. They are included in line items in the statement of financial position as bank and other borrowings, finance lease liabilities, finance from a third party, trade payables, other payables and accruals, amount due to a director, amounts due to shareholders, amounts due to associates, amounts due to subsidiaries and loan from subsidiaries.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All related finance costs are recognised in accordance with the Group's accounting policy for finance costs (see note 2.25).

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

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

Borrowings

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

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

Trade and other payables

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.16).

Finance from a third party

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.15 Financial guarantees issued

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

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

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

2.16 Leases

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

(i) *Classification of assets leased to the Group*

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

(ii) *Assets acquired under finance leases*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.16 Leases (Continued)

(ii) Assets acquired under finance leases (Continued)

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

(iii) Operating lease charges as the lessee

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

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

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.17 Provisions and contingent liabilities

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

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

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

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

2.18 Share capital

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

2.19 Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.19 Revenue recognition (Continued)

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

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

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

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

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

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

2.20 Deferred revenue

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

2.21 Government grants

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.22 Impairment of non-financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.23 Non-current assets held for sale and disposal groups

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

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

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

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

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

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

2.24 Employee benefits

(i) Short-term employee benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.24 Employee benefits (Continued)

(ii) Retirement benefits

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

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

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

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was also set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's monthly contribution will be 5% of the relevant employee's basic salaries with a maximum monthly contribution of HK$1,500 (2013: HK$1,250). There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.24 Employee benefits (Continued)

(iii) Share-based employee compensation

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

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

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

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

2.25 Finance costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.26 Accounting for income taxes

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.27 Segment reporting

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

The Group has identified the following reportable segments:

(a) Corporate IT application services

(b) Property development

(c) Culture and media services

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.27 Segment reporting (Continued)

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

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

No asymmetrical allocations have been applied to reportable segments.

2.28 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.28 Related parties (Continued)

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

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

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

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

3. Adoption of new/amended HKFRSs

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

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities

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

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

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

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Adoption of new/amended HKFRSs (Continued)

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

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

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Adoption of new/amended HKFRSs (Continued)

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

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Adoption of new/amended HKFRSs (Continued)

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

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 11 — Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

Amendments to HKAS 1 — Disclosure Initiative

The amendments made to HKAS 1 are designed to address concerns expressed by constituents about existing presentation and disclosure requirements and to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

In addition, an amendment is made to HKAS 1 to clarify the presentation of an entity's share of other comprehensive income from its equity accounted interests in associates and joint ventures. The amendment requires an entity's share of other comprehensive income to be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

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

3.3 Change in accounting estimates

During the year, the amortisation rate for certain intangible assets are changed from 25% to 50% to better reflect the expected pattern of consumption of the future economic benefits embodied in these intangible assets. The change in accounting estimate in this regard resulted in full amortisation of these intangible assets and has impact on the amortisation charge for the current year by an increase in amortisation charge for these intangible assets of approximately HK$48,958,000.

Also, the Group reassess the useful life of certain leasehold improvements and furniture and fixtures in light of its plan to restructure the cinema business. Accordingly, the remaining useful life of the affected assets were determined to be negligible. The depreciation charge for the year increased by approximately HK$185,380,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Adoption of new/amended HKFRSs (Continued)

3.4 New Companies Ordinance provisions relating to the disclosure requirements of financial statements

The provision of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the disclosure requirements of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The Statement of Financial Position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

4. Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

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

Depreciation and amortisation

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

Provision for impairment of receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

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

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

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.22. The recoverable amounts of CGUs have been determined based on value in use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of CGUs containing goodwill are disclosed in note 20.

Impairment of other assets

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

Impairment of interest in associates

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Current tax and deferred tax

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

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

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

4.2 Critical judgements in applying the Group's accounting policies

Going concern

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

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and financing by banks and other parties. The Group maintains a sufficient liquidity comprises cash and cash equivalents and other liquid assets. Taking into account of available banking facilities obtained during the year, the directors consider that all contractual and estimated obligations and operational requirements would be met.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. Critical accounting estimates and judgements (Continued)

4.2 Critical judgements in applying the Group's accounting policies (Continued)

Research and development activities

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

Control through structured agreements

Notwithstanding the lack of equity ownership in 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet") and its subsidiaries (collectively as "Xinnet Group") as set out in note 37, the Group is able to control, recognise and receive all the economic benefits of the business of Xinnet Group as the Group (1) shall have all requisite power and unrestricted rights, acting as a principal, to control and manage all aspects, at its sole decision and its own benefit, over Xinnet Group by virtue of the power of attorney; and (2) shall have right to assume all profits of Xinnet Group under the management and technology services agreement. In view of the foregoing reasons, the Group has determined that it has the practical ability to unilaterally direct the relevant activities of the Xinnet Group and significant benefits derived from Xinnet Group and therefore has consolidated the Xinnet Group as subsidiaries.

5. Revenue/Turnover and other operating income

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

	2014 **HK$'000**	2013 HK$'000
Sales of properties and car parks	**127,806**	79,526
Corporate IT application services	**784,763**	683,401
Property management	**40,407**	39,059
Culture and media services	**99,912**	79,898
Cinema ticketing income	**1,835,266**	1,265,565
Confectionery sales	**264,861**	171,152
	3,153,015	2,318,601

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. Revenue/Turnover and other operating income (Continued)

(b) Other operating income:

	2014 HK$'000	2013 HK$'000
Bank interest income	**17,931**	22,130
Other interest income	**38,416**	14,585
Total interest income on financial assets not at fair value through profit or loss	**56,347**	36,715
Exchange gain	**2,884**	13,779
Gain on disposal of property, plant and equipment	**–**	1,106
Government grants*	**96,437**	42,600
Cinema advertising income	**12,414**	8,888
Write-back of long outstanding payables	**–**	19,027
Rental income	**12,681**	13,501
Sundry income	**49,151**	24,456
	229,914	160,072

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Segment information

The executive directors have identified the Group's three product and service lines as operating segments as further described in note 2.27.

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

	2014				
	Corporate IT application services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000
Revenue					
From external customers	784,763	127,806	2,200,039	40,407	3,153,015
From inter-segments	–	–	23,715	1,721	25,436
Reportable and all other segments revenue	**784,763**	**127,806**	**2,223,754**	**42,128**	**3,178,451**
Reportable and all other segments loss	**(176,956)**	**(208,261)**	**(259,291)**	**(13,041)**	**(657,549)**
Bank interest income	293	210	17,362	1	17,866
Other interest income	–	34,646	–	–	34,646
Interest income on financial assets not at fair value through profit or loss	293	34,856	17,362	1	52,512
Finance costs	(13,170)	(72,870)	(213,534)	(2,520)	(302,094)
Depreciation and amortisation of non-financial assets	(130,962)	(3,154)	(433,192)	(446)	(567,754)
Gain/(Loss) on disposal of property, plant and equipment	125	–	(3,457)	–	(3,332)
Share of results of associates	–	(171,868)	(2,045)	–	(173,913)
Fair value change on financial liability at fair value through profit or loss	–	1,588	–	–	1,588
Reportable and all other segments assets	**1,004,425**	**7,607,326**	**3,558,975**	**184,703**	**12,355,429**
Interests in associates	–	491,746	13,936	–	505,682
Additions to non-current segment assets during the year	39,383	1,522	538,819	850	580,574
Reportable and all other segments liabilities	**645,978**	**2,894,238**	**4,057,197**	**71,154**	**7,668,567**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Segment information (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Segment information (Continued)

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

	2014 **HK$'000**	2013 HK$'000
Reportable segment revenue	**3,136,323**	2,293,058
All other segments revenue	**42,128**	41,713
Elimination of inter-segment revenue	**(25,436)**	(16,170)
Group revenue	**3,153,015**	2,318,601
Reportable segment results	**(644,508)**	962,907
All other segments results	**(13,041)**	(2,195)
Bank interest income	**65**	28
Other interest income	**3,770**	3,801
Interest income on financial assets not at fair value through profit or loss	**3,835**	3,829
Depreciation and amortisation	**(534)**	(180)
Loss on disposal and dissolution of subsidiaries	**(3,822)**	–
Finance costs	**(3)**	–
Share of results of associates	**(4,683)**	(8,228)
Unallocated corporate expenses	**(62,281)**	(45,542)
(Loss)/Profit before income tax	**(725,037)**	910,591

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Segment information (Continued)

	2014 HK$'000	2013 HK$'000
Reportable segment assets	**12,170,726**	12,218,787
All other segment assets	**184,703**	196,186
Interests in associates	**–**	105,000
Non-current assets classified as held for sale	**97,655**	–
Amounts due from associates	**2,915**	530
Deferred tax assets	**120,441**	115,758
Available-for-sale financial assets	**324**	324
Other financial and corporate assets	**84,331**	25,925
Group assets	**12,661,095**	12,662,510
Reportable segment liabilities	**7,597,413**	6,843,061
All other segment liabilities	**71,154**	55,007
Amount due to a director	**6,240**	19,939
Amounts due to shareholders	**1**	5,006
Amounts due to associates	**6,981**	15,109
Provision for tax	**1,014,552**	1,023,608
Other corporate liabilities	**142,411**	9,889
Group liabilities	**8,838,752**	7,971,619

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Segment information (Continued)

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

Revenue from external customers

	2014 **HK$'000**	2013 HK$'000
Mainland China (domicile)	**3,152,358**	2,317,813
Hong Kong	**190**	136
Others	**467**	652
Total	**3,153,015**	2,318,601

Non-current assets

	2014 **HK$'000**	2013 HK$'000
Mainland China (domicile)	**3,653,003**	3,949,258
Hong Kong	**2,596**	1,381
Total	**3,655,599**	3,950,639

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. Finance costs

	2014 HK$'000	2013 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**416,527**	386,234
Finance costs on finance from a third party wholly repayable within five years	**11,653**	213,539
Interest on finance leases	**71**	15
Total finance costs on financial liabilities not at fair value through profit or loss	**428,251**	599,788
Less: Amount capitalised to properties under development and construction in progress*	**(126,154)**	(344,776)
	302,097	255,012

* The finance costs have been capitalised at a rate of 7.63% to 12.00% (2013: 5.50% to 12.27%) per annum.

