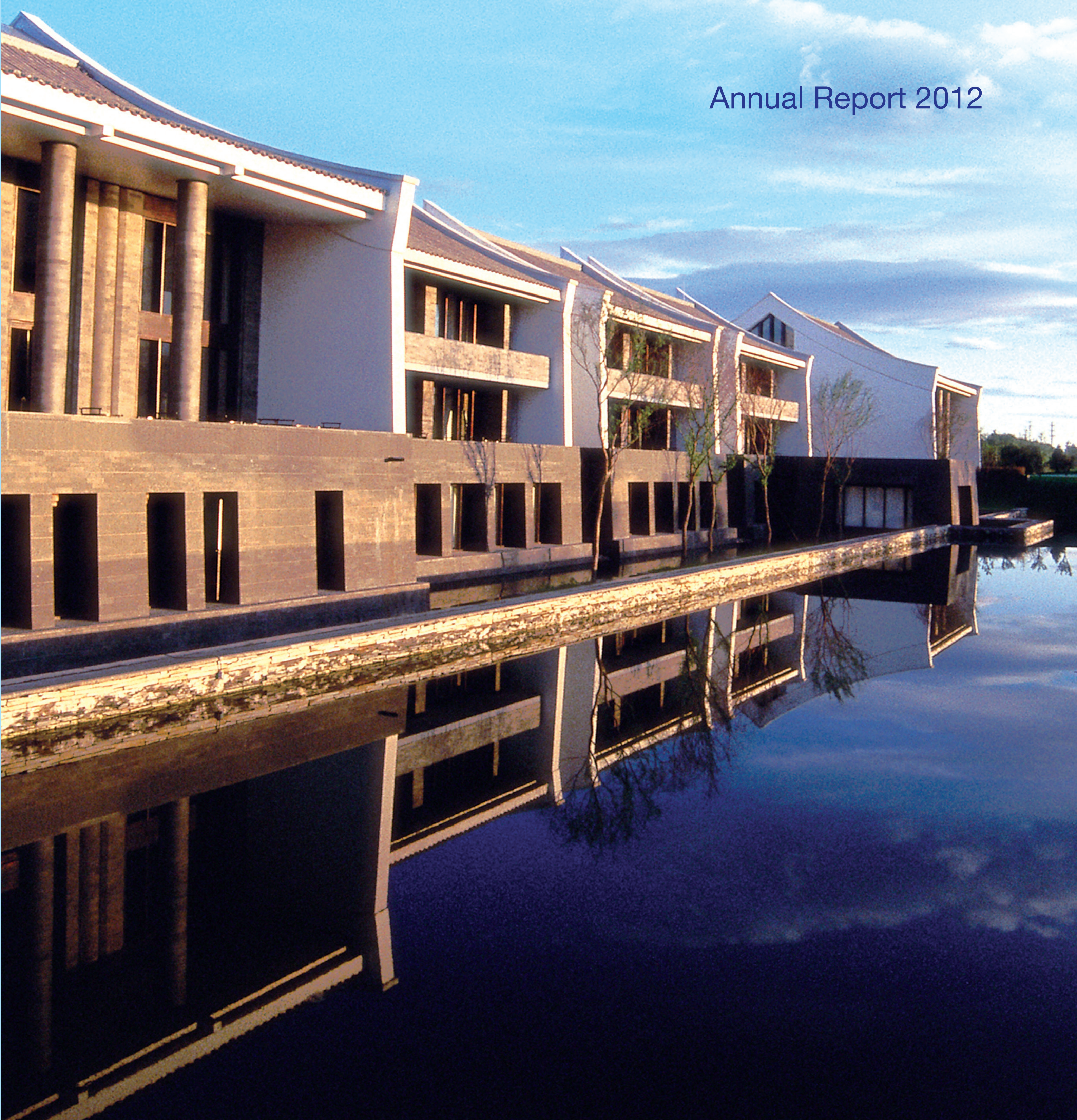
中國9號健康產業有限公司

China Jiuhao Health Industry Corporation Limited

(incorporated in the Cayman Islands with limited liability)
(Stock Code : 419)

Annual Report 2012



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YUEN Hoi Po *(Chairman)*
Mr. ZHANG Changsheng *(Vice Chairman)*

Non-Executive Directors

Mr. Hugo SHONG
Mr. Edward TIAN Suning

Independent Non-Executive Directors

Prof. WEI Xin
Dr. WONG Yau Kar, David, *BBS, JP*
Mr. YUEN Kin
Mr. CHU Yuguo

COMPANY SECRETARY

Mr. HAU Wai Man, Raymond

QUALIFIED ACCOUNTANT

Mr. HAU Wai Man, Raymond

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank
China Minseng Bank

SOLICITORS

Fred Kan & Co
D.S Cheung & Co

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SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Wanchai, Hong Kong

WEBSITE

www.jiuhaohealth.com

I am pleased to present the annual results of China Jiuhao Health Industry Corporation Limited (the "Company", formerly known as "Media China Corporation Limited") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

The sustained rapid economic growth of the PRC in recent years, coupled with the growing population of senior citizens, presents a promising prospect in the health maintenance and retirement services industry in the country. In order to better leverage this golden opportunity, we have undergone an aggressive business transformation in recent years, striding toward the health industry. As the first step, we had completed the acquisition of "Bayhood No. 9 Club" in 2011. Thereafter, we acquired the development and operating rights of a piece of adjacent land in 2012 to develop convalescent facilities including the Health Maintenance Si He Yuan and Hotel. The project will be developed into the Group's first flagship project in Beijing, "China Jiuhao Health Maintenance Centre", with a view to creating maximum return for the shareholders.

During the past year, our efforts have translated into substantial results. "Bayhood No. 9 Club" generated considerable income for the Group, recording revenue of HK$145 million for the year, representing an increase by 1.2 times over last year. Accounting for approximately 88% of the Group's total revenue, the project has overtaken media business as the largest source of revenue of the Group. The design and construction of Health Maintenance Si He Yuan and Hotel is on track as planned, and the project is expected to be completed in phases and put into service by second half of 2014. The project, together with "Bayhood No. 9 Club", will create a high-end health maintenance compound, providing customers with quality service.

In line with the change in our core business, the Company has changed its name to "China Jiuhao Health Industry Corporation Limited", which marks an important milestone in our business development.

Designed and planned by internationally renowned masters, the award-winning "Bayhood No. 9 Club" has been one of the most popular membership-based green health clubs in the PRC. Members of the Club are executives of local/multi-national companies or high-net-worth individuals who have substantial consumption potential. We will promote the brand "China Jiuhao Health Maintenance Centre" nationwide step by step by capitalizing on our successful experience in "Bayhood No. 9 Club". We plan to establish similar style of health maintenance centres in different cities across the country in the next decade, and build scalable health maintenance centres and communities for health maintenance and retirement with the target to become a leader in the innovation and operation of the health industry in the PRC.

The operating philosophy distinguishes "China Jiuhao Health Maintenance Centre" from traditional retirement property projects. Unlike property projects, it creates an integrated platform that combines sports and recreational services, health management services, health maintenance and resort services by providing unique and quality facilities and services, and receives considerable membership fees and service fees. With the accelerated aging of population in the PRC, the government has been in favour of health maintenance and retirement facilities and services operated by private organisations in recent years. On the other hand, the health maintenance and retirement services industry lags far behind that in other developed countries such as Europe and the United States, and the market has much room for development. Therefore, the management believes that "China Jiuhao Health Maintenance Centre" is well positioned to succeed as it benefits from the favourable environment and government support.

CHAIRMAN'S STATEMENT

The operating environment has been challenging home and abroad in 2012. However, we have ridden out difficulties and made significant progress in the development of "China Jiuhao Health Maintenance Centre" thanks to the support and coordinated efforts of our business partners and staff members. Looking forward, we will continue our unremitting efforts to meet our business targets.

On behalf of the board of directors, I would like to express my heartfelt gratitude to investors and business partners for their long-term trust and support. Moreover, I am grateful for the dedication and contribution of our staff members over the past year.

Yuen Hoi Po
Chairman
China Jiuhao Health Industry Corporation Limited

Hong Kong, 20 March 2013

BUSINESS REVIEW AND PROSPECTS

Financial Performance

Major indicators of the financial results for the 12 months ended 31 December 2012 are summarized in the table below:

	2012 HK$'000	2011 HK$'000
Total sales revenue	165,068	101,989
Gross profit	102,298	15,791
Profit/(loss) before finance cost and taxation	56,820	(8,042)
Loss for the year	(43,589)	(17,959)

The global economy remained volatile in 2012. Amid slowing imports and exports and sluggish domestic demand, China's economy could not but grew at a steady pace. It managed, however, to report a real GDP growth of 7.8% for the year. During the period, the per capita disposable income of urban residents rose 9.6% year-on-year to RMB24,565, which has created a stable business environment for the Group.

We have made notable progress in the mainland health market, especially in the areas of health maintenance and retirement projects. Bayhood No. 9 Club contributed HK$145 million or 88% of our total revenue in 2012, soaring 124% from a year earlier, making it the main income source of the Group. In addition, revenues from the two joint-venture projects — Travel Channel and Shenzhen Tian An International Building — grew steadily last year. The Group's share of profit generated from these two projects combined amounted to HK$49,239,000, a 22% surge year-on-year. As such, the Group successfully went out of the red and turned into profit before finance costs and taxation, realising a profit before finance costs and taxation of HK$56,820,000 for the year.

Changes in fair value of our warrants incurred a non-cash loss of approximately HK$63,520,000, leading to a loss of about HK$43,589,000 for 2012. Excluding the non-cash fair value loss, the Group has in fact returned to profitability and recorded a profit of HK$19,931,000 for the year.

Industry Review

In 2008, the population aged above 60 exceeded 167 million in China, showing a sign of ageing at a staggering pace. By 2050, the figure is expected to surpass 400 million. As a response to the acceleration of population ageing, the Chinese government has stepped up efforts to boost the health industry in recent years. In 2012, the State Council promulgated the *Law on the Protection of the Rights and Interests of the Elderly (Revised Draft)* to encourage and incentivize investment in retirement service facilities. Meanwhile, China's ageing population has grown continuously and accumulated huge wealth over years of rapid economic growth, fueling a strong demand for high quality healthcare, health maintenance, and retirement services and facilities.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Industry Review *(Continued)*

Given the favourable policies in place, coupled with the overall ageing population in China, the Group's management team has painted a rosy picture for China's healthcare, health maintenance and retirement service industry. To exploit the full potential ahead, the Group plans to combine Bayhood No. 9 Club with Beijing Health Maintenance Si He Yuan and Hotel as its first flagship health maintenance project named China Jiuhao Health Maintenance Centre. Modelled on this flagship project, many more high-end healthcare facilities and centres are to be established in different areas of the country as part of our commitment to create value for our shareholders. Our long-term vision is to build and serve sustainable communities that integrate health maintenance and retirement functions in mainland China and become a pioneer in offering a comprehensive range of specialised and systemized health and convalescent tourist services in the PRC.

To align with our strategic reorientation, we have decided to change our name from Media China Corporation Limited to China Jiuhao Health Industry Corporation Limited. A resolution in this regard was adopted by shareholders at the extraordinary general meeting on 28 February 2013. The new company name, effective from 20 March 2013, has turned a new chapter for our future development.

Business Review

(Unit: HK$'000)	Sales Revenue		Segment Results	
	2012	2011	2012	2011
Health industry	144,880	64,614	36,438	11,876
Media	20,188	37,375	39,009	(14,849)
Properties investment	—	—	25,511	33,794
Total	165,068	101,989	100,958	30,821

Health Industry

The Group completed the acquisition of the operation of Bayhood No. 9 Club in July 2011. Situated in prime location, the club is only 3.5 km from the Beijing Capital International Airport and a 25-minute drive from the city hub of Beijing. As one of the largest high-end recreational complexes in Beijing, the 1,150-acre club boasts a complete range of facilities including an 18-hole standard golf course, Asia's first PGA-branded golf academy, a fully-equipped driving range, health-themed restaurants, health SPA, and lakeside golfcourse private VIP rooms, making it well-positioned for future growth.

Bayhood No. 9 Club is an award-winning premier golf course in Asia elaborately designed by Nelson & Haworth Golf Course Architect, a world-renowned golf course design firm based in Canada. Equipped with 16 golf driving bays on the ground floor and, on the second, more than 20 private VIP rooms each offering two individual driving bays, the highly sought-after driving range is in short supply all year round.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

Health Industry *(Continued)*

Operating under a membership system open to corporations and individuals, Bayhood No. 9 Club is one of China's most prestigious clubs that attracts senior executives of well-known local and multinational corporations and high-net-worth individuals. Currently, the club is serving over 450 members who are keen on pursuing a healthy lifestyle. Membership fee is as high as RMB1.78 million for corporate membership and RMB1.58 million for individual, reflecting the huge purchasing power of our members.

In 2012, the operation of Bayhood No. 9 Club generated sales revenue of HK$144,880,000, accounting for approximately 88% of the total sales revenue of the Group during the year and surpassing the sales revenue from the media segment. The club brought in profits amounting to HK$36,438,000, a whopping 207% year-on-year surge.

To expand the operation of Bayhood No. 9 Club, the Group completed the acquisition of the development and operating rights of an adjacent 580-acre land plot in October 2012. With an approved total floor area of over 80,000 square metres, the acquired land is planned to develop as an extension of Bayhood No. 9 Club comprising conference facilities, detached classical Chinese courtyard houses (Si He Yuan) and villas for health maintenance purposes, and hotel facilities.

The classical Chinese courtyard houses and hotel are all designed by Denniston International Architects & Planners, a renowned architectural design firm that has designed a handful of world-class luxurious masterpieces such as Fuchun Resort Hangzhou, Aman at Summer Palace, Beijing and The St. Regis Resort, Lhasa.

Land is scarce in downtown Beijing and its peripheral areas for the development of large-scale low-density health maintenance centres with outdoor greenery. As the extension site is adjacent to Bayhood No. 9 Club, the management believes the project will benefit the Group by giving it a stronger business synergy and a brighter prospect in China's health maintenance industry.