The analysis shows the finance costs of bank and other borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in loan agreements. For the year ended 31 December 2014, the interest on bank and other borrowings which contain a repayment on demand clause amounted to HK$21,800,000 (2013: HK$15,868,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. (Loss)/Profit before income tax

	2014 HK$'000	2013 HK$'000
(Loss)/Profit before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill*	**76,521**	49,643
Auditors' remuneration	**7,144**	6,800
Bad debts written off*	**819**	1,192
Cost of provision of corporate IT application services	**166,437**	118,351
Cost of sales of properties and car parks	**32,876**	39,322
Cost of confectionery	**81,973**	52,165
Cost of provision of culture and media services	**764,572**	565,884
Cost of provision of property management services	**32,307**	28,823
Cost of sales and services provided	**1,078,165**	804,545
Gross depreciation of property, plant and equipment — owned assets	**490,823**	221,232
Less: Amounts included in cost of sales and service provided	**(99)**	(96)
Net depreciation of owned assets*	**490,724**	221,136
Depreciation of leased assets*	**387**	173
Write-off of property, plant and equipment*	**30,937**	4,224
Write-off of intangible assets*	**–**	2,594
Net fair value (gain)/loss on financial assets at fair value through profit or loss*	**(677)**	95
Operating lease charges on land and buildings	**396,197**	320,535
Operating lease charges on prepaid land lease*	**557**	560
Provision for impairment of trade receivables*	**888**	8,141
Provision for impairment of other receivables*	**31,295**	26,705
Research and development expenses*	**89,669**	62,793

* included in other operating expenses

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. Income tax expense

	2014 **HK$'000**	2013 HK$'000
The income tax expense comprises:		
Current tax		
— Hong Kong Profits Tax		
Tax charge for the year	**12,063**	10,557
Over-provision in respect of prior years	**(298)**	(268)
— PRC Enterprise Income Tax ("EIT")		
Tax charge for the year	**26,890**	16,121
— PRC LAT		
Tax charge for the year	**30,249**	22,695
Over-provision in respect of prior years	**(38,010)**	(30,842)
— PRC Capital Gain Tax ("CGT") on partial disposal of a subsidiary	**–**	44,000
	30,894	62,263
Deferred tax		
— Credit for the year	**(8,952)**	(4,234)
	21,942	58,029

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year.

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2013: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

PRC LAT is levied at progressive rates from 30% to 60% (2013: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

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

In addition, certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15% (2013: 15%).

PRC CGT has been provided at the rate of 10% on estimated capital gain from disposal of equity interests in a subsidiary as detailed in notes 36(a) II and 30.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. Income tax expense (Continued)

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

	2014 **HK$'000**	2013 HK$'000
(Loss)/Profit before income tax	**(725,037)**	910,591
Tax on (loss)/profit before taxation, calculated at the rates applicable to (losses)/profits in the tax jurisdictions concerned	**(150,115)**	130,468
Tax effect of non-deductible expenses	**83,713**	88,595
Tax effect of non-taxable income	**(25,643)**	(232,705)
Tax effect of tax losses not recognised	**129,329**	40,400
Utilisation of tax loss previously not recognised	**–**	(1)
Tax effect on PRC LAT	**(7,562)**	(3,838)
Tax effect on temporary differences not recognised	**279**	(475)
PRC LAT	**30,249**	22,695
CGT on partial disposal of a subsidiary	**–**	44,000
Over-provision in respect of prior years	**(38,308)**	(31,110)
Income tax expense	**21,942**	58,029

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

Of the consolidated loss attributable to the owners of the Company of HK$701,731,000 (2013: profit attributable to the owners of the Company of HK$865,197,000), a loss of HK$189,942,000 (2013: HK$158,059,000) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. Losses/Earnings per share

(a) The calculation of basic losses per share (2013: earnings per share) is based on the loss attributable to the owners of the Company of HK$701,731,000 (2013: profit attributable to the owners of the Company: HK$865,197,000) and on 68,645,535,794 (2013: 68,645,535,794) ordinary shares in issue during the year.

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

12. Employee benefit expenses (including directors' emoluments)

	2014 **HK$'000**	2013 HK$'000
Directors' fee (note 39(a))	**1,156**	1,082
Wages and salaries	**852,422**	685,818
Pension costs — defined contribution plans	**80,848**	78,674
Staff welfare	**38,464**	39,310
	972,890	804,884
Less: Amounts capitalised in intangible assets	**–**	(1,953)
Total employee benefit expenses	**972,890**	802,931

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. Property, plant and equipment

Group

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Motor vehicles/ Yachts HK$'000	Total HK$'000
At 1 January 2013					
Cost	194,116	1,832,194	238,754	40,645	2,305,709
Accumulated depreciation	(3,200)	(493,813)	–	(12,775)	(509,788)
Net carrying amount	190,916	1,338,381	238,754	27,870	1,795,921
Year ended 31 December 2013					
Opening net carrying amount	190,916	1,338,381	238,754	27,870	1,795,921
Additions	–	734,833	213,230	2,974	951,037
Re-classification	451,984	–	(451,984)	–	–
Acquisition of subsidiaries (note 37)	–	7,619	–	–	7,619
Disposal of subsidiaries (note 36(a))	–	(1,111)	–	(3,336)	(4,447)
Disposals	–	(467)	–	–	(467)
Write-off	–	(4,168)	–	(56)	(4,224)
Depreciation	(22,816)	(194,405)	–	(4,184)	(221,405)
Exchange differences	15,612	46,954	–	725	63,291
Closing net carrying amount	635,696	1,927,636	–	23,993	2,587,325
At 31 December 2013 and 1 January 2014					
Cost	662,135	2,618,283	–	35,401	3,315,819
Accumulated depreciation	(26,439)	(690,647)	–	(11,408)	(728,494)
Net carrying amount	635,696	1,927,636	–	23,993	2,587,325
Year ended 31 December 2014					
Opening net carrying amount	**635,696**	**1,927,636**	**–**	**23,993**	**2,587,325**
Additions	**–**	**550,430**	**23,396**	**2,734**	**576,560**
Re-classification	**23,396**	**–**	**(23,396)**	**–**	**–**
Disposals	**–**	**(10,047)**	**–**	**(174)**	**(10,221)**
Write-off	**–**	**(30,721)**	**–**	**(216)**	**(30,937)**
Depreciation	**(32,483)**	**(454,297)**	**–**	**(4,430)**	**(491,210)**
Exchange differences	**(15,518)**	**(46,944)**	**–**	**(506)**	**(62,968)**
Closing net carrying amount	**611,091**	**1,936,057**	**–**	**21,401**	**2,568,549**
At 31 December 2014					
Cost	**669,178**	**3,043,903**	**–**	**36,674**	**3,749,755**
Accumulated depreciation	**(58,087)**	**(1,107,846)**	**–**	**(15,273)**	**(1,181,206)**
Net carrying amount	**611,091**	**1,936,057**	**–**	**21,401**	**2,568,549**

The carrying amount of the Group's property, plant and equipment includes an amount of HK$1,664,000 (2013: HK$58,000) in respect of assets held under finance leases.

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For the year ended 31 December 2014

13. Property, plant and equipment (Continued)

Company

	Leasehold improvements, furniture, fixtures and equipment HK$'000
At 1 January 2013	
Cost	727
Accumulated depreciation	(723)
Net carrying amount	4
Year ended 31 December 2013	
Opening net carrying amount	4
Depreciation	(3)
Closing net carrying amount	1
At 31 December 2013 and 1 January 2014	
Cost	727
Accumulated depreciation	(726)
Net carrying amount	1
Year ended 31 December 2014	
Opening net carrying amount	**1**
Depreciation	**(1)**
Closing net carrying amount	**–**
At 31 December 2014	
Cost	**648**
Accumulated depreciation	**(648)**
Net carrying amount	**–**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. Prepaid land lease payments under operating leases

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

	Group 2014 HK$'000	2013 HK$'000
Outside Hong Kong, held on land with:		
Unexpired terms of leases of between 10 to 50 years	**14,383**	15,086
Unexpired terms of leases over 50 years	**12,852**	13,383
	27,235	28,469

	Group 2014 HK$'000	2013 HK$'000
Opening net carrying amount	**28,469**	28,213
Annual charges of prepaid operating lease payments	**(557)**	(560)
Net exchange differences	**(677)**	816
Closing net carrying amount	**27,235**	28,469

15. Interests in subsidiaries

	Company 2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**116**	116
Less: Provision for impairment	**(116)**	(116)
	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. Interests in subsidiaries (Continued)

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

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company Directly	Indirectly	Principal activities
China Enterprise ASP Limited ("CE ASP")	Hong Kong	Paid-up capital of HK$14,037,000 (2013: HK$9,000,000)	–	62.85	Investment holding
Dadi Cinema (HK) Limited	Hong Kong	Paid-up capital of HK$7,500	–	100	Investment holding, film distribution and production
Dadi Media Limited ("Dadi Media")	Hong Kong	Paid-up capital of HK$2	–	62.85	Investment holding
Dadi Media (HK) Limited	Hong Kong	Paid-up capital of HK$1	100	–	Investment holding
Goalrise Investments Limited	British Virgin Islands ("BVI")	1 ordinary share of US$1 each	100	–	Trading of securities
Hongkong New Media Interactive Advertising Co., Limited	Hong Kong	Paid-up capital of HK$100	–	62.85	Investment holding and information technology business
Liu Wan Development (BVI) Company Limited ("LWD")	BVI	215,000,000 ordinary shares of US$1 each	–	100	Investment holding
Liu Wan Investment Company Limited ("LWI")	Hong Kong	Paid-up capital of US$2	–	100	Investment holding
Nan Hai Development Limited ("NHD")	Hong Kong	Paid-up capital of HK$2	100	–	Investment holding
Robina Profits Limited	BVI	1 ordinary share of US$1 each	–	62.85	Investment holding
Sino-i Technology Limited ("Sino-i")	Hong Kong	Paid-up capital of HK$240,596,986 (2013: HK$199,145,049)	–	62.85	Investment holding
View Power Investments Limited	BVI	1 ordinary share of US$1 each	100	–	Investment holding
Wise Advance Investments Limited	BVI	1 ordinary share of US$1 each	100	–	Investment holding

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For the year ended 31 December 2014

15. Interests in subsidiaries (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company Directly	Indirectly	Principal activities
中企動力科技股份有限公司 (note a)	PRC	RMB242,369,720	–	62.65	Information technology business
數碼慧谷置業管理股份有限公司 (note a)	PRC	RMB689,171,334	–	58.05	Information technology business
北京中企動力廣告有限公司 (note b)	PRC	RMB21,000,000 (2013: RMB1,000,000)	–	62.85	Information technology business
北京新網數碼信息技術有限公司 ("Xinnet") (note b)	PRC	RMB45,000,000 (2013: RMB30,000,000)	–	62.85*	Information technology business
深圳市半島城邦物業管理有限公司 (note b)	PRC	RMB10,000,000	–	100	Property management
深圳市金益田實業發展有限公司 (note b)	PRC	RMB18,000,000	–	100	Property development
深圳南海益田置業有限公司 (now known as 深圳半島城邦房地產開發有限公司) (note c)	PRC	RMB110,000,000	–	100	Investment holding and property development
廣東大地影院建設有限公司 (note b)	PRC	RMB1,146,427,999	–	100	Operation of digital cinemas
大地影院發展有限公司 (note b)	PRC	RMB214,000,000	–	100	Operation of digital cinemas
大地時代電影文化傳播(北京)有限公司 (note b)	PRC	RMB40,000,000	–	100	Film distribution
時代廣告(北京)有限公司 (note b)	PRC	RMB1,000,000	–	100	Providing advertising services

* controlled through structured agreements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. Interests in subsidiaries (Continued)

The above table lists out the subsidiaries of the Company as at 31 December 2014 which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

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

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

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

16. Interests in associates

	Group	
	2014	2013
	HK$'000	HK$'000
Share of net liabilities other than goodwill	**(279,125)**	(85,028)
Goodwill	**784,807**	860,182
Balance at 31 December	**505,682**	775,154

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. Interests in associates (Continued)

Particulars of the associates at 31 December 2013 and 31 December 2014 are as follows:

Name	Country of incorporation/ establishment and operations	Particulars of issued and paid up share capital/ registered capital	Percentage of equity interest held by the Group 2014	2013	Nature of business
Listar Properties Limited ("Listar")* (note a)	BVI	14,000,000 class A and 6,000,000 class B ordinary shares of US$1 each	**43**	43	Investment holding
中瑞大地影視(福建)有限公司*	PRC	RMB5,000,000	**30**	30	Operation of digital cinemas
Genius Reward Company Limited*	Hong Kong	Paid-up capital of HK$200	**31**	31	Inactive
五洲電影發行有限公司	PRC	RMB50,000,000	**23**	–	Film distribution
Loongson Technology Co., Ltd. ("Loongson")* (note b)	PRC	RMB210,000,000	**–**	20	Development of central processing unit

* unlisted limited liability company

Notes:

(a) Listar together with its subsidiaries (collectively the "Listar Group") engages in property development in the PRC. Listar indirectly held 100% equity interests in 廣州東鏡新城房地產有限公司, a company registered as Sino-foreign co-operative joint venture under the law of PRC, with registered and paid-up capital of US$42,000,000, and principally engaged in property development.

(b) On 29 January 2015, the Group entered into a sale and purchase agreement to dispose of its equity interests in Loongson to an independent third party at a consideration of RMB200,000,000. The Group's interest in Loongson was reclassified to non-current assets classified as held for sale (note 18).

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For the year ended 31 December 2014

16. Interests in associates (Continued)

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

	Listar		**Loongson**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Summarised statement of financial position:				
Non-current assets	**4,416**	4,330	**–**	14,883
Current assets	**3,307,599**	5,289,608	**–**	192,851
Current liabilities (note a)	**(1,355,029)**	(2,532,338)	**–**	(23,595)
Non-current liabilities (note a)	**(2,638,524)**	(3,035,381)	**–**	(30,259)
Summarised statement of comprehensive income:				
Revenue	**2,007,980**	–	**–**	53,874
Losses for the year	**(399,694)**	(25,026)	**–**	(41,139)
Other comprehensive income for the year	**(10,737)**	15,119	**–**	5,103
Total comprehensive income for the year	**(410,431)**	(9,907)	**–**	(36,036)
Dividend received from associates	**–**	–	**–**	–
Reconciled to the Group's interests in the associates:				
Gross amounts of net (liabilities)/assets of the associate	**(681,538)**	(273,781)	**–**	153,880
Group's effective interest	**43%**	43%	**–**	20%
Group's share of net (liabilities)/assets of the associate	**(293,061)**	(117,726)	**–**	30,776
Goodwill	**784,807**	785,958	**–**	74,224
Carrying amount in the consolidated financial statements	**491,746**	668,232	**–**	105,000

Note:

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

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For the year ended 31 December 2014

16. Interests in associates (Continued)

The Group has discontinued recognition of its share of losses of an associate. The amount of unrecognised share of losses of the associate for the year and accumulated unrecognised share of losses of the associate amounted to HK$248,000 (2013: HK$247,000) and HK$3,899,000 (2013: HK$3,651,000) respectively.

17. Interest in a joint venture

Group

	2014 HK$'000
Unlisted shares, at cost	**2,499**
Share of net assets other than goodwill	**–**
	2,499

In November 2014, the Group had set up a joint venture with two business partners. The Group hold 40% equity interest and voting right in the joint venture, 東方大地影視產業投資基金管理無錫有限公司, a separate structured vehicle incorporated and operating in PRC. The primary activity of the joint venture is investment in film industry, which is in line with the Group's strategy to expand the operation of digital cinemas division.

The arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with 東方大地影視產業投資基金管理無錫有限公司. Under HKFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

	2014 HK$'000
Current assets	**5,312**
Included in the above amounts are:	
Cash and cash equivalents	**5,312**
Revenues	**–**
Profit or loss from continuing operations	**1**
Included in the above amounts are:	
Interest income	**1**

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For the year ended 31 December 2014

18. Non-current assets classified as held for sale

In January 2015, the Group entered into a sale and purchase agreement with an independent third party, under which the Group as a vendor disposed of its 20% equity interest in Loongson at a total consideration of RMB200,000,000 (equivalent to approximately HK$256,213,000). Details of the aforesaid transaction are more particularly disclosed in the announcement dated 29 January 2015 issued by the Company.