Under the "Jiuhao" brand, we are planning to build China's first ever membership-based health maintenance complex — China Jiuhao Health Maintenance Centre. The very first step of our plan is to combine Bayhood No. 9 Club with Beijing Health Maintenance Si He Yuan and Hotel as our first flagship project. We will then continue to extend our presence in China by setting up featured upscale health maintenance centres, convalescent facilities and hotel complexes, with an aim to offer customized healthcare and health maintenance services to members at different places.

Unlike other conventional health maintenance and retirement real estate projects, China Jiuhao Health Maintenance Centre focuses on offering high quality services, with membership and service fees as its major source of revenue. All Bayhood No. 9 Club members and its target groups are senior business executives and high-net-worth individuals with immense purchasing power. These high-value members are set to contribute to the sustainable growth of China Jiuhao Health Maintenance Centre.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

Media

Affected by the sluggish economy at large, the growth of TV advertising revenues in PRC has slowed down in 2012. According to statistics from a leading research firm CTR, TV advertising revenues in mainland China rose year-on-year 6.4% in 2012. Despite the slowdown, Travel Channel, our associated company held by a joint venture, achieved sales revenue in the advertising business of over RMB300 million, up more than 30% over 2011. In 2012, we shared profits of HK$39,009,000 from Travel Channel and other media businesses, compared with a loss of HK$14,849,000 in 2011.

Properties Investment

The Group through joint venture possesses 50% interest in the office units and retail facilities at Shenzhen Tian An International Building with a gross floor area of approximately 31,700 square metres and owns 50% interest in the property management company of the building. Shenzhen Tian An International Building is located at Renmin South Road, Luohu District, Shenzhen. To date, most of the office units and all retail facilities have been leased. During 2012, the share of profit generated from Shenzhen Tian An International Building operation dropped 25% to HK$25,511,000 as compared with last year's. This was mainly due to the decrease in fair value gain on the revaluation of investment properties amid the slower growth in the PRC property market.

Business Outlook

China's ageing population has a robust purchasing power. Cumulative pension funds in mainland China will exceed RMB2.8 trillion by 2020, and this figure is expected to soar to RMB7.3 trillion by 2030. The purchasing power grows, so as the demand for a healthy and quality life. China's health industry is however in an initial stage, and lags far behind developed markets in Europe and America. Currently, China's health industry only accounts for 4–5% of its GDP, as opposed to 15% in the U.S. and European countries. Driven by China's growing ageing population and favourable government polices, we strongly believe that China's health industry will gather momentum in the foreseeable future and thus sustain our rapid business growth.

Looking ahead, we will prioritize the construction and operation of China Jiuhao Health Maintenance Centre to gain a firm foothold in Beijing. We will then set up more health maintenance centres in other parts of the country and envisage to become a leading industry player in PRC, both in terms of business size and strength.

In line with our vision to focus on the highly potential health industry, the Group will continue to review the performance of our media and property investment segments, and evaluate their contributions in the light of the Group's business strategy.

FINANCIAL REVIEW

Sales revenue for year 2012 amounted to HK$165,068,000, being a 62% increase comparing to year 2011. Sales revenue from the health industry segment and media segment accounted for 88% (2011: 63%) and 12% (2011: 37%), respectively, of sales revenue in year 2012. The increase in sales revenue is mainly because full year result of the health industry segment was included in year 2012, while only half-year results was included in year 2011 as the relevant acquisition was completed in July 2011.

Cost of sales for year 2012 mainly attributed to the health industry segment. Included in the current year cost of sales is a one-off write back of accrual of "operating lease rental — operation right" of approximately HK$25 million. Excluding this factor, cost of sales for the year should be approximately HK$88 million. On the other hand, cost of sales attributed to the health industry segment and media segment for year 2011 amounted to approximately HK$44 million and HK$42 million, respectively. Increase in cost of sales attributed to health industry segment is mainly because full year result of the health industry segment was included in year 2012, while only half-year results was included in year 2011 as the relevant acquisition was completed in July 2011. Decrease in cost of sales attributed to media segment is mainly because the exclusive advertising agency right in certain sectors for Beijing Railway Station and Beijing West Railway Station has been terminated since 2012 and thus no further relevant cost was incurred in year 2012.

Other income and other (losses)/gains, net mainly comprised fair value loss on financial assets at fair value through profit or loss and exchange gain. The decrease in the amount is mainly because significantly less exchange gain is recorded during the year.

Marketing and selling expenses mainly attributed to the media segment. The amount will become insignificant as the Group is now focusing its resources on the development of health industry in PRC.

Administrative expenses for year 2012 amounted to HK$93,728,000 (2011: HK$77,069,000), being a 22% increase comparing to year 2011. The increase in administrative expenses is mainly because full year result of the health industry segment was included in year 2012, while only half-year results was included in year 2011 as the relevant acquisition was completed in July 2011.

Share of profit of joint ventures for year 2012 amounted to HK$49,239,000 (2011: HK$40,207,000), being a 22% increase comparing to year 2011. Share of profit of joint ventures in relation to the Travel Channel operation and Shenzhen properties investment for year 2012 amounted to HK$25,509,000 (2011: HK$8,937,000) and HK$23,730,000 (2011: HK$31,270,000), respectively. This reflects the significant improvement in the operations of the Travel Channel during the year. In fact, Travel Channel has achieved sales revenue of over RMB300 million in year 2012, representing an annual growth of over 30%. On the other hand, the decrease in share of profit of joint ventures in relation to Shenzhen properties investment is mainly due to the decrease in non-cash revaluation gain during the year.

FINANCIAL REVIEW *(Continued)*

Finance costs for year 2012 amounted to HK$87,776,000 (2011: HK$6,393,000). The significant increase in finance costs comparing to the prior year is mainly attributed to:

(i) the non-cash loss on the change in fair value of warrants amounting to HK$63,520,000. The relevant warrants were issued on 6 January 2012 and have already been fully exercised by the end of year. The fair value loss is mainly driven by the increase in the Company's stock price during the year. As the warrants have already been fully exercised, no further fair value change is expected.

(ii) the interest expense of promissory notes of HK$1,363,000 and notional non-cash interest accretion of promissory notes and convertible notes totaling HK$16,323,000. Promissory notes and convertible notes were issued to finance the acquisition of the development and operation rights of the 580-acre land adjacent to "Bayhood No. 9 Club" during the year.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Treasury Management

We have adopted prudent treasury management objectives aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with the strategic plans and policies. As at 31 December 2012, the Group held cash and cash equivalents of approximately HK$179,527,000, being a 66% increase comparing to the balance as at 31 December 2011.

The Group was at net current asset position of HK$217,292,000 as at 31 December 2012 (2011: HK$189,608,000). The current ratio, representing the total current assets to the total current liabilities, slightly increased from 1.43 as at 31 December 2011 to 1.52 as at 31 December 2012. The debt to equity ratio, representing the sum of borrowings to total equity, increased from zero as at 31 December 2011 to 0.37 as at 31 December 2012. The Group's borrowings as at 31 December 2012 represented the promissory notes and convertible notes issued for the acquisition of the development and operation rights of the 580-acre land adjacent to "Bayhood No. 9 Club" during the year.

Foreign Currency Exchange Exposure

The Group mainly operates in China and is only exposed to foreign exchange risk arising from Chinese Renminbi currency exposures, primarily with respect to the Hong Kong dollars. Accordingly, the exchange rate risk of the Group is considered to be relatively low.

LIQUIDITY AND CAPITAL RESOURCES *(Continued)*

Capital Structure

The Group has mainly relied on its equity, borrowings and internally generated cash flows to finance its operations.

During the year, the Company has issued (i) 275,000,000 new ordinary shares upon warrant conversion at HK$0.20 per share; and (ii) 19,500,000 new ordinary shares upon share option exercise at HK$0.20 per share.

Promissory notes with principal amount of HK$150 million and convertible notes with principal amount of RMB569 million were issued during the year to finance an acquisition completed during the year. Details of these borrowings are disclosed in note 26 to the consolidated financial statements.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2012 none of our assets was pledged and we did not have any material contingent liabilities or guarantees saved as disclosed in note 33 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2012, the Group employed a total of approximately 600 full-time employees in Hong Kong and the PRC. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are remunerated by monthly salary which is reviewed by the Group from time to time and adjusted based on performance. In addition to salaries, the Group provides staff benefits including medical insurance, contribution to staff provident fund and discretionary training subsidies. Share options and bonuses are also available at the discretion of the Group and depending on the performance of the Group.

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") is committed in achieving high standards of corporate governance. On 1 April 2012, the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Former CG Code") was amended and renamed as Corporate Governance Code and Corporate Governance Report (the "CG Code"). Throughout the year ended 31 December 2012, the Company has applied the principles and complied with the code provisions on the Former CG Code and the CG Code except the code provisions A.2.1 and A.6.7. The Chairman of the Board, Mr. YUEN Hoi Po, has also been appointed as Chief Executive Officer in March 2012 following the resignation of Mr. WANG Hong. As Mr. YUEN's accumulated valuable experience in service industry, property development and tourism is a great benefit to the Group, the Board believes that the balance of power and authority is adequate (A.2.1). Mr. Edward TIAN Suning, Non-executive Director, and Prof. WEI Xin, Independent Non-executive Director, were unable to attend all the general meetings of the Company held in 2012 due to their other business engagement (A.6.7).

BOARD OF DIRECTORS

The Board comprises eight directors of the Company ("Directors") whose biographical details, as well as the relationship amongst them (if any), are set out on pages 25 to 28 of this Annual Report.

The Board is responsible for establishing the Group's corporate policy and strategic direction; setting business objectives and development plans; monitoring financial performance, internal controls and the performance of the senior management; and ensuring that the Company complies with all applicable laws and regulations. The Board delegates day-to-day operations of the Group to the management. The management is responsible for implementing these strategies and plans.

BOARD OF DIRECTORS *(Continued)*

The Board meets regularly at least four times a year at approximately quarterly intervals and holds additional meetings as and when the Board thinks appropriate. During the year, a total of nine Board meetings were held (five of which were convened by way of written resolutions).

Directors play an active role in participating the Company's meetings. The attendance records of each of the Directors for the Board meetings, the board committees meetings and the general meetings held during the year 2012 is as follows:

Composition of the Board and Board Committees as at the date of this Annual Report and their attendance during the year 2012:

Directors	Director Categories	Board Meetings	General Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Corporate Governance Committee Meetings (established on 26 March 2012)	Nomination Committee Meetings (established on 26 March 2012)	Executive Committee Meetings
Mr. YUEN Hoi Po	Chairman, Chief Executive Officer and Executive Director	9/9	5/5		member 2/2	Chairman 1/1	Chairman 1/1	Chairman 2/2
Mr. ZHANG Changsheng	Vice Chairman and Executive Director	9/9	5/5					member 2/2
Mr. Edward TIAN Suning	Non-executive Director	9/9	4/5					
Mr. Hugo SHONG	Non-executive Director	8/9	5/5					
Prof. WEI Xin	Independent Non-executive Director	8/9	3/5	member 2/2	member 1/1 (appointed on 23 March 2012)	member 1/1	member 1/1	
Dr. WONG Yau Kar, David	Independent Non-executive Director	9/9	5/5	member 1/2	Chairman 2/2		member 1/1	
Mr. YUEN Kin	Independent Non-executive Director	9/9	5/5	Chairman 2/2	member 2/2	member 1/1		
Mr. CHU Yuguo	Independent Non-executive Director (appointed on 26 March 2012)	5/6	5/5			member 1/1	member 1/1	
Mr. WANG Hong	Chief Executive Officer and Executive Director (resigned on 26 March 2012)	3/3						
Total number of meetings held		9	5	2	2	1	1	2

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the Directors.

BOARD COMMITTEES

The Board has established Strategy Committee, Executive Committee, Corporate Governance Committee, Nomination Committee, Remuneration Committee and Audit Committee. Sufficient resources will be provided for the committees to undertake their duties. Each board committee has the authority to seek any complete and reliable information that it requires from the management. Where necessary, these committees should seek independent professional advice, at the Company's expenses, to perform their responsibilities.

Written terms of reference of each of the Corporate Governance Committee, Nomination Committee, Remuneration Committee and Audit Committee are available on the websites of the Company, and, where applicable, the Stock Exchange.

Strategy Committee

The Strategy Committee is mainly responsible for formulating the Group's business strategy. The Strategy Committee comprises two Executive Directors, namely, Mr. YUEN Hoi Po (Chairman) and Mr. ZHANG Changsheng.

Executive Committee

The Executive Committee is mainly responsible for improving the efficiency of the Board's operation and shorten any operations-related decision making processes, as sometimes it may be practically difficult to convene a full board meeting or to arrange all the Directors to sign a written resolution in a timely manner.

Corporate Governance Committee

The Corporate Governance Committee was established on 26 March 2012 and is mainly responsible for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the period from 26 March 2012 (the date of establishment) to 31 December 2012, one meeting was held by the Corporate Governance Committee for adoption of code of conduct for securities transactions and dealings and shareholders communication system for employees.

Nomination Committee

The Nomination Committee was established on 26 March 2012 and is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board; making recommendations on any proposed changes to the Board; and accessing the independence of independent non-executive directors.

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

During the period from 26 March 2012 (the date of establishment) to 31 December 2012, one meeting was held by the Nomination Committee for reviewing the structure, size and composition of the Board.

Remuneration Committee

The Remuneration Committee is mainly responsible for making recommendation to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; and making recommendations to the Board on the remuneration of Non-executive Directors. The Remuneration Committee was delegated responsibility to determine the remuneration packages, including benefits in kind, pension rights and compensation payments, of individual Executive Directors and senior management.

During the year, two meetings were held by the Remuneration Committee for the approval of Executive Directors' and senior management's salary and bonus; the recommendation of Non-executive Directors' remuneration and bonus to the Board; and the approval of the persons eligible and entitled to have share option.