19. Deposits, prepayments and other receivables

	Group	
	2014	2013
	HK$'000	HK$'000
Deposits and prepayments	**580,041**	583,643
Others	**907,967**	618,936
	1,488,008	1,202,579
Less: Provision for impairment of receivables	**(83,207)**	(52,896)
	1,404,801	1,149,683
Less: Non-current portion		
Long term rental deposits	**218,482**	200,700
Deposits for purchase of property, plant and equipment	**186,154**	137,429
	404,636	338,129
	1,000,165	811,554

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19. Deposits, prepayments and other receivables (Continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
At the beginning of the year	**52,896**	26,307
Provision for impairment (note 8)	**31,295**	26,705
Amount written off as uncollectible	**–**	(2,040)
Exchange differences	**(984)**	1,924
At the end of the year	**83,207**	52,896

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. Intangible assets

Group

	Computer software HK$'000	Development cost HK$'000	Goodwill HK$'000	Licenses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2013						
Gross carrying amount/Cost	299,114	81,953	232,428	–	2,038	615,533
Accumulated amortisation	(265,479)	(8,477)	–	–	(958)	(274,914)
Accumulated impairment	–	–	(30,615)	–	–	(30,615)
Net carrying amount	33,635	73,476	201,813	–	1,080	310,004
Year ended 31 December 2013						
Opening net carrying amount	33,635	73,476	201,813	–	1,080	310,004
Additions	41	26,141	–	–	–	26,182
Acquisition of subsidiaries (note 37)	55	3,953	31,535	40,665	–	76,208
Disposal of subsidiaries (note 36(a))	–	–	(143,111)	–	–	(143,111)
Write-off	–	(2,594)	–	–	–	(2,594)
Amortisation charge for the year	(31,665)	(17,642)	–	(336)	–	(49,643)
Exchange differences	552	2,286	1,391	287	–	4,516
Closing net carrying amount	2,618	85,620	91,628	40,616	1,080	221,562
At 31 December 2013 and 1 January 2014						
Gross carrying amount/Cost	308,170	111,332	99,658	40,957	2,066	562,183
Accumulated amortisation	(305,552)	(25,712)	–	(341)	(986)	(332,591)
Accumulated impairment	–	–	(8,030)	–	–	(8,030)
Net carrying amount	2,618	85,620	91,628	40,616	1,080	221,562
Year ended 31 December 2014						
Opening net carrying amount	**2,618**	**85,620**	**91,628**	**40,616**	**1,080**	**221,562**
Additions	**2,612**	**3,076**	**–**	**777**	**–**	**6,465**
Amortisation charge for the year	**(2,460)**	**(69,912)**	**–**	**(4,149)**	**–**	**(76,521)**
Exchange differences	**(66)**	**(1,713)**	**(1,758)**	**(971)**	**–**	**(4,508)**
Closing net carrying amount	**2,704**	**17,071**	**89,870**	**36,273**	**1,080**	**146,998**
At 31 December 2014						
Gross carrying amount/Cost	**303,218**	**112,556**	**92,311**	**41,174**	**1,080**	**550,339**
Accumulated amortisation	**(300,514)**	**(95,485)**	**–**	**(4,901)**	**–**	**(400,900)**
Accumulated impairment	**–**	**–**	**(2,441)**	**–**	**–**	**(2,441)**
Net carrying amount	**2,704**	**17,071**	**89,870**	**36,273**	**1,080**	**146,998**

As at 31 December 2014, certain intangible assets amounting to HK$4,479,000 (2013: HK$31,500,000) were charged to secure banking facilities as detailed in note 42.

NOTES TO THE FINANCIAL STATEMENTS

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20. Intangible assets (Continued)

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

	2014 **HK$'000**	2013 HK$'000
Corporate IT application services	**84,864**	86,496
Culture and media services — Cinema business	**5,006**	5,132
Net carrying amount at 31 December	**89,870**	91,628

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

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

	Corporate IT application services		**Culture and media services — cinema business**	
	2014	2013	**2014**	2013
Discount rates	**14%–22%**	15%–27%	**12%**	10%
Growth rates used to extrapolate cashflows beyond the budgeted period	**0%–3%**	0%–3%	**1%**	0%

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

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

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

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

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21. Inventories

	Group 2014 HK$'000	2013 HK$'000
Property development:		
Properties under development	**5,659,984**	5,587,191
Completed properties held for sale	**260,359**	266,896
Other operations:		
Confectionery and others	**11,361**	9,059
	5,931,704	5,863,146

All the above inventories are stated at cost.

The amount of properties under development expected to be recovered after more than one year is HK$5,659,984,000 (2013: HK$5,587,191,000). All of the other inventories are expected to be recovered within one year.

22. Financial assets at fair value through profit or loss

	Group 2014 HK$'000	2013 HK$'000
Listed equity securities in Hong Kong, at fair value	**270**	227
Listed equity securities in PRC, at fair value	**1,317**	704
Market value	**1,587**	931

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

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

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23. Trade receivables

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

	Group 2014 HK$'000	2013 HK$'000
0–90 days	**74,770**	41,043
91–180 days	**42,349**	20,800
181–270 days	**13,289**	7,614
271–360 days	**5,189**	4,960
Over 360 days	**20,849**	16,138
Trade receivables, gross	**156,446**	90,555
Less: Provision for impairment of receivables	**(18,523)**	(19,241)
Trade receivables, net	**137,923**	71,314

Trade receivables are due on presentation of invoices.

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

	Group 2014 HK$'000	2013 HK$'000
At the beginning of the year	**19,241**	10,599
Provision for impairment (note 8)	**888**	8,141
Write-back during the year	**(1,073)**	–
Exchange differences	**(533)**	501
At the end of the year	**18,523**	19,241

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

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23. Trade receivables (Continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
0–90 days past due	**74,450**	40,725
91–180 days past due	**42,349**	19,112
181–270 days past due	**11,281**	5,606
271–360 days past due	**4,236**	3,951
Overdue for more than 360 days	**5,607**	1,920
	137,923	71,314

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

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**1,400,810**	1,559,602	**1,555**	2,910
Less: Pledged and restricted bank deposits presented as non-current assets	**(45,614)**	(46,759)	**–**	–
Less: Pledged and restricted bank deposits presented as current assets	**(1,074,694)**	(999,233)	**–**	–
Less: Time deposits maturing over three months presented as current assets	**(625)**	(653)	**–**	–
Cash and cash equivalents as stated in the statement of financial position	**279,877**	512,957	**1,555**	2,910

Included in bank and cash balance of the Group is an aggregate amount of approximately HK$1,396,800,000 (2013: HK$1,291,412,000), which represented Renminbi ("RMB") deposits placed with banks in Mainland China.

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

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

Deposits and pledged and restricted bank deposits earn interest at floating rates based on daily bank deposit rates (2013: floating rates based on daily bank deposit rates). Time deposits maturing over three months earn fixed-rate interest at 4.45% per annum (2013: ranging from 2.85% to 4.87% per annum).

25. Trade payables

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

	Group	
	2014	2013
	HK$'000	HK$'000
0–90 days	**115,433**	33,431
91–180 days	**1,622**	6,432
181–270 days	**2,131**	906
271–360 days	**2,026**	10,737
Over 360 days	**150,807**	154,241
	272,019	205,747

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

26. Other payables and accruals

As at 31 December 2013, included in the Group's other payables and accruals was RMB13,050,000 (equivalent to approximately HK$16,718,000) in respect of deferred government grants mainly related to the Group's design, research and development of new software products by the Group which contributes positively to the local industry environment. The deferred government grant amounting to approximately RMB11,600,000 (equivalent to approximately HK$14,580,000) has been recognised as "other operating income" during the year ended 31 December 2014 upon those prescribed conditions were satisfactorily fulfilled (note 5(b)) and the remaining deferred government grant amounting to approximately RMB1,450,000 (equivalent to approximately HK$1,799,000) was derecognised upon disposal of subsidiaries (note 36(a)).

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

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Amount due to a director

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

(b) Amounts due to shareholders

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

(c) Amounts due from/(to) associates

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

(d) Amounts due from subsidiaries

	Company	
	2014	2013
	HK$'000	HK$'000
Amounts due from subsidiaries	**5,147,180**	5,136,583
Less: Amount included in non-current assets	**(37,018)**	(117,474)
Amounts due from subsidiaries included in current assets	**5,110,162**	5,019,109
Less: Allowances for amounts due from subsidiaries	**(153,434)**	(153,434)
	4,956,728	4,865,675

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

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

(e) Amounts due to subsidiaries

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

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

(f) Loan from subsidiaries

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

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

On 9 May 2013, loan extension agreement in respect of loan agreement dated 29 May 2009 was signed and was conditional upon the Company having settled in full, the interest accrued on the outstanding principal amount under the loan agreement on or before 29 June 2013. It was further agreed that the repayment date for the outstanding principal is further extended for two years to 29 June 2015. The rate of interest applicable to the outstanding principal amount of the loan during the extension period is 7.5% per annum.