Audit Committee

The Audit Committee is mainly responsible for the following:

1. Making recommendation to the Board on the appointment, reappointment and removal of the external auditor;

2. Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

3. Monitoring the integrity of the Company's financial statements and annual report and accounts, interim report and reviewing significant financial reporting judgments contained in them; and

4. Reviewing the Company's financial controls, internal control and risk management systems.

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

During the year, two meetings were held by the Audit Committee for the purposes of meeting the above mentioned responsibilities.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have participated in continuous professional development to develop and refresh their knowledge and skills. According to the training records provided by each of the Directors, the training received by all Directors during the period from 1 April 2012 (being the effective date of the CG Code) to 31 December 2012 is as follows:

Directors participate in continuous professional development

Directors	Attending Seminars	Giving Speeches	Reading Regulatory Updates
Mr. YUEN Hoi Po	✓		✓
Mr. ZHANG Changsheng	✓		✓
Mr. Edward TIAN Suning	✓		✓
Mr. Hugo SHONG	✓		✓
Prof. WEI Xin			✓
Dr. WONG Yau Kar, David	✓	✓	✓
Mr. YUEN Kin	✓		✓
Mr. CHU Yuguo	✓		✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

With effect from March 2012, the positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. YUEN Hoi Po, who is responsible to manage business operations of the Group and oversee the function of the Board. As Mr. YUEN's accumulated valuable experience in service industry, property development and tourism is a great benefit to the Group. The Board believes that the balance of power and authority is adequate.

NON-EXECUTIVE DIRECTORS

Referring to the composition of the Board under the section "Board of Directors" on page 12 of this Annual Report, the Company has six Non-executive Directors (four of them are Independent Non-executive Directors). All non-executive Directors are appointed under a fixed term of three years and also subject to rotational retirement provision of the Company's articles of association.

Throughout the year, the Board has at least one-third in number of its members comprising Independent Non-executive Directors under Rule 3.10A of the Listing Rules and at least one of the Independent Non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

A written confirmation has been received by the Company from each of the Independent Non-executive Directors under Rule 3.13 of the Listing Rules in relations to his independence to the Company. The Company considers that all the Non-executive Directors of the Company are independent.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT PERSONS

The Company has adopted a code of conduct for securities transactions and dealings (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the year of 2012.

The Code of Conduct applies to all the relevant persons as defined in the CG Code, including Directors of the Company, any employee of the Company, or director or employee of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

EXTERNAL AUDITOR

The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditor. The Audit Committee has received a letter from the existing auditor of the Company, PricewaterhouseCoopers, confirming their independence and objectivity. The remuneration paid to PricewaterhouseCoopers and its affiliated firms (if any) for services rendered is listed as follows:

Nature of the services	2012 HK'000	2011 HK'000
Audit and review services	2,500	2,800
Non-audit services (including reporting accountant and agreed upon procedures)	930	3,040
	3,430	5,840

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following statements, which set out the responsibilities of the Directors in relation to the consolidated financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's report on pages 43 to 44 which acknowledges the reporting responsibilities of the Group's Auditors.

Annual Report and Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements for each financial year which give a true and fair view of the state of the Group.

Accounting Policies

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

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of consolidated financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable accounting standards.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS *(Continued)*

Safeguarding Assets

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

Going Concern

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

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL

The Audit Committee reviews the process by which the Group evaluates its control environment and its risk assessment process, and the way in which business and control risks are managed. In reliance on these reviews, the Audit Committee has made a recommendation to the Board for approval of the consolidated financial statements for the year.

INTERNAL CONTROL AND GROUP RISK MANAGEMENT

The Board has overall responsibility for the Group's system of internal control and for the assessment and management of the risk. The Board has conducted a review of and is satisfied with the effectiveness of the system of internal control of the Company and its subsidiaries.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk. Reporting and review activities include the review and approval by the Board of detailed operational and financial reports, budgets and plans provided by the management of the business operations, the review by the Board of actual results against the budgets, the reviews by the Board of the internal control system of the Company and its subsidiaries, as well as the regular business reviews by Executive Directors and the senior management.

The Board is responsible for monitoring the overall operations of the businesses within the Group. Directors are appointed to the boards of all significant material operation subsidiaries and associates to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The senior management is accountable for the performance within the agreed strategies and is accountable for its conduct and performance.

The Chief Financial Officer of the Company, reporting directly to the Audit Committee, provides assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations and derives the annual audit plan. The plan is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. In addition, a regular dialogue is maintained between the Audit Committee and the Group's external auditor so that both parties are aware of the significant factors which may affect their respective scope of work.

INTERNAL CONTROL AND GROUP RISK MANAGEMENT *(Continued)*

Reports from the external auditor on internal controls and relevant financial reporting matter are to be presented to the Audit Committee, and, as appropriate to the Board. These reports are reviewed and appropriate actions are taken.

COMPANY SECRETARY

Mr. HAU Wai Man, Raymond, being an employee of the Company, has been appointed as Company Secretary of the Company ("Company Secretary") since 2008. The Company Secretary reports to the chairman of the Board. His appointment and removal is a matter for the Board as a whole.

The Company Secretary is mainly responsible for assisting the chairmen of the Board and its committees to prepare agendas for meetings and to prepare and disseminate meeting material to the Directors and committees' members in a timely and comprehensive manner; ensuring every Director complied with the Board's policy and procedures, and all applicable rules and regulations; and ensuring accurate records of Board/committee meeting proceedings, discussions and decisions are recorded.

According to the newly introduced Rule 3.29 of the Listing Rules, Mr. HAU has taken no less than 15 hours of relevant professional training during the year. His biography is set out on page 28 of this Annual Report.

INVESTOR RELATIONS

The Board is committed to providing clear and full performance information of the Group to shareholders through different publications and financial reports. In addition to dispatching circular, notices and financial reports to shareholders, additional information is also available to shareholders on the Group's website (www.jiuhaohealth.com).

COMMUNICATION WITH SHAREHOLDERS

During the year, a shareholders' communication policy was established for ensuring the enhancement of communication between the Company and its shareholders.

Shareholders are encouraged to attend general meetings or to appoint proxies to attend and vote at the meetings on their behalf if they are unable to attend the meetings. Any vote of the shareholders at a general meetings must be taken by poll and the Company will announce the results of the poll in the manner prescribed under the Listing Rules.

The chairman of the Board has attended the annual general meetings of the Company in the year 2012 (the "AGM"). He has also invited the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the AGM. In case of their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons are available to answer questions at the AGM.

The chairman of the independent board committee (if any) would be available to answer questions at any general meeting to approve connected transactions or any other transactions that required independent shareholders' approval.

The external auditor engaged by the Company has attended the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

All resolutions at the general meetings are decided on a poll. The poll is conducted by the share registrars. Feedback and comments from shareholders are always encouraged.

CONSTITUTIONAL DOCUMENTS

A copy of the Company's memorandum and articles of association has been posted to both the websites of the Stock Exchange and the Company.

During the year, the Company's memorandum and articles of association has the following significant changes:

Approval dates	Particulars	
10 February 2012	Increase in share capital	the authorised share capital of the Company increased from HK$602,407,600 (divided into 6,000,000,000 ordinary shares of HK$0.1 each and 240,760,000 preference shares of HK$0.01 each) to HK$3,002,407,600 (divided into 30,000,000,000 ordinary shares of HK$0.1 each and 240,760,000 preference shares of HK$0.01 each) by the creation of an additional 24,000,000,000 new shares of HK$0.1 each.
23 August 2012	Change of share capital following the approval of the share consolidation	(i) deleting the amount of "30,000,000,000" immediately after the words "divided into" in the first line of clause 8 of the memorandum and substituting therefor the amount of "15,000,000,000"; (ii) deleting the amount of "HK$0.1" immediately after the words "ordinary shares of a nominal or par value of" in the second line of clause 8 of the memorandum and substituting therefor the amount of "HK$0.2". (iii) deleting the amount of "HK$0.1" immediately after the words "ordinary shares of a par value of" in the definition of "Ordinary Shares" in Article 2(1) of the articles and substituting therefor the amount of "HK$0.2".

SHAREHOLDERS' RIGHTS

1. Procedures for Shareholders to convene an EGM:

- An annual general meeting of the Company ("AGM") shall be held in each year.
- Each general meeting, other than AGM, shall be called an extraordinary general meeting ("EGM").
- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.
- The requisition signed by the requisitionist(s) shall set out the matters for consideration at the meeting to be called. It shall be deposited at the principal office of the company located at Room 3503, 35/F., Tower Two, Lippo Centre, 89 Queensway, Hong Kong.
- In case of joint holdings, it would be sufficient if only one of the joint holders has signed the requisition.
- The requisition may consist of several documents in like form, each signed by one or more requisitionist(s).
- The requisition will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionist(s) concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.
- The EGM shall be held within two (2) months after the deposit of such requisition.
- If within twenty-one (21) days of such deposit the Board fails to proceed to convene the EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2. Procedures for Shareholders to make proposals at AGM:

There are no provisions allowing shareholders to make proposals or move resolutions at the AGM under the memorandum and articles of association or the companies laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may convene an EGM.

SHAREHOLDERS' RIGHTS *(Continued)*

3. Procedures for Shareholders to send enquiries to the Board:

Shareholders may send their enquiries to the Board by addressing them to the Company Secretary. The Company Secretary will forward the enquiries to the Board.

The contact details of the Company Secretary are as follows:

Address	:	Room 3503, 35/F., Tower Two, Lippo Centre, 89 Queensway, Hong Kong
Email	:	ir@jiuhaohealth.com
Tel	:	2522 1838 or 3690 2050
Fax	:	2521 9955 or 3690 2059

By Order of the Board

YUEN Hoi Po
Chairman

Hong Kong, 20 March 2013

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. YUEN Hoi Po

Mr. YUEN Hoi Po, aged 49, has been appointed as the Chairman and Executive Director in August 2010 and became a Chief Executive Officer of the Company in March 2012. He is also the chairman of each of Nomination Committee, Corporate Governance Committee, Executive Committee and Strategic Committee of the Company. He was redesignated as a member of Remuneration Committee of the Company in March 2012. Mr. YUEN is the sole member and sole director of Ming Bang Limited and Smart Concept Enterprise Limited which are substantial shareholders of the Company pursuant to Part XV of the Securities and Futures Ordinance and a director of two subsidiaries of the Company. Mr. YUEN currently serves as the member of the standing committee of the Beijing Youth Federation. Mr. YUEN has acquired extensive experiences in the commercial sector when he engaged in businesses, including trading, real estates, tourism and services, since 1990. In 2005, Mr. YUEN was appointed as senior vice-president of Beida Jade Bird Group, mainly responsible for managing the company's businesses in the real estates, cultural media sectors. At the same time, Mr. YUEN also participated in various tasks of the group, including assets restructuring and capital operations, with remarkable contributions. Given his outstanding records in the commercial field and strong personal influence over the society, Mr. YUEN has nominated as the members of the Beijing Youth Federation and its standing committee for many years.

VICE CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. ZHANG Changsheng

Mr. ZHANG Changsheng, aged 65, has joined the Board since 2008. Mr. ZHANG was redesigned as the Vice Chairman of the Company on 28 February 2013 and remains as an Executive Director. He is a member of Executive Committee and Strategic Committee. Mr. ZHANG has also been appointed as director of several subsidiaries of the Company. Mr. ZHANG has served as the Deputy General Manager of China Netcom Communications Group Corporation since 2003. Mr. ZHANG has also served as Senior Vice President since 2004, and General Counsel since 2005, of China Netcom Communications (Group) Limited Company. From 1995 to 2003, Mr. ZHANG Changsheng held the positions of Assistant Governor and Secretary General of the People's Government of Jiangsu Province. Prior to that, he served as deputy division chief, division chief, deputy director and director of the Ministry of Personnel of the People's Republic of China (the "PRC"), and director for Relocating and Arranging New Jobs for Retired Soldiers under the State Council of the PRC, respectively. In 1999, Mr. ZHANG took graduate course in Finance at Nanjing Institute. In 1981, he was graduated from the Department of Comprehensive Studies of the Military Academy of the PRC Liberation Army.

NON-EXECUTIVE DIRECTORS

Mr. Edward TIAN Suning

Mr. Edward TIAN Suning, aged 50, has been appointed as the Non-executive Director since 2008. Mr. TIAN is the sole director of CBC China Media Limited which is a substantial shareholder of the Company pursuant to Part XV of the Securities and Futures Ordinance. He also holds positions in various organizations, including Independent Director of MasterCard Incorporated, a company listed on The New York Stock Exchange; Independent Non-executive Director of Lenovo Group Limited, a company listed on The Stock Exchange of Hong Kong Limited; Director of AsiaInfo-Linkage Inc., a company listed on NASDAQ; Independent Non-executive Director of Taikang Life Insurance Company Limited; Member of Harvard Business School Asia Advisory Committee, etc. From 2002 to 2006, Mr. TIAN was the CEO and Vice Chairman of the Board of China Netcom Group, a company listed on The Stock Exchange of Hong Kong Limited and the New York Stock Exchange. In 1999, Mr. TIAN was invited to be in charge of the establishment of China Netcom Corporation ("CNC") and was the CEO and President of CNC. Before that Mr. TIAN co-founded AsiaInfo-Linkage Inc. (formerly known as AsiaInfo Holdings Inc.), which became the first Chinese high tech company listed on NASDAQ.

Mr. TIAN graduated from Texas Tech University with a Doctorate Degree in Resource Management.

Mr. Hugo SHONG

Mr. Hugo SHONG, aged 56, has been appointed as the Vice Chairman and Non-executive Director in December 2009 and resigned from being the Vice Chairman on 28 February 2013, but still remains as an Non-executive Director of the Company. Mr. SHONG has been the Founding General Partner of IDG Capital Partners since 1993, also of IDG-Accel China Growth Fund and IDG-Accel Capital Fund since 2005 and 2008 respectively.

In 1993, Mr. SHONG assisted IDG's Founder and Chairman Patrick J. McGovern to establish China's first technology venture fund with US$20 million. IDG Capital Partners is now managing a US$2.5 billion fund in China.

Mr. SHONG completed the Harvard Business School's Advanced Management Program in the fall of 1996. He conducted graduate studies at the Fletcher School of Law and Diplomacy during 1987–88 and earned his MS degree from Boston University's College of Communication in 1987. He graduated from the Graduate School of the Chinese Academy of Social Sciences in 1986 with a Journalism degree and he received a B.A. degree from Hunan University in 1982.

He has been a member of the Board of Trustees of Boston University since 2005.