As at 31 December 2014, included in the outstanding balance of approximately HK$1,317,149,000 (2013: HK$1,317,149,000) was interest bearing at 7.5% (2013: 7.5%) per annum and the remaining balance was interest-free.

(g) Loan receivable from an associate

The amount due is unsecured, interest-free and has no fixed repayment term. The directors consider that the balance will not be recovered within twelve months from the end of the reporting period. The amount is initially measured at fair value and subsequently carried at amortised cost using effective interest method by applying an effective interest rate of 10%.

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28. Bank and other borrowings

	Notes	Group 2014 HK$'000	Group 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Bank loans, secured	(a)	**4,563,957**	3,389,420	**158,998**	–
Other borrowings, secured	(a), (b), (c)	**894,132**	1,403,660	**491,496**	534,863
		5,458,089	4,793,080	**650,494**	534,863

At 31 December 2014, the bank and other borrowings of the Group are repayable as follows:

	Group 2014 HK$'000	Group 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Within one year	**3,049,047**	3,690,722	**650,494**	534,863
In the second year	**207,894**	877,220	**–**	–
In the third to fifth years	**2,201,148**	225,138	**–**	–
Wholly repayable within five years	**5,458,089**	4,793,080	**650,494**	534,863
Less: Portion due within one year under current liabilities	**(3,049,047)**	(3,690,722)	**(650,494)**	(534,863)
Portion due over one year under non-current liabilities	**2,409,042**	1,102,358	**–**	–

(a) At 31 December 2014, bank and other borrowings amounted to HK$1,906,745,000 (2013: HK$2,513,822,000) carry interest at floating rates ranging from 2.53% to 7.80% per annum (2013: 2.54% to 8.00% per annum). The remaining balances carry interest at fixed rates ranging from 6.00% to 20.00% per annum (2013: 5.00% to 17.50% per annum). The carrying amounts of bank and other borrowings approximate their fair values.

(b) Included in other borrowings of HK$402,636,000 (2013: HK$232,119,000) is amount due to financial institutions regarding two (2013: five) sales and leaseback arrangements for property, plant and equipment. The transactions are classified as loan financing and corresponding property, plant and equipment of HK$387,187,000 (2013: HK$299,289,000) are pledged under this arrangement.

(c) Included in other borrowings of Nil (2013: HK$636,678,000) is amount due to a financial institution secured by the properties under development of the Group, guarantee given by a director and repayable in eighteen months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. Bank and other borrowings (Continued)

(d) The current liabilities include bank loans of Nil (2013: HK$388,317,000) that are not scheduled to repay within one year. They are classified as current liabilities as the related loan agreement contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans are due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**4,242,221**	3,692,967	**–**	–
USD	**1,215,868**	1,100,113	**650,494**	534,863
	5,458,089	4,793,080	**650,494**	534,863

29. Finance lease liabilities

(a) Total minimum lease payments is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within one year	**649**	127	**–**	4
Due in the second to fifth years	**1,236**	113	**–**	–
	1,885	240	**–**	4
Future finance charges on finance leases	**(132)**	(12)	**–**	(1)
Present value of finance lease liabilities	**1,753**	228	**–**	3

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. Finance lease liabilities (Continued)

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within one year, included under current liabilities	**585**	118	**–**	3
Due in the second to fifth years, included under non-current liabilities	**1,168**	110	**–**	–
	1,753	228	**–**	3

The Group has entered into finance leases for item of office equipment and motor vehicles (2013: office equipment and motor vehicles) with remaining lease terms of one to five years (2013: one to two years). Interest rate under the leases is fixed at 2.00% to 3.33% (2013: 2.50% to 3.46%) per annum. The lease does not have options to renew or any contingent rental provisions. Under the lease terms, the Group has the option to purchase the leased asset at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the leases.

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

30. Finance from a third party and financial liability at fair value through profit or loss

At 31 December 2014, the finance from a third party is repayable as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Due within one year	**291,992**	764,923

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. Finance from a third party and financial liability at fair value through profit or loss (Continued)

The balance of HK$291,992,000 (2013: HK$764,923,000) represents an amount due to Baitak, an independent third party financier. The amount is secured by share mortgages of certain subsidiaries, bank account charges, assignments of shareholder's loan of certain subsidiaries, corporate guarantee of the Company and personal guarantee of a director.

The Group has restructured the financing with Baitak several times in the past few years. In 2012, the Group and Baitak entered into a sale and purchase agreement ("SPA") in respect of the disposal of the Group's 30% equity interest in Listar to Baitak ("30% Listar Disposal"), which from the accounting perspective should be considered as restructuring of indebtedness of the Group, as a result, a new debt should be recognised as the terms under the SPA include (i) guarantee of Internal Rate of Return of 12% on the consideration; (ii) mandatory cash distribution to Baitak conditional upon cash available for distribution; and (iii) put option of the 30% equity interest in Listar granted to Baitak. Details of the 30% Listar Disposal are more particularly disclosed in the announcement dated 31 October 2012 issued by the Company and the annual report for 2013 of the Company.

After taking into account of a valuation by an independent professional valuer, the Company's directors are of the view that there is no commercial value for the call option of the 30% equity interest in Listar that the Group is entitled to under the SPA as at 31 December 2014 (2013: no commercial value), and that the fair value of the put option as at 31 December 2014 amounted to HK$59,423,000 (2013: HK$61,011,000). The aforesaid amount was recorded as financial liability at fair value through profit or loss and the gain of HK$1,588,000 (2013: loss of HK$32,046,000) between the fair value of the put option in 2014 and 2013 was credited/charged to profit or loss. Since the put option is exercisable 36 months after the completion day of the 30% Listar Disposal, i.e. after 31 December 2015, its fair value was recorded as a non-current liability.

In March 2014, Baitak appointed receivers and managers for an alleged amount of approximately US$75,000,000 under the financing, but a Group's subsidiary issued a writ of summons against Baitak and the receivers and managers for such reliefs as the aforesaid appointments were null and void; an injunction to restrain Baitak and the receivers and managers from exercising any rights to dispose of any shares and/or assets of a subsidiary of the Group; and damages. In June 2014, both Baitak and the Group reached a settlement agreement in respect of the aforesaid dispute. Details of the aforesaid are more particularly disclosed in the announcements dated 10 March 2014, 14 March 2014 and 13 June 2014 respectively. All sums set out in the settlement agreement were fully settled by the Group in January 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. Deferred tax

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

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Temporary difference on receipt in advance HK$'000	Total HK$'000
At 1 January 2013	247,182	21,892	269,074
Deferred tax credited to the income statement (note 9)	–	(396)	(396)
Disposal of subsidiaries (note 36(a))	(252,746)	–	(252,746)
Acquisition of subsidiaries (note 37)	10,166	–	10,166
Exchange differences	5,637	651	6,288
At 31 December 2013 and 1 January 2014	**10,239**	**22,147**	**32,386**
Deferred tax credited to the income statement (note 9)	**(1,088)**	**(302)**	**(1,390)**
Exchange differences	**(245)**	**60**	**(185)**
Gross deferred tax liabilities at 31 December 2014	**8,906**	**21,905**	**30,811**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. Deferred tax (Continued)

Deferred tax assets

Group

	Provision of PRC LAT HK$'000
At 1 January 2013	108,609
Deferred tax credited to the income statement (note 9)	3,838
Exchange differences	3,311
At 31 December 2013 and 1 January 2014	**115,758**
Deferred tax credited to the income statement (note 9)	**7,562**
Exchange differences	**(2,879)**
Gross deferred tax assets at 31 December 2014	**120,441**

At 31 December 2014, the amount of unused tax losses for which no deferred tax assets is recognised in the consolidated statement of financial position is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Temporary differences attributable to:		
— unused tax losses	**1,044,358**	586,576

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Mainland China amounted to HK$986,974,000 (2013: HK$528,930,000) can be carried forward for five years while tax losses of the subsidiaries operating in Hong Kong amounted to HK$57,384,000 (2013: HK$57,646,000) can be carried forward indefinitely under the current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. Share capital

	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:		
At 1 January 2013, 31 December 2013 and **31 December 2014**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and **31 December 2014**	**68,645,535,794**	**686,455**

33. Share option scheme

The Company operates a share option scheme.

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

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

There are no outstanding share options at 31 December 2014 (2013: Nil).

34. Reserves

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 50 and 51 of the financial statements.

Notes:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. Reserves (Continued)

Company

	Share premium HK$'000	Contributed surplus (note a) HK$'000	Capital reserve (note b) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	965,911	1,971,857	7,480	(899,234)	2,046,014
Loss for the year	–	–	–	(158,059)	(158,059)
At 31 December 2013 and 1 January 2014	**965,911**	**1,971,857**	**7,480**	**(1,057,293)**	**1,887,955**
Loss for the year	**–**	**–**	**–**	**(189,942)**	**(189,942)**
At 31 December 2014	**965,911**	**1,971,857**	**7,480**	**(1,247,235)**	**1,698,013**

Notes:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

35. Non-controlling interests

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

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

	2014 **HK$'000**	2013 HK$'000
Non-current assets	**2,272,190**	2,286,950
Current assets	**283,866**	317,660
Current liabilities	**(774,892)**	(625,273)
Non-current liabilities	**(46,680)**	(127,823)
Net assets	**1,734,484**	1,851,514
Accumulated NCI	**660,412**	707,764
Revenue	**784,763**	683,401
Loss for the year	**(118,249)**	(30,376)
Total comprehensive income for the year	**(114,183)**	(15,191)
Loss allocated to NCI	**(45,743)**	(12,270)
Divided paid to NCI	**–**	–
Cash flows generated from operating activities	**34,297**	112,530
Cash flows (used in)/generated from investing activities	**(33,644)**	56,605
Cash flows used in financing activities	**(8,447)**	(122,205)
Net cash (outflows)/inflows	**(7,794)**	46,930

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. Notes to the consolidated statement of cash flows

(a) Disposal and dissolution of subsidiaries

I. The Group entered into sale and purchase agreement to dispose of 32.49% equity interests in a subsidiary, namely 北京共創開源軟件有限公司, to an independent third party at a consideration of approximately HK$62,000. The disposal was completed on 28 May 2014. In addition, two subsidiaries have been dissolved during the year. The carrying amounts of the net liabilities of these subsidiaries at the date of disposal and dissolution were as follows:

	2014 HK$'000
Net liabilities disposed of:	
Cash and cash equivalents	1
Other payables and accruals (including deferred government grants (note 26))	(1,818)
Non-controlling interests	(7,448)
	(9,265)
Exchange reserve released on disposal and dissolution	13,149
Loss on disposal and dissolution of subsidiaries	(3,822)
Total consideration	62
Satisfied by:	
Cash	62

An analysis of net inflow of cash and cash equivalents in respect of the disposal and dissolution of subsidiaries was as follows:

	2014 HK$'000
Net cash inflow arising on the disposal and dissolution of subsidiaries:	
Cash consideration received	62
Cash and cash equivalents disposed of	(1)
	61

II. The Group had completed the disposal of 27% equity interests in Listar together with 27% shareholders' loan due from Listar on 15 October 2013 (the "27% Listar Disposal"). Following the disposal of 30% in Listar in 2012 and the 27% Listar Disposal in 2013, the Group retains 43% equity interests in Listar. The Company's directors consider that the Group's control in Listar and its subsidiaries (the "Listar Group") was lost following the disposals. The two disposals collectively constituted a Very Substantial Disposal, details of which have been disclosed in the announcement and circular of the Company dated 3 July 2013 and 24 September 2013 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

(a) Disposal and dissolution of subsidiaries (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

(a) Disposal and dissolution of subsidiaries (Continued)

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

	2013 HK$'000
Cash received	748,597
Cash and cash equivalents disposed of	(15,313)
Net cash inflow on disposal	733,284

Notes:

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

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

— Profit margin 16%–31%

— Discount rate 20.17%

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

(ii) Included in the gain on disposal of subsidiaries, there was a gain of HK$596,544,000 that was attributable to the remeasurement of the Group's remaining interest to fair value for the year ended 31 December 2013.

(b) Major non-cash transactions

During the year ended 31 December 2014, certain non-current deposits and other receivables of the Group amounting to approximately HK$1,402,000 (2013: HK$135,137,000) were transferred to property, plant and equipment.

The Group entered into finance lease arrangements in respect of certain assets with a total capital value of approximately HK$1,987,000 (2013: Nil) at the inception of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. Business combinations

There was no business combination during the year.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. Business combinations (Continued)

Notes:

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

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

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

(d) The Group incurred transaction cost of HK$129,000 for the Acquisition which have been expensed and recognised as administrative expense in the profit or loss for the year ended 31 December 2013.

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

38. Retirement benefit plans

Defined contribution retirement plans

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

Subsidiaries operating in Mainland China are required to participate in a defined contribution retirement benefit plan organised by the relevant government authorities. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$80,848,000 (2013: HK$78,674,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

Contributions payable of HK$30,000 as at 31 December 2014 (2013: HK$24,000) to the MPF Scheme are included in other payables.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. Directors' remuneration and five highest paid individuals

(a) Directors' emoluments

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

Group

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2014				
Executive directors				
YU Pun Hoi	–	360	18	378
CHEN Dan	–	841	110	951
LIU Rong	–	832	110	942
Non-executive directors				
WANG Gang	240	–	–	240
LAM Bing Kwan	120	–	–	120
Independent non-executive directors				
Prof. JIANG Ping	376	–	–	376
HU Bin	300	–	–	300
LAU Yip Leung	120	–	–	120
	1,156	2,033	238	3,427

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

(a) Directors' emoluments (Continued)

Group (Continued)

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

Appointed on 27 September 2013

* Resigned on 1 July 2013

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For the year ended 31 December 2014

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

(b) Five highest paid individuals

The five highest paid individuals of the Group for the year included one (2013: one) director, details of whose emoluments are set out above. The emoluments of the remaining four (2013: four) employees are as follows:

	2014 **HK$'000**	2013 HK$'000
Basic salaries, other allowances and benefits in kind	**4,653**	4,277
Pension contributions	**70**	51
	4,723	4,328

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

Emolument band	**Number of highest paid individuals** **2014**	2013
Nil–HK$1,000,000	**–**	2
HK$1,000,001–HK$1,500,000	**4**	2
	4	4

During the years ended 31 December 2014 and 31 December 2013, no emoluments were paid to any of the Company's directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2014 and 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

40. Commitments

(a) Capital commitments

At 31 December 2014, the Group had outstanding commitments as follows:

	2014	2013
	HK$'000	HK$'000
Contracted but not provided for in respect of:		
— construction in progress	**99,634**	120,560
— property, plant and equipment	**460,810**	418,258
	560,444	538,818

At 31 December 2014 and 31 December 2013, the Company did not have any significant capital commitments.

(b) Operating lease arrangement

At 31 December 2014, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Land and buildings	
	2014	2013
	HK$'000	HK$'000
Within one year	**453,057**	386,630
In the second to fifth years	**1,925,283**	1,691,661
Over five years	**4,431,932**	4,254,518
	6,810,272	6,332,809

The Group leases a number of properties under operating leases. The leases run for an initial period of one to twenty years (2013: one to twenty years), with options to renew the lease terms at the expiry dates or at days as mutually agreed between the Group and the respective landlords. In addition, the Group paid additional rental expenses in respect of certain operating leases which are dependent on the level of revenue achieved by particular properties.

At 31 December 2014 and 31 December 2013, the Company had no operating lease commitments as lessor or lessee.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. Contingent liabilities

Guarantees given in connection with credit facilities granted to/guarantee payment recoverable from:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Subsidiaries	**–**	–	**3,268,571**	4,240,583
Associates (note i, ii)	**2,566,476**	2,614,798	**2,392,264**	2,167,122
Third parties (note i)	**43,185**	54,513	**–**	–
	2,609,661	2,669,311	**5,660,835**	6,407,705

Notes:

(i) In February 1993, a Group's associate borrowed a loan of US$5 million from a Filipino bank namely Banco de Oro-EPCI Inc. (formerly known as Equitable PCI Bank Inc.) ("EPCIB"). The loan was secured by guarantee executed by Sino-i ("EPCIB Guarantee"), a listed subsidiary of the Company, and by share mortgage of 74,889,892 shares ("Philippines Shares") of Acesite (Philippines) Hotel Corporation Inc. ("Acesite Phils."). Due to the pending litigation as mentioned in note 43(a), the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by the associate.

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

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

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

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For the year ended 31 December 2014

42. Credit facilities

As at 31 December 2014 and 31 December 2013, the Group's credit facilities were secured by the following:

(a) charge over interest in certain leasehold land (note 14) with a net carrying value of approximately HK$27,017,000 (2013: HK$28,240,000);

(b) charge over certain buildings (note 13) with total net carrying value of approximately HK$610,971,000 (2013: HK$635,567,000);

(c) charge over certain properties held under development and completed properties held for sale (note 21) with a total carrying value of approximately HK$1,907,221,000 (2013: HK$1,911,137,000);

(d) charge over financial assets at fair value through profit or loss (note 22) with a net carrying value of approximately HK$270,000 (2013: HK$227,000);

(e) pledge of 11,162,999,000 (2013: 11,162,999,000) shares in Sino-i held by the Company indirectly in favour of certain securities brokers and a financial institution, the total of which represents approximately 89.19% (2013: 89.19%) of total interest of the Company in Sino-i. The market value of such listed shares as at 31 December 2014 was approximately HK$502,335,000 (2013: HK$524,661,000);

(f) pledge of certain bank deposits (note 24) of approximately HK$1,120,308,000 (2013: HK$1,042,789,000), of which approximately HK$943,952,000 (2013: HK$799,385,000) were for standby letters of credit issued by banks (2013: banks) for a total amounts of US$96,292,000 (2013: US$75,150,000) and RMB130,000,000 (2013: RMB130,000,000) respectively;

(g) charge over certain intangible assets (note 20) with net carrying value of approximately HK$4,479,000 (2013: HK$31,500,000);

(h) personal guarantee given by directors;

(i) charge over trade receivables (note 23) with carrying value of approximately HK$38,462,000 as at 31 December 2014 (2013: Nil);

(j) charge over certain property, plant and equipment, other than certain buildings disclosed in note 42(b), of HK$387,187,000. (2013: HK$299,289,000) (note 28); and

(k) pledged of various shares mortgage of certain subsidiaries, bank accounts charges and assignment of shareholders' loan of certain subsidiaries and an associate and corporate guarantee of the Company (note 30).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. Pending litigations

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

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

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

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44. Related party transactions

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 39.