Mr. SHONG is a chairman of China Finance Online Co., Limited, a company listed on NASDAQ and a non-executive director of Mei Ah Entertainment Group Limited, a company listed on The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor WEI Xin

Professor WEI Xin, aged 57, has been appointed as the Independent Non-executive Director in October 2010. He is a member of each of Audit Committee, Nomination Committee, Remuneration Committee and Corporate Governance Committee of the Company. Prof. WEI is the Chairman of Peking University Founder Group Company Limited, an executive director of Founder Holdings Company Limited, a company listed on The Stock Exchange of Hong Kong Limited, and a non-independent non-executive director of PUC Founder (MSC) Berhad, a company listed on the ACE market of the Bursa Malaysia Securities Berhad. Prof. WEI obtained a Doctor's degree of Business Administration from the Peking University. He is also the Executive Dean of College of Education at the Peking University.

Dr. WONG Yau Kar, David, BBS, J.P.

Dr. WONG Yau Kar, David, BBS, JP, aged 55, has been appointed as the Independent Non-executive Director since 2000. He is the chairman of Remuneration Committee of the Company and a member of each of Audit Committee and Nomination Committee of the Company. Dr. WONG holds a doctor's degree in economics from University of Chicago. Dr. WONG has extensive experience in direct investments and corporate finance. Currently, Dr. WONG is an independent non-executive director of each of China Wind Power Group Limited and Reorient Group Limited, and a non-executive director of CIAM Group Limited, all of them are listed on The Stock Exchange of Hong Kong Limited.

Mr. YUEN Kin

Mr. YUEN Kin, aged 58, has been appointed as the Independent Non-executive Director since 2004. He is the chairman of Audit Committee of the Company and a member of each of Remuneration Committee and Corporate Governance Committee of the Company. Mr. YUEN holds a Master of Business Administration degree from the University of Toronto, Canada. He is a Chartered Accountant in Canada, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

He is currently an Executive Director and Chief Financial Officer of Varitronix International Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. CHU Yuguo (appointed on 26 March 2012)

Mr. CHU Yuguo, aged 47, was appointed as the Independent Non-executive Director of the Company on 26 March 2012. He is a member of each of Nomination Committee and Corporate Governance Committee of the Company. Mr. CHU is a PhD fellowship of Peking University. He was the vice Chinese Communist Party Secretary of the Department of Computer Science & Technology of Peking University, deputy head and head of office of admission of Peking University Office of Educational Administration, head of asset management office of Peking University, and the chairman and general manager of Peking University Science Park. He is a director of Yuda, a director and the president of Beida Jade Bird, a director of Beida High Technology and Beijing Beida Jade Bird International Education Investment Management Co., Ltd., and the chairman of Beijing Science Park Culture Education Development Co., Ltd.. He resigned as chairman of Xishui Strong Year Co. Ltd., Inner Mongolia (an A share listed company in PRC), and chairman and non-executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (a company listed on The Stock Exchange of Hong Kong Limited) on 19 May 2012 and 20 June 2012 respectively.

SENIOR MANAGEMENT

Mr. HAU Wai Man, Raymond

Mr. HAU Wai Man, Raymond, aged 38, is the Chief Financial Officer, Qualified Accountant, Company Secretary and director of several subsidiaries of the Company. He is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. He held a MBA degree from The Hong Kong University of Science and Technology, and has over 10 years of experience in international accounting firms and corporates in Hong Kong and China before joining the Company in 2006.

The board of directors of the Company (the "Board") is pleased to submit its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Group is principally engaged in the health industry, media business and properties investment through joint ventures. Details of the principal activities of the Company's principal subsidiaries as at 31 December 2012 are set out in note 35 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 6 to the consolidated financial statements.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at an extraordinary general meeting on 28 February 2013, the Company changed its English name from "Media China Corporation Limited" to "China Jiuhao Health Industry Corporation Limited" and the adoption of the dual foreign name "中國9號健康產業有限公司" as its official Chinese name in replacement of "華億傳媒有限公司" on 28 February 2013. The new name has also been registered with the Registrar of Companies in Hong Kong on 12 March 2013. The Company's stock name changed from "MEDIACHINA CORP" to "JIUHAO HEALTH".

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 45 of this Annual Report.

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2012.

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 144 of this Annual Report.

DONATIONS

The Group has not made donations to non-profit organizations (2011: HK$4,000) during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purpose are set out below:

Property Name	Expiry Date	Property Gross Floor Area	Interest Held by the Group	Gross Floor Area Attributable to the Group	Use
	Year	m^2		m^2	
Various portions of Shenzhen Tian An International Building, Renmin South Road, Luohu District, Shenzhen, the PRC	2041	31,739	50%	15,869	Commercial and office

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 27 to the consolidated financial statements.

DIRECTORS

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

Mr. YUEN Hoi Po[1] *(Chairman)*
Mr. ZHANG Changsheng[1] *(Vice Chairman)*
Mr. Edward TIAN Suning[2]
Mr. Hugo SHONG[2]
Prof. WEI Xin[3]
Dr. WONG Yau Kar, David, BBS, JP[3]
Mr. YUEN Kin[3]
Mr. CHU Yuguo[3] (appointed on 26 March 2012)
Mr. WANG Hong[1] (resigned on 26 March 2012)

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

In accordance with Article 87(1) of the Company's Articles of Association, Mr. ZHANG Changsheng, Mr. YUEN Kin and Prof. WEI Xin shall retire from office by rotation at the forthcoming annual general meeting, and being eligible, offers themselves for re-election.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules during the year and considers that they are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and Senior Management as at the date of this report are set out on pages 25 to 28 of this Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST-PAID INDIVIDUALS

Particulars of the emoluments of the Directors and the five highest-paid individuals of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE OPTION SCHEMES

The share option scheme of the Company adopted on 30 July 2002 (the "2002 Share Option Scheme") was terminated and for replacement, a new share option scheme (the "2012 Share Option Scheme") was adopted by the shareholders of the Company at the extraordinary general meeting held on 4 June 2012. Upon termination of the 2002 Share Option Scheme, no further share options would be granted by the Company under the 2002 Share Option Scheme but the share options granted and not yet exercised thereunder would however remain valid and exercisable and are bound by the terms therein.

The purpose of the share option schemes of the Company is to attract and retain the best available personnel, to provide appropriate incentives or rewards to eligible participants for their contributions or potential contributions to the Group and to promote the success of the business of the Group. The eligible participants of the share option schemes as defined in the respective share option scheme including but not limited to directors of the Group, employees of the Group, suppliers of goods or services to the Group, customers of the Group, and shareholders of any member of the Group. The share option schemes became effective on the respective adoption date and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all options to be granted under the share option schemes and any options to be granted under any other share option schemes must not in aggregate exceed 10% of the aggregate of the shares in issue as at the adoption/refreshment date.

The maximum number of shares issuable under share options to each eligible participant under the share option schemes and any other schemes of the Group in any 12-month period, is limited to 1% of the issued shares of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

SHARE OPTION SCHEMES *(Continued)*

Each grant of options to a participant who is a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the share option schemes must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who or whose associate is the proposed grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted under the share option schemes (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the shareholders in general meeting.

A participant shall pay the Company HK$1.00 for the grant of an option on acceptance of an option offer within 21 days after the offer date. The option price will be determined by the board at its absolute discretion and notified to an option-holder. The minimum option price shall not be less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of the shares.

The total number of securities available for issue under share option schemes is as follows:

Share Option Schemes	**number of securities available for issue**	**% of total issued share capital of the Company at 31 December 2012**
2002 Share Option Scheme	27,625,165	1.08%
2012 Share Option Scheme	206,458,972	8.08%

SHARE OPTION SCHEMES *(Continued)*

Details of the share option movements under 2002 Option Scheme during the year were as follows:

				No. of share options							
Name or Category of Grantees	Date of grant	Exercise price per share (HK$)	(Adjusted) Exercise price per share (HK$) (Note 1)	Outstanding as at 1 January 2012	Adjusted during the year (Note 6)	Granted during the year	Cancelled during the year	Lapsed during the year	(Adjusted) Outstanding as at 31 December 2012 (Note 1)	% of total issued share capital of the Company	Note
Directors											
ZHANG Changsheng	5.5.2008	1.29	2.58	1,042,459	–	–	(1,042,459)	–	–	–	
	4.11.2008	0.43	0.86	2,084,918	–	–	(2,084,918)	–	–	–	
Edward TIAN Suning	5.5.2008	1.29	2.58	2,084,918	–	–	–	–	1,042,459	0.04	(2)
	4.11.2008	0.43	0.86	4,169,836	–	–	–	–	2,084,918	0.08	(2)
WONG Yau Kar, David	5.5.2008	1.29	2.58	1,042,459	–	–	(1,042,459)	–	–	–	
	4.11.2008	0.43	0.86	2,084,918	–	–	(2,084,918)	–	–	–	
YUEN Kin	5.5.2008	1.29	2.58	1,042,459	–	–	(1,042,459)	–	–	–	
	4.11.2008	0.43	0.86	2,084,918	–	–	(2,084,918)	–	–	–	
WANG Hong	4.11.2008	0.43	0.86	5,212,296	–	–	–	(5,212,296)	–	–	(5)
	7.3.2008	1.47	2.94	4,169,836	–	–	–	(4,169,836)	–	–	(5)
Continuous contract employee in aggregate	5.5.2008	1.29	2.58	6,254,756	–	–	–	(6,254,756)	–	–	
	7.3.2008	1.47	2.94	4,691,064	–	–	(1,563,688)	(3,127,376)	–	–	
	4.11.2008	0.43	0.86	19,280,439	–	–	(1,037,404)	(18,243,035)	–	–	
Others	7.3.2008	1.47	2.94	66,717,394	(6)	–	–	(66,717,388)	–	–	
	4.11.2008	0.43	0.86	48,995,589	(12)	–	–	–	24,497,788	0.96	(3)
Total for all categories				170,958,259	(18)	–	(11,983,223)	(103,724,687)	27,625,165		

SHARE OPTION SCHEMES *(Continued)*

Details of the share option movements under 2012 Option Scheme during the year were as follows:

Name or Category of Grantees	Date of grant	Exercise price per share (HK$)	(Adjusted) Exercise price per share (HK$) (Note 1)	No. of share options: Outstanding as at 1 January 2012	Granted during the year	Cancelled during the year	Lapsed during the year	(Adjusted) Exercised during the year (Note 1)	(Adjusted) Outstanding as at 31 December 2012 (Note 1)	% of total issued share capital of the Company	Note
Directors											
ZHANG Changsheng	15.6.2012	0.10	0.20	–	40,000,000	–	–	–	20,000,000	0.78	(7)
WEI Xin	15.6.2012	0.10	0.20	–	4,000,000	–	–	–	2,000,000	0.08	(7)
WONG Yau Kar, David	15.6.2012	0.10	0.20	–	4,000,000	–	–	–	2,000,000	0.08	(7)
YUEN Kin	15.6.2012	0.10	0.20	–	4,000,000	–	–	–	2,000,000	0.08	(7)
CHU Yuguo	15.6.2012	0.10	0.20	–	4,000,000	–	–	–	2,000,000	0.08	(7)
Continuous contract employee in aggregate	15.6.2012	0.10	0.20	–	42,000,000	–	–	(19,500,000)	1,500,000	0.06	(7)
Others	15.6.2012	0.10	0.20	–	95,000,000	–	–	–	47,500,000	1.86	(7)
Total for all categories				–	193,000,000	–	–	(19,500,000)	77,000,000		

Notes:

1. The exercise price and number of share option were adjusted due to the 2-for-1 share consolidation becoming effective on 24 August 2012.

2. These options can be fully exercised from 1 April 2009 to 31 December 2015.

3. These options can be fully exercised from 8 March 2009 to 31 December 2015.

4. During the year, no share options were exercised under 2002 Option Scheme.

5. Due to the resignation of Mr. WANG Hong in March 2012, all the share options granted to him were lapsed.

6. These figures have been adjusted due to the accumulated fractional share options arising from the open offer, the share consolidation and the rights issue.

7. These options can be fully exercised from 15 June 2012 to 14 June 2017.

8. The closing price of shares of the Company immediately before the date on which the share options granted was HK$0.16.

9. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised during the year was $0.442.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2012, calculated under the Companies Law (2011 Revision) (Cap. 22) of the Cayman Islands and the Company's Articles of Association, amounted in total to HK$651,794,000 (2011: HK$590,284,000), representing the share premium of HK$1,524,338,000 (2011: HK$1,457,483,000) less the accumulated losses of HK$872,544,000 (2011: HK$867,199,000). The Company may make distributions to its members out of the share premium in certain circumstances subject to the Articles of Association of the Company.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

For the year ended 31 December 2012, the Group's aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales, and the aggregate pruchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme of the Group are set out in note 2(s) to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected Transactions", no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2012, the interests and short positions of the Director and Chief Executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (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 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Long positions in ordinary shares and underlying shares of the Company:

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held under equity derivatives	Total	% of total issue share capital of the Company
YUEN Hoi Po	Interest of a controlled corporation	Corporate interest	589,492,607	3,500,000,000 (Note 1)	4,089,492,607 (Note 1)	160.12 (Note 2)
ZHANG Changsheng	Beneficial owner	Personal interest	—	20,000,000 (Note 4)	20,000,000	0.78
Edward TIAN Suning	Interest of a controlled corporation	Corporate interest & Personal interest	193,866,616 (Corporate)	3,127,377 (Note 4) (Personal)	196,993,993 (Note 3)	7.71
WEI Xin	Beneficial owner	Personal Interest	—	2,000,000 (Note 4)	2,000,000	0.08
WONG Yau Kar, David	Beneficial owner	Personal interest	—	2,000,000 (Note 4)	2,000,000	0.08
YUEN Kin	Beneficial owner	Personal interest	—	2,000,000 (Note 4)	2,000,000	0.08
CHU Yuguo	Beneficial owner	Personal interest	—	2,000,000 (Note 4)	2,000,000	0.08

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

Notes:

1. Mr. YUEN Hoi Po is deemed to be interested in 589,492,607 Shares held by his wholly-owned corporations namely, Ming Bang Limited and Rich Public Limited. Mr. YUEN is also deemed to be interested in 3,500,000,000 Shares which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the zero coupon convertible note in the amount of RMB569 million ("Convertible Note") held by Smart Concept Enterprise Limited which is a wholly-owned corporation of Mr. YUEN. The Convertible Note is underlying shares held under unlisted physically settled equity derivatives.