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

45. Financial risk management and fair value measurements

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

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

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

45.1 Categories of financial assets and liabilities

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial assets	**324**	324	**–**	–
Financial assets at fair value through profit or loss	**1,587**	931	**–**	–
Loans and receivables:				
— Loan receivable from an associate	**311,972**	283,611	**–**	–
— Trade receivables	**137,923**	71,314	**–**	–
— Other receivables	**837,495**	591,486	**474**	296
— Amounts due from subsidiaries	**–**	–	**4,993,746**	4,983,149
— Pledged and restricted bank deposits	**1,120,308**	1,045,992	**–**	–
— Time deposits maturing over three months	**625**	653	**–**	–
— Amounts due from associates	**2,915**	5,631	**139,412**	139,264
Cash and cash equivalents	**279,877**	512,957	**1,555**	2,910
	2,693,026	2,512,899	**5,135,187**	5,125,619

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

45.1 Categories of financial assets and liabilities (Continued)

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Financial liability at fair value through profit or loss	**59,423**	61,011	**–**	–
Financial liabilities measured at amortised cost:				
— Trade payables	**272,019**	205,747	**–**	–
— Other payables and accruals	**1,229,799**	641,347	**177,922**	119,434
— Amount due to a director	**6,240**	19,939	**11,594**	39,266
— Amounts due to subsidiaries	**–**	–	**444,704**	490,425
— Loan from subsidiaries	**–**	–	**1,466,005**	1,367,219
— Amounts due to shareholders	**1**	5,006	**–**	–
— Amounts due to associates	**6,981**	15,109	**–**	–
— Bank and other borrowings	**5,458,089**	4,793,080	**650,494**	534,863
— Finance lease liabilities	**1,753**	228	**–**	3
— Finance from a third party	**291,992**	764,923	**–**	–
	7,326,297	6,506,390	**2,750,719**	2,551,210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

45.2 Currency risk

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

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

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

Summary of exposure

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents, pledged and restricted bank deposits and time deposits maturing over three months	**534**	261,511	**13**	9
Trade receivables	**763**	1,967	**–**	–
Other receivables	**132**	–	**–**	–
Trade payables	**(901)**	(1,883)	**–**	–
Other payables	**(112,629)**	(45,893)	**(111,137)**	(44,574)
Finance from a third party	**(291,992)**	(764,923)	**–**	–
Bank and other borrowings	**(1,215,868)**	(1,100,113)	**(650,494)**	(534,863)
Net exposure arising from recognised financial assets and financial liabilities	**(1,619,961)**	(1,649,334)	**(761,618)**	(579,428)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

45.2 Currency risk (Continued)

Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit/loss for the year and accumulated losses in regards to a 0.5% (2013: 3.0%) strengthening/(weakening) of US$ against RMB at the reporting date and that all other variables in particular interest rates remain constant.

Group

	2014			2013		
	Changes in foreign exchange rates	**(Increase)/ Decrease in loss for the year HK$'000**	**(Decrease)/ Increase in equity HK$'000**	Changes in foreign exchange rates	(Decrease)/ Increase in profit for the year HK$'000	(Decrease)/ Increase in equity HK$'000
US$/RMB	**+0.5%**	**(8,100)**	**(8,100)**	+3.0%	(49,480)	(49,480)
	-0.5%	**8,100**	**8,100**	-3.0%	49,480	49,480

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

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

45.3 Cash flow interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

45.3 Cash flow interest rate risk (Continued)

Cash flow interest rate risk sensitivity

At 31 December 2014, the Group was exposed to changes in market interest rates through its bank and other borrowings, cash and cash equivalents and pledged and restricted bank deposits, which are subject to variable interest rates. The following table illustrates the sensitivity of the loss/profit for the year and accumulated losses to a change in interest rates of +50 basis points and -50 basis points (2013: +50 basis points and -50 basis points), with effect from the beginning of the year. The calculations are based on the Group's and the Company's bank and other borrowings and bank balance held at each reporting date. All other variables are held constant.

Group

	2014			2013		
	Changes in basis points	**(Increase)/ Decrease in loss for the year HK$'000**	**(Decrease)/ Increase in equity HK$'000**	Changes in basis points	(Decrease)/ Increase in profit for the year HK$'000	(Decrease)/ Increase in equity HK$'000
Interest rate	**+50**	**(2,842)**	**(2,842)**	+50	(4,198)	(4,198)
	-50	**2,842**	**2,842**	-50	4,198	4,198

Company

	2014			2013		
	Changes in basis points	**(Increase)/ Decrease in loss for the year HK$'000**	**(Decrease)/ Increase in equity HK$'000**	Changes in basis points	Decrease/ (Increase) in loss for the year HK$'000	Increase/ (Decrease) in equity HK$'000
Interest rate	**+50**	**(787)**	**(787)**	+50	15	15
	-50	**787**	**787**	-50	(15)	(15)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

45.4 Other price risk

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

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

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

Equity price sensitivity

For listed equity securities, an average volatility of 30% has been observed in 2014 (2013: 6%).The following table illustrates the sensitivity of the Group's loss/profit for the year and accumulated losses in regards to 30.0% (2013: 6.0%) volatility in respect of listed equity securities classified as held for trading.

Group

		2014			2013	
	Changes in equity price	**Decrease/ (Increase) in loss for the year HK$'000**	**Increase/ (Decrease) in equity HK$'000**	Changes in equity price	Increase/ (Decrease) in profit for the year HK$'000	Increase/ (Decrease) in equity HK$'000
Listed equity securities	**+30.0%**	**478**	**478**	+6.0%	55	55
	-30.0%	**(478)**	**(478)**	-6.0%	(55)	(55)

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

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

45.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. As at 31 December 2014, the Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligation and financial guarantees provided by the Group is arising from:

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

— the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 41.

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

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

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23 and note 19, respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

45.6 Liquidity risk

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

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

Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2014					
Trade payables	272,019	272,019	272,019	–	–
Other payables and accruals	1,229,799	1,229,799	1,229,799	–	–
Amount due to a director	6,240	6,240	6,240	–	–
Amounts due to shareholders	1	1	1	–	–
Amounts due to associates	6,981	6,981	6,981	–	–
Bank and other borrowings	5,458,089	6,122,135	3,381,229	432,914	2,307,992
Finance lease liabilities	1,753	1,885	649	537	699
Finance from a third party	291,992	291,992	291,992	–	–
	7,266,874	7,931,052	5,188,910	433,451	2,308,691
Financial guarantee issued					
Maximum amount guaranteed	–	2,609,661	2,609,661	–	–

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For the year ended 31 December 2014

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

45.6 Liquidity risk (Continued)

Group (Continued)

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

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For the year ended 31 December 2014

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

45.6 Liquidity risk (Continued)

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

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

Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
31 December 2014	**5,458,089**	**6,130,787**	**3,389,881**	**432,914**	**2,307,992**
31 December 2013	4,793,080	5,153,515	3,974,680	942,355	236,480

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

45.6 Liquidity risk (Continued)

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

Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2014					
Other payables and accruals	177,922	177,922	177,922	–	–
Amounts due to subsidiaries	444,704	444,704	444,704	–	–
Amount due to a director	11,594	11,594	11,594	–	–
Loan from subsidiaries	1,466,005	1,514,721	1,514,721	–	–
Bank and other borrowings	650,494	682,497	682,497	–	–
	2,750,719	2,831,438	2,831,438	–	–
Financial guarantees issued					
Maximum amount guaranteed	–	5,660,835	5,660,835	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

45.6 Liquidity risk (Continued)

Company (Continued)

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

45.7 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are in short-term nature: current portion of pledged and restricted bank deposits, time deposits maturing over three months, cash and cash equivalents, trade receivables and payables, other receivables and payables, current portion of bank and other borrowings, finance from a third party and loan from/amounts due from/(to) a director/shareholders/subsidiaries/associates. Analysis of the interest rate and carrying amounts of borrowings are presented in note 28 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

45.7 Fair value (Continued)

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

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

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

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirely is based on the lowest level of input that is significant to the fair value measurement.