2. The figure is assuming full conversion of the Convertible Note. However, it is provided in the conditions of the Convertible Note that the relevant holder of the Convertible Note is only allowed to exercise the conversion rights only to the extent that (i) any conversion of the Convertible Note does not render the relevant holder of the Convertible Note who exercises the conversion rights and parties acting in concert with such holder to hold (whether directly or indirectly), together with any Shares already owned or agreed to be acquired by such holder of Convertible Note and parties acting in concert Shares representing 30% or more of the consequential enlarged issued ordinary share capital of the Company and (ii) any conversion of the Convertible Note will not lead to the public float being less than 25% of the consequential enlarged issued ordinary share capital of the Company at the date of the relevant exercise.

3. Mr. Edward TIAN Suning is deemed to be interested in 193,866,616 Shares held by CBC China Media Limited.

4. The number of underlying shares held under equity derivatives is the share options (being unlisted physically settled equity derivatives) granted by the Company, details of which are set out in paragraph headed "Share Option Schemes" of this report.

Save as disclosed above, as at 31 December 2012, none of the Directors, Chief Executives nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed under the section headed "Shares Option Schemes" above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporation.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2012, the interests and short positions of the following persons (other than Directors or Chief Executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company:

Name of Shareholder	Capacity	Nature of interests	Number of shares held	Number of underlying shares held under equity derivatives	Total	% of total issue share capital of the Company
Smart Concept Enterprise Limited	Beneficial owner	Beneficial interest	—	3,500,000,000 (Note a)	3,500,000,000	137.04 (Note a)
Rich Public Limited	Beneficial owner (Note b)	Beneficial interest	589,492,607	—	589,492,607	23.08
Ming Bang Limited	Interest of a controlled corporation (Note c)	Corporate interest	589,492,607	—	589,492,607	23.08
Sun Hung Kai Structured Finance Limited	Beneficial owner (Note d)	Beneficial interest	—	3,500,000,000	3,500,000,000	137.04
Sun Hung Kai & Co. Limited	Interest of a controlled corporation (Note d)	Corporate interest	—	3,500,000,000	3,500,000,000	137.04
Allied Properties (H.K.) Limited	Interest of a controlled corporation (Note d)	Corporate interest	—	3,500,000,000	3,500,000,000	137.04

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Name of Shareholder	Capacity	Nature of interests	Number of shares held	Number of underlying shares held under equity derivatives	Total	% of total issue share capital of the Company
Allied Group Limited	Interest of a controlled corporation (Note d)	Corporate interest	—	3,500,000,000	3,500,000,000	137.04
LEE Seng Hui	Interest of a controlled corporation (Note d)	Corporate interest	—	3,500,000,000	3,500,000,000	137.04
LEE Su Hwei	Interest of a controlled corporation (Note d)	Corporate interest	—	3,500,000,000	3,500,000,000	137.04
LEE Seng Huang	Interest of a controlled corporation (Note d)	Corporate interest	—	3,500,000,000	3,500,000,000	137.04
CBC China Media Limited	Beneficial owner (Note e)	Beneficial interest	193,866,616	—	193,866,616	7.59
HE Peng	Beneficial owner (Note f)	Beneficial interest	150,000,000	—	150,000,000	5.87

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Notes:

a. The number of underlying shares held under equity derivates is the Convertible Note (being unlisted physically settled equity derivatives) issued by the Company to Smart Concept Enterprise Limited. Smart Concept Enterprise Limited is interested in 3,500,000,000 Shares which fall to be allotted and issued by the Company following the exercise of the conversion rights attached to the Convertible Note. However, it is provided in the conditions of the Convertible Note that the relevant holder of the Convertible Note is only allowed to exercise the conversion rights only to the extent that (i) any conversion of the Convertible Note does not render the relevant holder of the Convertible Note who exercises the conversion rights and parties acting in concert with such holder to hold (whether directly or indirectly), together with any Shares already owned or agreed to be acquired by such holder of Convertible Note and parties acting in concert Shares representing 30% or more of the consequential enlarged issued ordinary share capital of the Company and (ii) any conversion of the Convertible Note will not lead to the public float being less than 25% of the consequential enlarged issued ordinary share capital of the Company at the date of the relevant exercise. Mr. YUEN Hoi Po, the Chairman and an Executive Director of the Company, is beneficially interested in the entire issued share capital of Smart Concept Enterprise Limited. He is also a director of Smart Concept Enterprise Limited.

b. Rich Public Limited is an investment holding company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned by Ming Bang Limited.

c. Ming Bang Limited is an investment holding company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned as to Mr. YUEN Hoi Po, the Chairman and an Executive Director of the Company. Mr. YUEN is also a director of Ming Bang Limited.

d. Sun Hung Kai Structured Finance Limited is a wholly-owned subsidiary of Sun Hung Kai Financial Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, which in turn is a non wholly-owned subsidiary of Allied Properties (H.K.) Limited. Allied Properties (H.K.) Limited is a non wholly-owned subsidiary of Allied Group Limited in which Mr. LEE Seng Hui, Ms. LEE Su Hwei and Mr. LEE Seng Huang are the trustees of the Lee and Lee Trust, having 64.99% interest in Allied Group Limited as at 3 December 2012. Accordingly, they are deemed to have the same long position as Sun Hung Kai Structured Finance Limited.

e. CBC China Media Limited is an investment holding company incorporated in the British Virgin Islands. Mr. Edward TIAN Suning is the Non-executive Director of the Company and the director of CBC China Media Limited.

f. Pursuant to the conditional sale and purchase agreement entered into between Mr. He Peng and Unique Talent Group Limited, a wholly owned subsidiary of the Company on 26 January 2011. The Company has issued 100,000,000 Shares to Mr. HE in 2011 and 50,000 additional Shares will be issued by the Company to Mr. HE upon fulfillment of the unconditional and irrevocable indemnity.

Save as disclosed above, as at 31 December 2012, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

CONNECTED TRANSACTIONS

On 25 May 2012, Unique Talent Group Limited, a wholly-owned subsidiary of the Company, and Smart Concept Enterprise Limited ("Smart Concept") entered into an acquisition agreement whereby the Group has agreed to acquire and Smart Concept has agreed to sell its 100% equity interest in Yuan Shun Investments Limited ("Yuan Shun"). Before the completion of acquisition, Yuan Shun group holding the development and operation rights of the land located at Beijing Chao Lai Football Activities Centre adjacent to Bayhood No. 9 Club.

The consideration of the transaction was approximately HK$900 million, which is composed of:

(i) HK$50 million cash;

(ii) promissory note with principal amount of HK$150 million; and

(iii) convertible note with principal amount of RMB569 million (equivalent to approximately HK$700 million).

Smart Concept is a wholly-owned company of Mr. YUEN Hoi Po, who is a Director and a substantial shareholder of the Company. Accordingly, Smart Concept is a connected person of the Company by way of being an associate of Mr. YUEN.

RELATED PARTY TRANSACTIONS

Details of the transactions carried out with related parties are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares as at 20 March 2013.

CORPORATE GOVERNANCE

A separate corporate governance report prepared by the Board on its corporate governance practices is set out on pages 12 to 24 of this Annual Report.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

OTHER CHANGES IN DIRECTORS' INFORMATION

Other changes in Directors' information since the date of 2012 Interim Report are set out below.

1. Mr. Hugo SHONG resigned as Vice Chairman of the Company on 28 February 2012.

2. Mr. ZHANG Changsheng was redesignated as Vice Chairman of the Company on 28 February 2012.

3. The annual remuneration of Mr. ZHANG Changsheng was revised to HK$1,620,000 with effect from 1 January 2013.

4. Dr. WONG Yau Kar, David was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2012.

5. Dr. WONG Yau Kar, David was appointed as an independent non-executive director of Reorient Group Limited on 31 December 2012.

Save as the information disclosed above, there is no change in Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

On behalf of the Board

YUEN Hoi Po
Chairman

Hong Kong, 20 March 2013

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF CHINA JIUHAO HEALTH INDUSTRY CORPORATION LIMITED
(FORMERLY KNOWN AS MEDIA CHINA CORPORATION LIMITED)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Jiuhao Health Industry Corporation Limited (formerly known as Media China Corporation Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 143, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	**2012 HK$'000**	2011 HK$'000 (Restated) (Note 2)
Sales	5	**165,068**	101,989
Cost of sales		**(62,770)**	(86,198)
Gross profit		**102,298**	15,791
Other income and other (losses)/gains, net	5	**(430)**	14,626
Marketing and selling expenses		**(559)**	(1,597)
Administrative expenses		**(93,728)**	(77,069)
Share of profit of joint ventures	17	**49,239**	40,207
		56,820	(8,042)
Finance costs			
Interest expense	7	**(24,256)**	(6,393)
Fair value loss on financial liabilities at fair value through profit or loss	7	**(63,520)**	—
Loss before taxation	8	**(30,956)**	(14,435)
Taxation	9	**(12,633)**	(3,524)
Loss for the year		**(43,589)**	(17,959)
Attributable to:			
Equity holders of the Company		**(43,589)**	(17,779)
Non-controlling interests		**—**	(180)
		(43,589)	(17,959)
Loss per share attributable to the equity holders of the Company for the year		**HK Cents**	HK Cents (Restated) (Note 2)
Basic loss per share	11	**(1.92)**	(0.95)
Diluted loss per share	11	**(1.92)**	(0.95)
Dividend	12	**—**	—

The notes on pages 52 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000 (Restated) (Note 2)
Loss for the year	(43,589)	(17,959)
Other comprehensive income:		
— Currency translation differences	(4,808)	26,009
Other comprehensive (loss)/income for the year, net of tax	(4,808)	26,009
Total comprehensive (loss)/income for the year	(48,397)	8,050
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(48,397)	8,227
Non-controlling interests	—	(177)
	(48,397)	8,050

The notes on pages 52 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Notes	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated) (Note 2)	As at 1 January 2011 HK$'000 (Restated) (Note 2)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**318,117**	339,206	2,149
Intangible assets	15	**1,646,999**	468,446	71,059
Interests in joint ventures	17	**377,924**	328,697	264,430
Amounts due from a joint venture	17	**—**	—	259,236
Deferred tax assets	9	**22,262**	25,882	18,737
Prepayments	22	**25,185**	—	—
		2,390,487	1,162,231	615,611
CURRENT ASSETS				
Exclusive advertising agency right	15	**—**	18,503	51,121
Trade receivables	19	**13,475**	15,150	1,416
Inventories	20	**19,171**	15,527	—
Amounts due from joint ventures and its subsidiaries	17	**365,600**	383,734	106,272
Financial assets at fair value through profit or loss	21	**11,600**	14,600	28,000
Prepayments, deposits and other receivables	22	**45,896**	76,088	41,932
Cash and cash equivalents	23	**179,527**	108,216	162,115
		635,269	631,818	390,856
Assets of disposal group held for sale		**—**	—	118,347
		635,269	631,818	509,203
CURRENT LIABILITIES				
Agency fee payables		**97,605**	97,623	93,008
Trade payables	24	**3,878**	5,392	—
Receipt in advance, other payables and accrued liabilities	24	**160,330**	153,432	57,162
Amount due to a joint venture	18	**33,249**	33,255	31,683
Deferred revenue	25	**36,322**	75,383	—
Current income tax liabilities		**86,593**	77,125	13,092
		417,977	442,210	194,945
Liabilities of disposal group held for sale		**—**	—	36,347
		417,977	442,210	231,292
NET CURRENT ASSETS		**217,292**	189,608	277,911
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,607,779**	1,351,839	893,522

	Notes	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated) (Note 2)	As at 1 January 2011 HK$'000 (Restated) (Note 2)
NON-CURRENT LIABILITIES				
Convertible notes	26	**491,587**	—	—
Promissory notes	26	**104,170**	—	—
Other payables	24	**3,335**	24,860	—
Deferred revenue	25	**75,005**	56,509	—
Deferred tax liabilities	9	**336,785**	94,316	—
		1,010,882	175,685	—
NET ASSETS		**1,596,897**	1,176,154	893,522
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	27	**510,818**	451,918	287,945
Reserves	28	**1,086,079**	724,236	604,851
		1,596,897	1,176,154	892,796
Non-controlling interests	28	**—**	—	726
TOTAL EQUITY		**1,596,897**	1,176,154	893,522

The financial statements on pages 45 to 143 were approved by the Board of Directors on 20 March 2013 and were signed on its behalf.

YUEN Hoi Po
Director

ZHANG Chang Sheng
Director

The notes on pages 52 to 143 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	16	**2,008,624**	1,146,906
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	**265**	15
Cash and cash equivalents	23	**17,477**	7,693
		17,742	7,708
CURRENT LIABILITIES			
Other payables and accrued liabilities	24	**16,158**	17,043
NET CURRENT ASSETS/(LIABILITIES)		**1,584**	(9,335)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,010,208**	1,137,571
NON-CURRENT LIABILITY			
Convertible notes	26	**491,587**	–
NET ASSETS		**1,518,621**	1,137,571
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	**510,818**	451,918
Reserves	28	**1,007,803**	685,653
TOTAL EQUITY		**1,518,621**	1,137,571

The financial statements on pages 45 to 143 were approved by the Board of Directors on 20 March 2013 and were signed on its behalf.