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For the year ended 31 December 2014

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

45.7 Fair value (Continued)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Group Level 1 HK$'000	 Level 2 HK$'000	 Level 3 HK$'000	 Total HK$'000
As at 31 December 2014				
Assets				
Available-for-sale financial assets	**–**	**324**	**–**	**324**
Listed securities held for trading	**1,587**	**–**	**–**	**1,587**
Total fair values	**1,587**	**324**	**–**	**1,911**
Liabilities				
Financial liability at fair value through profit or loss — put option	**–**	**–**	**59,423**	**59,423**
Total fair values	**–**	**–**	**59,423**	**59,423**

	Group Level 1 HK$'000	 Level 2 HK$'000	 Level 3 HK$'000	 Total HK$'000
As at 31 December 2013				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	931	–	–	931
Total fair values	931	324	–	1,255
Liabilities				
Financial liability at fair value through profit or loss — put option	–	–	61,011	61,011
Total fair values	–	–	61,011	61,011

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

45.7 Fair value (Continued)

There have been no significant transfers between level 1, 2 and 3 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The fair value of the put option is determined using discounted cashflow model. The significant unobservable input used in the year end fair value measurement together with the relationship of unobservable inputs to fair value are set out as follows:

(1) the directors' assessment on the probability of the different scenario of the cashflow forecasts with the best case, base case and worst case scenario each with the probability of 5%, 90% and 5% respectively. A higher probability assigned to the worst case will result in a higher fair value.

(2) the selling price for the remaining phases of the property project for the worst case which is assumed to be reduced to in average of RMB9,000 (2013: RMB9,700) per square meter. A lower expected selling price assigned to the worst case will result in a higher fair value.

(3) the discount rate used for the valuation is 18.63% (2013: 21.09%). A lower discount rate assigned will result in a higher fair value.

Changes in level 3 fair values are analysed at each reporting date by the management, with the assistance of valuation carried out by an independent professional valuer. The movement of the put option fair value during the year is set out in note 30.

46. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

46. Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings, finance from a third party, finance lease liabilities and loan from subsidiaries less the sum of pledged and restricted bank deposits, time deposits maturing over three months and cash and cash equivalents as shown in the statements of financial position. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting date were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Bank and other borrowings	**3,049,047**	3,690,722	**650,494**	534,863
Finance lease liabilities	**585**	118	**–**	3
Finance from a third party	**291,992**	764,923	**–**	–
Non-current liabilities				
Loan from subsidiaries	**–**	–	**1,466,005**	1,367,219
Bank and other borrowings	**2,409,042**	1,102,358	**–**	–
Finance lease liabilities	**1,168**	110	**–**	–
Total debt	**5,751,834**	5,558,231	**2,116,499**	1,902,085
Less: Pledged and restricted bank deposits	**(1,120,308)**	(1,045,992)	**–**	–
Time deposits maturing over three months	**(625)**	(653)	**–**	–
Cash and cash equivalents	**(279,877)**	(512,957)	**(1,555)**	(2,910)
Net debt	**4,351,024**	3,998,629	**2,114,944**	1,899,175
Total equity	**3,822,343**	4,690,891	**2,384,468**	2,574,410
Total equity and net debt	**8,173,367**	8,689,520	**4,499,412**	4,473,585
Gearing ratio	**53.23%**	46.02%	**47.00%**	42.45%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

47. Events after the end of reporting date

As detailed in note 30, the Group was indebted to Baitak in the amount of HK$291,992,000 as of 31 December 2014. Subsequent to the end of reporting period, the Group settled all sums under the settlement agreement entered into between NHD and LWD (the Group's subsidiaries) and Baitak (details of the settlement agreement are set out in the announcement of the Company issued on 13 June 2014).

LIST OF PROPERTIES

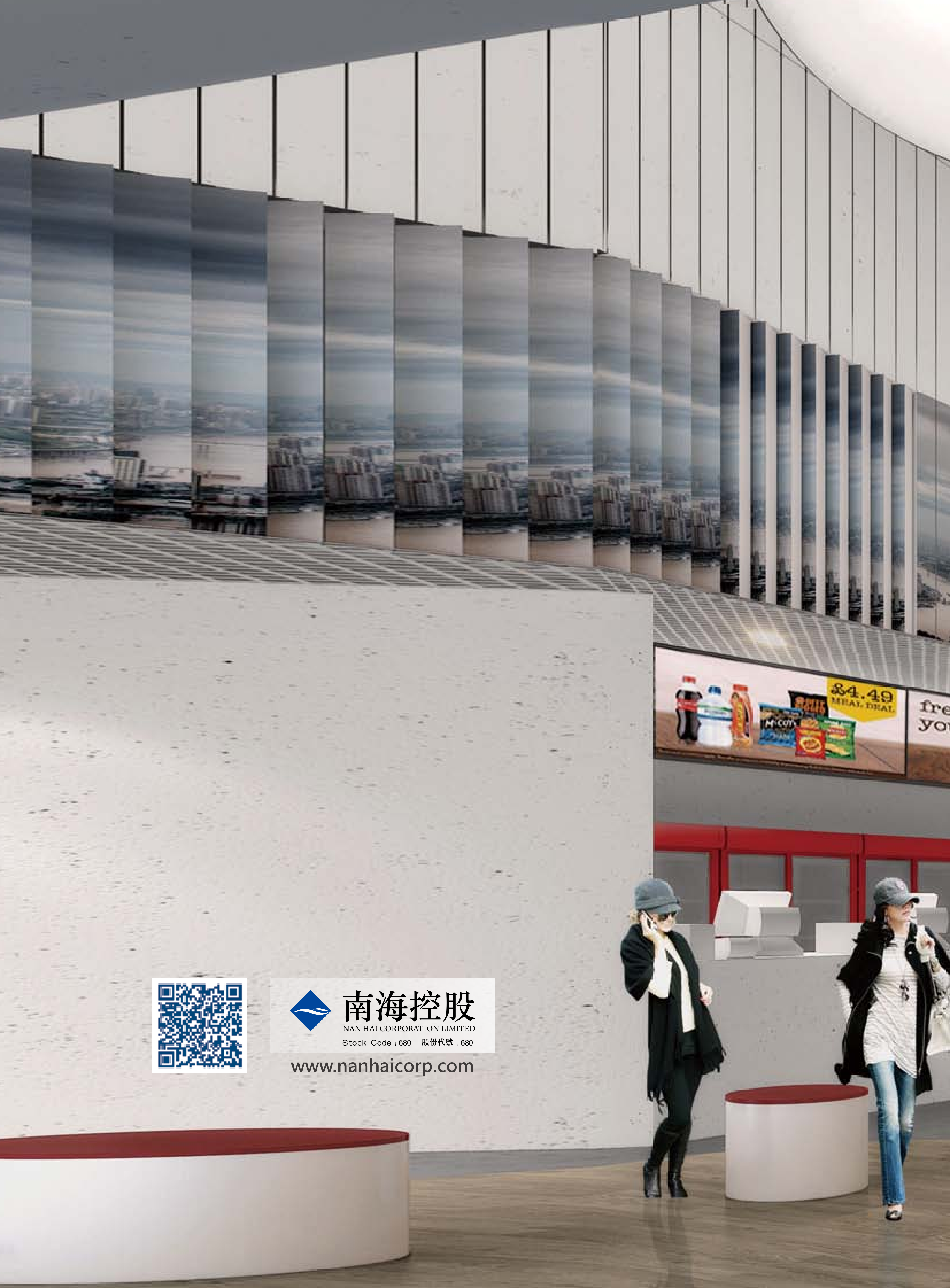
Properties under development

Location	Interest attributable to the Group in percentage	Floor area on completion in sq.m. (approx.)	Type of development	Expected year of completion	Stage of development
Reclaimed site located at Liu Wan, Shekou, Shenzhen, Guangdong Province, the PRC	100	556,000	Shopping arcade/ residential/hotel/ recreational facilities	2019	Construction in progress
A residential development located at Guanghua Gonglu, Huadu District, Guangdong Province, the PRC	43	857,000	Commercial/ residential	2017	Construction in progress

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

	2014 **HK$'000**	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Revenue/Turnover (continuing and discontinued operations)	**3,153,015**	2,318,601	1,953,568	2,365,811	1,963,454
(Loss)/Profit for the year	**(746,979)**	852,562	(372,293)	(586,000)	(428,563)
Non-controlling interests	**45,248**	12,635	26,230	91,254	46,990
(Loss)/Profit attributable to the owners of the Company	**(701,731)**	865,197	(346,063)	(494,746)	(381,573)
Total assets	**12,661,095**	12,662,510	13,698,821	11,820,198	10,557,210
Total liabilities	**(8,838,752)**	(7,971,619)	(9,847,230)	(7,632,678)	(6,036,990)
	3,822,343	4,690,891	3,851,591	4,187,520	4,520,220



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