YUEN Hoi Po	**ZHANG Chang Sheng**
Director	*Director*

The notes on pages 52 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated) (Note 2)
Cash flows from operating activities			
Cash generated from/(used in) operations	29	43,118	(16,711)
Income tax paid		(2,380)	(2,079)
Net cash generated from/(used in) operating activities		40,738	(18,790)
Cash flows from investing activities			
Interest received		220	555
Purchases of property, plant and equipment		(3,442)	(4,312)
Acquisition of subsidiaries — net of cash acquired	30	(49,609)	(276,754)
Disposal of subsidiaries	30	—	82,017
Purchases of intangible assets		(8,423)	(64,274)
Disposals of property, plant and equipment		742	16
Disposals of intangible assets		65,863	34,905
Deposits refunded for lapsed proposed disposal		—	(40,000)
Net cash generated from/(used in) investing activities		5,351	(267,847)
Cash flows from financing activities			
Proceeds from issuance of shares on exercise of share options		3,900	—
Proceeds from issuance of warrants and issuance of shares upon exercise of warrants		57,350	—
Proceeds from issuance of shares on rights issue and placements — net of expenses		—	251,067
Repayment of promissory notes		(37,279)	—
Net cash generated from financing activities		23,971	251,067
Net increase/(decrease) in cash and cash equivalents		70,060	(35,570)
Cash and cash equivalents at 1 January	23	108,216	162,115
Exchange gains/(losses) on cash and cash equivalents		1,251	(18,329)
Cash and cash equivalents at 31 December	23	179,527	108,216

The notes on pages 52 to 143 are an integral part of these consolidated financial statements.

	Attributable to equity holders of the Company				
	Share capital HK$'000	**Other reserves** HK$'000 (Restated) (Note 2)	**Accumulated losses** HK$'000	**Non-controlling interests** HK$'000 (Restated) (Note 2)	**Total equity** HK$'000 (Restated) (Note 2)
Balance at 1 January 2011 (Previously stated)	287,945	2,359,123	(1,754,272)	837	893,633
Effect at adoption of HKFRS 11	—	—	—	(111)	(111)
Balance at 1 January 2011 (Restated)	287,945	2,359,123	(1,754,272)	726	893,522
Comprehensive income:					
— Loss for the year	—	—	(17,779)	(180)	(17,959)
Other comprehensive income:					
— Currency translation differences	—	26,006	—	3	26,009
Issuance of shares upon rights issue	143,973	107,094	—	—	251,067
Issuance of shares upon acquisition of subsidiaries	20,000	7,800	—	—	27,800
Share-based payments	—	255	—	—	255
Disposal of subsidiaries	—	(3,506)	(485)	(549)	(4,540)
Balance at 31 December 2011	451,918	2,496,772	(1,772,536)	—	1,176,154
Balance at 1 January 2012 (Previously stated)	**451,918**	**2,496,772**	**(1,772,536)**	**457**	**1,176,611**
Effect at adoption of HKFRS 11	**—**	**—**	**—**	**(457)**	**(457)**
Balance at 1 January 2012 (Restated)	**451,918**	**2,496,772**	**(1,772,536)**	**—**	**1,176,154**
Comprehensive income:					
— Loss for the year	**—**	**—**	**(43,589)**	**—**	**(43,589)**
Other comprehensive income:					
— Currency translation differences	**—**	**(4,808)**	**—**	**—**	**(4,808)**
Issuance of convertible notes	**—**	**337,971**	**—**	**—**	**337,971**
Issuance of shares upon exercise of share options	**3,900**	**—**	**—**	**—**	**3,900**
Issuance of shares upon exercise of warrants	**55,000**	**65,870**	**—**	**—**	**120,870**
Share-based payments	**—**	**6,399**	**—**	**—**	**6,399**
Lapse of share options	**—**	**(82,745)**	**82,745**	**—**	**—**
Balance at 31 December 2012	**510,818**	**2,819,459**	**(1,733,380)**	**—**	**1,596,897**

The notes on pages 52 to 143 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

China Jiuhao Health Industry Corporation Limited (formerly known as "Media China Corporation Limited") (the "Company") and its subsidiaries (together, the "Group") is principally engaged in the health industry, media business and properties investment through joint ventures. The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 May 2002 under the Company Law (2002 Revision) (Cap. 22) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. On 12 March 2013, the registered name of the Company is changed from Media China Corporation Limited to China Jiuhao Health Industry Corporation Limited.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in thousand Hong Kong dollars (HK$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 20 March 2013.

2 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and investment properties held by a joint venture, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The Group has restated the comparative figures on the loss per share. The restatement is to account for the impact of the share consolidation (Note 27) on the weighted average number of ordinary shares in issue for the purpose of calculating the basic and diluted loss per share for the year ended 31 December 2011. As a result of the share consolidation, the weighted average number of ordinary shares for the year ended 31 December 2011 has decreased from 3,734,649,310 shares to 1,867,324,655 shares, and hence, the basic and diluted loss per share has been restated from HK cents 0.48 per share to HK cents 0.95 per share for the year ended 31 December 2011.

Changes in accounting policy and disclosures:

(i) New and amended standards effective in 2012 adopted by the Group

The Group has adopted the following new, revised and amended standards and interpretations to existing standards ("new HKFRS") that have been issued and are effective for the Group's accounting year beginning on 1 January 2012:

- HKAS 12 (Amendment) Deferred tax: Recovery of underlying assets
- HKFRS 1 (Amendment) Severe hyperinflation and removal of fixed dates for first-time adopters
- HKFRS 7 (Amendment) Disclosures — Transfer of financial assets

The adoption of the above new HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

(ii) New and amended standards that are not effective in 2012 but have been early adopted by the Group

- HKAS 27 (2011) Separate financial statements
- HKAS 28 (2011) Investment in associates and joint ventures
- HKFRS 10 Consolidated financial statements
- HKFRS 11 Joint arrangements
- HKFRS 12 Disclosures of interests in other entities

Prior to year ended 31 December 2012, the Group's interests in jointly controlled entities were proportionally consolidated. Early adoption of HKFRS 11, "Joint arrangements" in 2012 resulted in change of accounting policy for interests in joint ventures from proportional consolidation to equity method of accounting. Details of the effect of the changes are shown in note 2(b).

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) New and amended standards that are not effective in 2012 but have been early adopted by the Group *(Continued)*

The Group has applied the above standards retrospectively. Save as disclosure in note 2(b), the above standards did not result in significant change to the Group's consolidated financial statements.

(iii) New and amended standards that are not effective in 2012 and have not been early adopted by the Group

The following new, revised and amended standards and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group:

HKAS 1 (Revised) (Amendment)	Presentation of financial statements — Presentation of items of other comprehensive income
HKAS 19 (2011)	Employee benefits
HKAS 32 (Amendment)	Financial instruments: presentation — Offsetting financial assets and financial liabilities
HKFRS 1 (Amendment)	First-time adoption of HKFRSs — Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
HKFRS 9	Financial instruments
HKFRS 13	Fair value measurement
HKFRSs (Amendment)	Annual improvements 2009–2011 cycle
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine

The Group has commenced an assessment of the impact of these new, amended and revised HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

(b) Group accounting

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(ii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(ii) Subsidiaries (Continued)

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Unrealized gains or losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Business combinations

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

If the business combination is achieved in stages, the carrying value of acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the aggregate of the consideration transferred and the fair value of non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and non-controlling interest recognized is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(iv) Changes in ownership interests in subsidiaries without change of control

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

(v) Disposal of subsidiaries

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

(vi) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment, which excludes acquisition-related expenses. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

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

(vii) Associated company

The Group has an associated company held by a joint venture.

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

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(vii) Associated company (Continued)

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to investor's income statement where appropriate.

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

The Group determines at each reporting date whether there is any objective evidence that the interest in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognizes the amount in the consolidated income statement as part of share of profit from joint ventures.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associated company. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in interest in an associated company are recognized in the consolidated income statement.

(viii) Joint arrangements

Prior to year ended 31 December 2012, the Group's interests in jointly controlled entities were proportionately consolidated.

Early adoption of HKFRS 11, "Joint arrangements", in 2012 resulted in the change of accounting policy for its interests in joint arrangements. The Group also adopted HKFRS 10, "Consolidated financial statements", HKFRS 12, "Disclosure of interests in other entities", and consequential amendments to HKAS 28, "Investments in associates and joint ventures" and HKAS 27, "Separate financial statements", at the same time.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(viii) Joint arrangements *(Continued)*

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

The Group has applied the new policy for interests in joint ventures in accordance with the transition provisions of HKFRS 11. The Group recognized its investment in joint ventures at the beginning of the earliest period presented (1 January 2011), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's interests in joint ventures for applying equity accounting.

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

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied retrospectively. There is no impact on the net assets of the periods presented.

The effects of the change in accounting policies on the financial position, comprehensive income and the cash flows of the Group at 1 January 2011 and 31 December 2011 are summarized below. The change in accounting policy has had no impact on loss per share.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(viii) Joint arrangements *(Continued)*

Impact of change in accounting policy on the consolidated income statement

	For the year ended 31 December 2011 HK$'000 (Previously stated)	**Change in accounting policy** HK$'000	**For the year ended 31 December 2011** HK$'000 (Restated)
Sales	125,224	(23,235)	101,989
Cost of sales	(94,226)	8,028	(86,198)
Gross profit	30,998	(15,207)	15,791
Other income and other (losses)/gains, net	49,480	(34,854)	14,626
Marketing and selling expenses	(2,430)	833	(1,597)
Administrative expenses (including provision for impairment of intangible assets)	(87,346)	10,277	(77,069)
Share of profit of an associated company	9,754	(9,754)	—
Share of profit of joint ventures	—	40,207	40,207
	456	(8,498)	(8,042)
Finance costs	(6,393)	—	(6,393)
Loss before taxation	(5,937)	(8,498)	(14,435)
Taxation	(11,690)	8,166	(3,524)
Loss for the year	(17,627)	(332)	(17,959)
Attributable to:			
Equity holders of the Company	(17,779)	—	(17,779)
Non-controlling interests	152	(332)	(180)
	(17,627)	(332)	(17,959)
	HK Cents (Restated) (Note 2)	HK Cents	HK Cents
Loss per share attributable to the equity holders of the Company for the year			
Basic loss per share	(0.95)	—	(0.95)
Diluted loss per share	(0.95)	—	(0.95)
Dividend	—	—	—

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(viii) Joint arrangements (Continued)

Impact of change in accounting policy on the consolidated statement of comprehensive income

	For the year ended 31 December 2011 HK$'000 (Previously stated)	Change in accounting policy HK$'000	For the year ended 31 December 2011 HK$'000 (Restated)
Loss for the year	(17,627)	(332)	(17,959)
Other comprehensive income:			
— Currency translation differences	26,023	(14)	26,009
Other comprehensive income/(loss) for the year, net of tax	26,023	(14)	26,009
Total comprehensive income/(loss) for the year	8,396	(346)	8,050
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	8,227	—	8,227
Non-controlling interests	169	(346)	(177)
	8,396	(346)	8,050

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

***(viii) Joint arrangements** (Continued)*

Impact of change in accounting policy on consolidated balance sheet

	As at 31 December 2011 HK$'000 (Previously stated)	Change in accounting policy HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 January 2011 HK$'000 (Previously stated)	Change in accounting policy HK$'000	As at 1 January 2011 HK$'000 (Restated)
NON-CURRENT ASSETS						
Property, plant and equipment	340,655	(1,449)	339,206	3,730	(1,581)	2,149
Intangible assets	520,586	(52,140)	468,446	114,670	(43,611)	71,059
Investment properties	414,395	(414,395)	—	359,890	(359,890)	—
Interest in an associated company	292,330	(292,330)	—	268,986	(268,986)	—
Interests in joint ventures	—	328,697	328,697	—	264,430	264,430
Amounts due from a joint venture	—	—	—	64,809	194,427	259,236
Deferred tax assets	25,882	—	25,882	18,737	—	18,737
Other non-current assets	1,644	(1,644)	—	1,741	(1,741)	—
	1,595,492	(433,261)	1,162,231	832,563	(216,952)	615,611
CURRENT ASSETS						
Exclusive advertising agency right	18,503	—	18,503	51,121	—	51,121
Trade receivables	18,018	(2,868)	15,150	22,474	(21,058)	1,416
Inventories	15,527	—	15,527	—	—	—
Amounts due from joint ventures and its subsidiaries	96,121	287,613	383,734	26,747	79,525	106,272
Financial assets at fair value through profit or loss	14,600	—	14,600	28,000	—	28,000
Prepayments, deposits and other receivables	74,425	1,663	76,088	36,849	5,083	41,932
Cash and cash equivalents	200,606	(92,390)	108,216	236,678	(74,563)	162,115
	437,800	194,018	631,818	401,869	(11,013)	390,856
Assets of disposal group held for sale	—	—	—	118,347	—	118,347
	437,800	194,018	631,818	520,216	(11,013)	509,203

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(viii) Joint arrangements *(Continued)*

Impact of change in accounting policy on balance sheet (Continued)

	As at 31 December 2011 HK$'000 (Previously stated)	Change in accounting policy HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 January 2011 HK$'000 (Previously stated)	Change in accounting policy HK$'000	As at 1 January 2011 HK$'000 (Restated)
CURRENT LIABILITIES						
Agency fee payables	143,265	(45,642)	97,623	136,492	(43,484)	93,008
Trade payables	7,170	(1,778)	5,392	2,383	(2,383)	—
Receipt in advance, other payables and accrued liabilities	253,073	(99,641)	153,432	159,413	(102,251)	57,162
Amount due to an associated company	35,105	(35,105)	—	32,848	(32,848)	—
Amount due to a joint venture	—	33,255	33,255	—	31,683	31,683
Deferred revenue	75,383	—	75,383	—	—	—
Current income tax liabilities	79,998	(2,873)	77,125	17,533	(4,441)	13,092
	593,994	(151,784)	442,210	348,669	(153,724)	194,945
Liabilities of disposal group held for sale	—	—	—	36,347	—	36,347
	593,994	(151,784)	442,210	385,016	(153,724)	231,292
NET CURRENT (LIABILITIES)/ASSETS	(156,194)	345,802	189,608	135,200	142,711	277,911
TOTAL ASSETS LESS CURRENT LIABILITIES	1,439,298	(87,459)	1,351,839	967,763	(74,241)	893,522

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

***(viii) Joint arrangements** (Continued)*

Impact of change in accounting policy on balance sheet (Continued)

	As at 31 December 2011 HK$'000 (Previously stated)	Change in accounting policy HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 January 2011 HK$'000 (Previously stated)	Change in accounting policy HK$'000	As at 1 January 2011 HK$'000 (Restated)
NON-CURRENT LIABILITIES						
Other payables	24,860	—	24,860	—	—	—
Deferred revenue	56,509	—	56,509	—	—	—
Deferred tax liabilities	181,318	(87,002)	94,316	74,130	(74,130)	—
	262,687	(87,002)	175,685	74,130	(74,130)	—
NET ASSETS	1,176,611	(457)	1,176,154	893,633	(111)	893,522
EQUITY						
Capital and reserves attributable to the equity holders of the Company						
Share capital	451,918	—	451,918	287,945	—	287,945
Reserves	724,236	—	724,236	604,851	—	604,851
	1,176,154	—	1,176,154	892,796	—	892,796
Non-controlling interests	457	(457)	—	837	(111)	726
TOTAL EQUITY	1,176,611	(457)	1,176,154	893,633	(111)	893,522

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(viii) Joint arrangements (Continued)

Impact of change in accounting policy on the statement of cash flows

	For period ended 31 December 2011 HK$'000 (Previously stated)	Change in accounting policy HK$'000	For period ended 31 December 2011 HK$'000 (Restated)
Cash flows from operating activities			
Cash used in operations	(2,544)	(14,167)	(16,711)
Income tax paid	(4,154)	2,075	(2,079)
Net cash used in operating activities	(6,698)	(12,092)	(18,790)
Cash flows from investing activities			
Interest received	1,016	(461)	555
Purchases of property, plant and equipment	(4,336)	24	(4,312)
Acquisition of subsidiaries — net of cash acquired	(276,754)	—	(276,754)
Disposal of subsidiaries	82,017	—	82,017
Purchases of intangible assets	(64,274)	—	(64,274)
Disposals of property, plant and equipment	283	(267)	16
Disposals of intangible assets	34,905	—	34,905
Deposits refunded for lapsed proposed disposal	(40,000)	—	(40,000)
Net cash used in investing activities	(267,143)	(704)	(267,847)
Cash flows from financing activities			
Proceeds from issuance of shares on rights issue and placements — net of expenses	251,067	—	251,067
Net cash generated from financing activities	251,067	—	251,067
Net decrease in cash and cash equivalents	(22,774)	(12,796)	(35,570)
Cash and cash equivalents at 1 January	236,678	(74,563)	162,115
Exchange losses on cash and cash equivalents	(13,298)	(5,031)	(18,329)
Cash and cash equivalents at 31 December	200,606	(92,390)	108,216

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using Renminbi ("RMB"), the currency of the primary economic environment in which the entity operates ("the functional currency"). As the Company is listed on the Main Board of the Stock Exchanges of Hong Kong, the directors considers that it will be more appropriate to adopt Hong Kong dollar as the Group's and the Company's presentation currency. Accordingly, the consolidated financial statements are presented in Hong Kong dollars ("HK$").

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iv) Disposal of foreign operation and partial disposal

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

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interests in joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

(d) Investment properties

The Group held investment properties through a joint venture.

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement of a joint venture as part of share of profit of joint venture.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment, comprising leasehold land and buildings, plant, equipment and other assets are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Golf courses	30 years
Buildings	20–30 years
Leasehold improvements	5 years
Furniture, computer and equipment	3–5 years
Machinery and equipment	5–10 years
Motor vehicles	4–5 years

Construction in progress is stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the construction and consultancy fee.

No depreciation is provided on construction in progress since they are not ready for use. On completion, the costs are transferred to the appropriate property, plant and equipment.

Major costs in restoring property, plant and equipment to their normal working conditions are charged to the consolidated income statement. Improvements are capitalized and depreciated over their expected useful lives to the Group.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(x)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets

(i) Goodwill

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

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

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

(ii) Exclusive advertising agency rights

Exclusive advertising agency rights comprise the rights to sell the advertising resources of television channels in the People's Republic of China (the "PRC") on a sole agency basis. The Group is contracted to make pre-agreed periodic payments during the sole agency period.

The cost of the exclusive advertising agency rights represents net present value of those pre-agreed periodic payments to be made during the sole agency period, and those pre-agreed periodic payments constitute a contractual obligation to deliver cash or other monetary assets and hence are considered to be a financial liability. The exclusive advertising agency rights are amortized on a straight-line basis from the effective date of the right over the sole agency period and are stated at cost net of accumulated amortization and impairment losses, if any. Interest accreted on the present value of pre-agreed periodic payments is charged to the consolidated income statement within finance costs.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets *(Continued)*

(iii) Programmes and film rights

Programmes and films rights acquired from outsiders are stated at acquisition costs plus film enhancement costs less accumulated amortization and impairment losses, if any.

Self-produced programmes and films products are completed programmes and films produced and are stated at the lower of cost and net realizable value. Cost of programmes and film products, accounted for on a programme-by-programme or film-by-film basis, includes production costs, cost of services, direct labour costs, facilities and raw materials consumed in the creation of a programme or a film.

The costs of programmes and film rights are charged to the consolidated income statement proportionately to the estimated projected revenues over their expected economic beneficial period. Additional amortization will be charged if estimated projected revenues adversely differ from the previous estimation. Estimated projected revenues will be reviewed on a programme-by-programme or film-by-film basis at a regular interval.

When programmes and film rights are sold, carrying amount of those programmes and film rights is recognized as an expense in the year in which the related revenue is recognized. The amount of any write-down of programmes and film rights to net realizable value and all losses of programmes and film rights are recognized as an expense in the year the write-down or loss occurs.

At each balance sheet date, both internal and external market information is considered to assess whether there is any indication that assets included in programmes and film rights are impaired. If any such indication exists, the carrying amount of such assets is assessed and where relevant, an impairment loss is recognized in the consolidated income statement.

(iv) Programmes and films production in progress

Programmes and films production in progress are accounted for on a programme-by-programme or film-by-film basis and are stated at cost less accumulated impairment losses, if any. Cost of programmes or films production in progress includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a programme or a film. Upon completion, these programmes and films under production are reclassified as programmes and film rights.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets *(Continued)*

(v) Cooperation Construction and Operating Agreements

Cooperation Construction and Operating Agreements represent the rights (i) to construct and operate the club facilities of "Bayhood No. 9 Club" up to 31 December 2051; and (ii) to develop and operate a piece of 580-acre land adjacent to "Bayhood No. 9 Club" up to 31 May 2048. The cost of the Cooperation Construction and Operating Agreements represents of fair value of such asset as at the completion of the relevant business combination, and is amortized on a straight-line basis until the expiry of the relevant agreement. The Cooperation Construction and Operating Agreements are stated at cost net of accumulated amortization and impairment losses, if any.

(g) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probably.

(h) Financial assets

Classification

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

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

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

(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. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "amounts due from joint venture", "trade and other receivables", "amounts due from a joint venture and its subsidiaries" and "cash and cash equivalents" in the consolidated balance sheet.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Financial assets *(Continued)*

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other income and other gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of "other income and other gains, net" when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing on loans and receivable are described in note 2(j).

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default of delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated income statement.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks.

(l) Share capital

Ordinary shares and preference shares are classified as equity.

Preference shares are classified as equity as there is no contractual right to convert the preference shares to any outflow of liability on the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Costs directly attributable to the repurchase of issued ordinary shares are shown in equity as a deduction and the nominal value of the shares repurchased is transferred from the retained earnings to the capital redemption reserve.

(m) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders, or directors where appropriate.

(n) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Borrowings

Borrowings, comprise a convertible note and promissory note, are recognized initially at fair value, net of transaction costs incurred. Promissory note is subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the promissory note using the effective interest method.

During the year, the Group has issued convertible note that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of the convertible note is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the convertible note as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible note is measured at amortized cost using the effective interest method. The equity component of a convertible note is not re-measured subsequent to initial recognition.

The promissory note and liability component of the convertible note 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 end of the reporting period.

(p) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to item recognised in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and an associated company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Current and deferred income tax *(Continued)*

(ii) Deferred income tax

Inside basis difference

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and an associated company, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

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

(q) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Provisions *(Continued)*

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

(r) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits with flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(1) Advertising income is recognized when services are rendered and revenue can be reliably measured. When services are exchanged or swapped for services which are of a similar nature and value, the exchange is not regarded as a revenue-generating transaction. When services are rendered in exchange for dissimilar services, the exchange is regarded as a revenue-generating transaction. The revenue is measured at the fair value of the services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided in a barter transaction, by reference to non-barter transaction involving similar services, adjusted by the amount of any cash or cash equivalents transferred. This advertising income is reported under Media segment.

(2) Revenue from the sale of television programmes and film rights recorded in an associated company of a joint venture is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the television programmes and film rights are delivered to customers and the title has passed or rights have been assigned. This revenue from the sale of television programmes and film rights is reported under Media segment.

Income from licensing and sub-licensing of television programmes and film rights is recognized upon the delivery of the pre-recorded audio visual products and the materials for video features to the customers, in accordance with the terms of the underlying contracts. In case where income from licensing and sub-licensing of film rights is contingent to the receipt of revenue from the box offices, income is only recognized when it is probable that the licensing fee will be received, which is normally when the event has occurred. This income from licensing and sub-licensing of television programmes and film rights is reported under Media segment.

(3) Rental and management fee income from investment property held by a joint venture is recognized in the "Share of profit of joint ventures" in the consolidated income statement on a straight-line basis over the term of the lease. These rental and management fee income are reported under Properties investment segment.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition *(Continued)*

(4) Food and beverage income and club activities income are accounted for when the services are rendered. Members' annual fees are recognized on a straight-line basis over the subscription period. Membership entrance fees represent non-refundable upfront registration fee for lifetime entitlement by members for using the golf facilities and enjoying certain privileges in other facilities in the club and are recognized on a reducing balance method for which the membership is granted and the reducing rate is based upon historical usage pattern of existing members. The portion of membership entrance fees which relates to services not yet rendered as at year end is included in the financial information as deferred revenue. Such food and beverage income and club activities income are reported under Health industry segment.

(5) Interest income is recognized on a time proportion basis using the effective interest method.

(6) Dividend income is recognized when the right to receive payment is established.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave, maternity and other non-accumulating compensated absences are not recognized until the time of leave.

(ii) Retirement benefit costs

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they became payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independent administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(ii) Retirement benefit costs *(Continued)*

The Company's subsidiaries in the PRC except Hong Kong are members of the state-managed retirement benefits scheme operated by the government of the PRC except Hong Kong. The retirement scheme contributions, which are based on a certain percentage of the salaries of the subsidiaries' employees, are charged to the consolidated income statement in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

For both retirement benefits schemes, the Group has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to terminate the employment of current employees without possibility of withdrawal. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(t) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Share-based payments *(Continued)*

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expenses during the period between service commencement period and grant date. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(u) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

(v) Operating leases

Leases where substantially a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(w) Segment reporting

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

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(x) Impairment of non-financial assets

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

3 FINANCIAL RISK MANAGEMENT

(i) Financial risk factors

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk, foreign exchange risk, price risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Cash flow and fair value interest rate risk

The Group has cash balances placed with reputable banks, which generate interest income for the Group.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for financial assets and liabilities that represent the major floating interest-bearing positions.

Based on the simulations performed on cash balances placed with banks carried at floating interest rate, if the interest rate increased/decreased by 60 basis-point with all other variables held constant, loss attributable to the equity holders of the Company for the year ended 31 December 2012 would decrease/increase by HK$1,077,000 (2011: HK$649,000).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(b) *Credit risk*

The Group has no significant concentrations of credit risk. The carrying amounts of bank balances, trade receivable and prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies that limit the amount of credit exposure to any financial institutions. The Group has also policies in place to ensure that the sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers.

The credit risk on bank balances is limited because the counterparties are financial institutions with good credit standing.

Other than concentration of credit risk on bank balances, which are deposited with several banks with good credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

(c) *Foreign exchange risk*

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from Renminbi currency exposures, primarily with respect to the HK dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure but manages through constant monitoring to limit as much as possible its net exposures.

The Group had certain investments in foreign operations in Renminbi, whose net assets were exposed to foreign currency translation risk. Fluctuation in such currencies would be reflected in the movement of the translation reserve.

As at 31 December 2012, if Renminbi had strengthened/weakened by 5% against Hong Kong dollars with all other variables held constant, the loss for the year and accumulated losses would decrease/increase by HK$20,554,000 (2011: loss decrease/increase by HK$25,103,000), mainly as a result of foreign exchange gains/losses on translation of Renminbi dominated loans advance to subsidiaries.

The Group had no material foreign currency exposure on the net monetary position of each group entity against its respective functional currency.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(d) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and bank balances.

Due to the dynamic nature of the Group's underlying businesses, the Group monitors the current and expected liquidity requirements and maintains flexibility in funding by maintaining sufficient cash and cash equivalent to meet operational needs and possible investment opportunities.

The table below analyzed the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows. Balances due within twelve months equaled their carrying balances, as the impact of discounting was not significant.

	Less than 1 year HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000
Group			
At 31 December 2012			
Agency fee payables	97,605	—	—
Trade payables, other payables and accrued liabilities	148,575	—	—
Amount due to a joint venture	33,249	—	—
At 31 December 2011 (Restated) (Note 2)			
Agency fee payables	97,623	—	—
Trade payables, other payables and accrued liabilities	159,123	—	—
Amount due to a joint venture	33,255	—	—
Company			
At 31 December 2012			
Other payables and accrued liabilities	16,158	—	—
At 31 December 2011			
Other payables and accrued liabilities	17,043	—	—

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(e) Price risk

Management considers that the Group is not subject to any significant price risk.

(ii) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors its capital structure on the basis of a total bank borrowings-to-total equity ratio. During the year, the Group's strategy was to maintain the total bank borrowings-to-total equity ratio below 10%. The total bank borrowings-to-total equity ratio at 31 December 2012 was 0% (2011: 0%).

(iii) Fair value estimation

The fair values of the Group's financial instruments are not materially different from their carrying values.

The fair values of financial instruments that are not traded in active market are made references to amounts as determined by discounted cash flow techniques.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The table below analysis financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 December 2012				
Financial assets at fair value through profit or loss				
— Listed equity securities	**11,600**	**—**	**—**	**—**
At 31 December 2011				
Financial assets at fair value through profit or loss				
— Listed equity securities	14,600	—	—	14,600

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily the listed equity investments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and judgements 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 addressed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with HKAS 36 "Impairment of Assets" ("HKAS 36"). The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell calculations. These calculations require the use of estimates. Had the revenue growth rate and terminal growth rate applied to the discounted cash flow been lower than the management's estimate, the goodwill might result in impairment. Details of the assumptions are described in note 15 to the consolidated financial statements.

(ii) Impairment of exclusive advertising agency rights

The exclusive advertising agency rights are reviewed for impairment whenever events or changes in circumstances in accordance with HKAS 36. The recoverable amounts have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates. In determining the fair value less costs to sell, expected cash flows generated by the rights are discounted to their present value, which requires significant judgement relating to the level of volume of air time being sold, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling price and operating costs. Had the actual cash flows generated by the rights been lower than the management's estimate, the exclusive advertising agency rights might result in impairment.

(iii) Amortization and impairment of programmes and film rights

Programmes and film rights are amortized based on estimated projected revenue over their expected economic beneficial periods, and additional amortization will be charged if estimated projected revenue adversely differs from the previous estimation. Programmes and film rights are impaired to its net realizable value which is estimated based on projected revenues. Actual revenue might differ from such future revenue projections. In this regard, management prepares and regularly updates the detailed revenue projection for each significant programme and film. Had the actual revenue been lower than the management's estimate, the programmes and film rights might result in impairment.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iv) Recoverability of material trade receivables

The Group has significant balance of trade receivables, mainly arising from television advertising and content production businesses. Management reviews the collectibility of its trade receivables on a regular basis. Provision for doubtful debts is established for trade receivables that are potentially uncollectible based on a specific identification method. Determining adequate provision for doubtful debts requires management's judgement. Conditions impacting the collectibility of the Group's trade receivables could cause actual write-offs to be materially different from the amounts reserved.

(v) Income taxes

The Group recognizes income tax liabilities based on estimates of anticipated amounts of taxes that will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(vi) Recoverability of investments in film production

Management assesses annually whether the programmes and films production in progress have suffered any impairment. Such annual assessment is performed at each balance sheet date with reference mainly to current market conditions and trade history. If projected cash inflow from these investments deteriorates, provision for impairment may be required.

(vii) Fair value of convertible note and purchase price allocation

The fair value of convertible note issued as part of the consideration for business combination was estimated using a valuation model carried out by American Appraisal China Limited. Several key assumptions including, for example, volatility of share price of the Company, risk free rate and effective yield. Had management determined that different assumptions used for the valuation, this would have caused a different liability component and equity component of convertible note and the fair value of consideration at the date of acquisition.

The fair value of the assets of the subsidiaries acquired at the acquisition date was determined by management's assessment of the fair value of the assets. A portion of the purchase price is allocated to the business of the acquired subsidiaries based on the projected cash flow forecast of the business. Had management determined that a different fair value of the assets of the subsidiaries acquired at the acquisition date and different assumptions used for the preparation of the cash flow forecast of the business of the acquired subsidiaries, this would have caused different amount of asset value and goodwill at the date of acquisition.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(viii) Estimated fair values of investment properties

The Group carries its investment properties through a joint venture at fair value with changes in the fair values recognized in "share of profit of joint ventures". It obtains independent valuations at least annually. At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations carried out by Grant Sherman Appraisal Limited. The basis of valuation of fair value of investment properties was the current prices in an active market for similar investment properties.

(ix) Warrants

The warrants issued by the Group during the year are recognized as derivative financial instruments and measured at fair value. Any subsequent change in the fair value during the issue date to the conversion date would be accounted for in the consolidate income statement. Management has applied the Black-Scholes option pricing model using readily public information as inputs to value the fair value of warrants upon exercise. The key assumption of the inputs of Black-Scholes option pricing model is volatility of share price of the Company. Had the volatility been higher than the management's estimate, the fair value loss of warrants might result in a higher amount.

5 SALES AND OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

The Group is principally engaged in health industry, media business and properties investment business through joint ventures. Revenues recognized during the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
		(Note 2)
Sales		
Health industry	**144,880**	64,614
Media	**20,188**	37,375
	165,068	101,989
Other income and other (losses)/gains, net		
Loss on disposal of subsidiaries, net	**–**	(1,363)
Interest income	**220**	555
Fair value loss on financial assets at fair value through profit or loss	**(3,000)**	(13,400)
Exchange gain	**846**	24,467
Additional 25% share of results of a joint venture, net of the consideration	**2,292**	(556)
Miscellaneous	**(788)**	4,923
	(430)	14,626

There was no non-cash revenue arising from exchange of goods or services during the year included in sales from Media business (2011: HK$5,204,000).

6 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the management committee which comprises the chief executive officer and the chief financial officer of the Group. The management committee reviews the Group's internal reporting in order to assess performance and allocate resources. The management committee has determined the operating segments based on these reports.

The management committee has determined that the Group is organized into three main operating segments: (i) health industry (formerly known as "high-end recreational and tourism services"), (ii) media business and (iii) properties investment. The management committee measures the performance of the segments based on their respective segment results.

There are sales between the operating segments in year 2012 amounted to HK$4,083,000 (2011: HK$6,448,000).

6 SEGMENT INFORMATION *(Continued)*

The Group's three operating segments operate in the PRC. No geographical segment information is presented.

	2012			
	Health Industry HK$'000	Media HK$'000	Properties Investment HK$'000	Total HK$'000
Sales	148,963	20,188	—	169,151
Inter-segment revenue	(4,083)	—	—	(4,083)
Revenue from external customers	144,880	20,188	—	165,068
Share of results of joint ventures	—	25,509	23,730	49,239
Segment results	36,438	39,009	25,511	100,958
Exchange gain				846
Share-based payments				(6,399)
Unallocated costs, net				(38,585)
				56,820
Finance costs				(87,776)
Loss before taxation				(30,956)
Taxation				(12,633)
Loss for the year				(43,589)
Non-controlling interests				—
Loss attributable to the equity holders of the Company				(43,589)
Segment assets	1,701,039	102,188	8	1,803,235
Interests in joint ventures	—	35,372	325,503	360,875
Goodwill	312,216	—	—	312,216
Amounts due from a joint venture and its subsidiaries				365,600
Unallocated assets				166,781
Total assets				3,008,707
Segment liabilities	244,151	153,559	—	397,710
Promissory notes				104,170
Convertible notes				491,587
Unallocated liabilities				435,392
Total liabilities				1,428,859
Capital expenditures				
— Allocated	1,260,783	8,629	—	1,269,412
— Unallocated				1,190
Depreciation				
— Allocated	23,872	452	—	24,324
— Unallocated				927
Amortization	12,730	2,438	—	15,168

6 SEGMENT INFORMATION *(Continued)*

	2011			
	Health Industry HK$'000	Media HK$'000 (Restated) (Note 2)	Properties Investment HK$'000 (Restated) (Note 2)	Total HK$'000 (Restated) (Note 2)
Sales	71,062	37,375	—	108,437
Inter-segment revenue	(6,448)	—	—	(6,448)
Revenue from external customers	64,614	37,375	—	101,989
Share of results of joint ventures	—	8,937	31,270	40,207
Segment results	11,876	(14,849)	33,794	30,821
Exchange gain				24,467
Share-based payments				(255)
Unallocated costs, net				(63,075)
				(8,042)
Finance costs				(6,393)
Loss before taxation				(14,435)
Taxation				(3,524)
Loss for the year				(17,959)
Non-controlling interests				180
Loss attributable to the equity holders of the Company				(17,779)
Segment assets	723,336	204,873	11,155	939,364
Interests in joint ventures	—	9,873	301,775	311,648
Goodwill	50,075	—	—	50,075
Amounts due from a joint venture and its subsidiaries				383,734
Unallocated assets				92,179
Total assets				1,777,000
Segment liabilities	270,312	157,182	—	427,494
Unallocated liabilities				190,401
Total liabilities				617,895
Capital expenditures				
— Allocated	666,645	65,269	—	731,914
— Unallocated				1,626
Depreciation				
— Allocated	12,686	266	—	12,952
— Unallocated				566
Amortization	3,338	35,805	—	39,143

6 SEGMENT INFORMATION *(Continued)*

Segment assets consist primarily tangible and intangible assets, other non-current assets, receivables and operating cash. They exclude deferred tax assets, amounts due from a joint venture and its subsidiaries and cash and cash equivalents for the corporate use.

Segment liabilities comprise operating liabilities including payable and accrued liabilities. They exclude items such current income tax liabilities and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combination.

7 FINANCE COSTS

	Group	
	2012	2011
	HK$'000	HK$'000
Accrued interest on agency fee payable (note 32)	**6,570**	6,393
Interest expense on promissory notes	**1,363**	—
Notional non-cash interest accretion on promissory notes	**4,373**	—
Notional non-cash interest accretion on convertible notes	**11,950**	—
	24,256	6,393
Fair value loss on financial liabilities at fair value through profit or loss (Note)	**63,520**	—
	87,776	6,393

Note: The fair value loss on financial liabilities at fair value through profit or loss represented the change in fair value of warrants during the period from issue date of 6 January 2012 to the exercise date. Such warrants have been fully exercised as of year end. Management has applied the Black-Scholes option pricing model to value the fair value of the warrants upon exercise.

8 LOSS BEFORE TAXATION

Loss before taxation is stated after crediting and charging the following:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
		(Note 2)
Crediting		
Bad debt recovery	**—**	1,831
Charging		
Depreciation of property, plant and equipment (note 14)	**25,251**	13,518
Amortization of intangible assets (note 15)	**15,168**	39,143
Auditor's remuneration	**2,500**	2,800
Provision for impairment of intangible assets (note 14)	**—**	11,596
Provision for impairment of trade receivables (note 19)	**3,333**	—
Operating lease rentals — land and buildings	**1,598**	2,299
Operating lease rentals — operating rights	**(17,254)**	9,396
Loss on disposal of property, plant and equipment	**12**	—
Donations	**—**	4
Staff costs:		
Directors' fees	**753**	487
Wages and salaries	**48,633**	22,821
Share-based payments	**6,399**	255
Contributions to defined contribution pension schemes	**7,537**	2,946
	63,322	26,509

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

Effective from 1 January 2008, the Company's subsidiaries incorporated in the PRC are required to determine and pay the Corporate Income Tax ("CIT") in accordance with the Corporate Income Tax Law of the PRC (the "New CIT Law") as approved by the National People's Congress on 16 March 2007 and Detailed Implementations Regulations of the New CIT Law (the "DIR") as approved by the State Council on 6 December 2007.

9 TAXATION *(Continued)*

According to the New CIT Law and DIR, the income tax rates for both domestic and foreign investment enterprises have been unified at 25% effective from 1 January 2008. PRC Corporate Income Tax has been provided for at the rate of 25% (2011: 25%) on the estimated assessable profit for the year accordingly.

	Group	
	2012	2011
	HK$'000	HK$'000 (Restated) (Note 2)
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC Corporate Income Tax	**11,853**	6,013
Deferred income tax	**780**	(2,489)
Income tax expense	**12,633**	3,524

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using the domestic tax rate applicable to the profit or loss before taxation of the consolidated entities in the respective countries as follows:

	Group	
	2012	2011
	HK$'000	HK$'000 (Restated) (Note 2)
Loss before taxation	**(30,956)**	(14,435)
Tax calculated at domestic tax rates applicable to the profit or loss in the respective countries	**1,437**	(3,163)
Tax effects of joint ventures and their subsidiaries' results reported net of tax	**(12,310)**	(10,052)
Income not subject to tax	**(1,248)**	(5,865)
Expenses not deductible for tax purposes	**16,860**	6,050
Utilization of previously unrecognized tax losses	**(24)**	(21)
Unrecognized tax losses	**7,918**	16,575
Income tax expense	**12,633**	3,524

The weighted average applicable tax rate was 0% (2011: Restated 21.91%). The change in weighted average applicable tax rate was mainly caused by a change in mix of profits earned.

9 TAXATION *(Continued)*

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

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
		(Note 2)
Deferred tax assets to be recovered after more than 12 months	**22,262**	25,882
Deferred tax liabilities to be recovered after more than 12 months	**(336,785)**	(94,316)
Deferred tax liabilities, net	**(314,523)**	(68,434)

The movement in gross deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Group				
	Decelerated tax amortization in the PRC	**Amortization of operating lease**	**Impairment losses**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	7,244	—	7,861	3,632	18,737
Acquisition of subsidiaries (note 30)	—	5,748	—	—	5,748
Credited to the consolidated income statement	—	347	—	—	347
Exchange difference	360	120	390	180	1,050
At 31 December 2011	**7,604**	**6,215**	**8,251**	**3,812**	**25,882**
Acquisition of subsidiaries (note 30)	**—**	**477**	**—**	**1,462**	**1,939**
Charged to the consolidated income statement	**—**	**(5,856)**	**—**	**311**	**(5,545)**
Exchange difference	**(1)**	**(3)**	**(2)**	**(8)**	**(14)**
At 31 December 2012	**7,603**	**833**	**8,249**	**5,577**	**22,262**

9 TAXATION *(Continued)*

Deferred tax liabilities:

	Group			
	Accelerated tax depreciation HK$'000	**Investment properties** HK$'000	**Intangible assets** HK$'000	**Total** HK$'000 (Restated) (Note 2)
At 1 January 2011 (Previously stated)	—	(74,130)	—	(74,130)
Effect of adoption of HKFRS 11	—	74,130	—	74,130
At 1 January 2011 (Restated)	—	—	—	—
Acquisition of subsidiaries (note 30)	(13,320)	—	(81,322)	(94,642)
Credited to the consolidated income statement	1,307	—	835	2,142
Exchange difference	(205)	—	(1,611)	(1,816)
At 31 December 2011	(12,218)	—	(82,098)	(94,316)
At 1 January 2012 (Previously stated)	**(12,218)**	**(87,002)**	**(82,098)**	**(181,318)**
Effect of adoption of HKFRS 11	**—**	**87,002**	**—**	**87,002**
At 1 January 2012 (Restated)	**(12,218)**	**—**	**(82,098)**	**(94,316)**
Acquisition of subsidiaries (note 30)	**—**	**—**	**(248,449)**	**(248,449)**
Credited to the consolidated income statement	**1,586**	**—**	**3,179**	**4,765**
Exchange difference	**4**	**—**	**1,211**	**1,215**
At 31 December 2012	**(10,628)**	**—**	**(326,157)**	**(336,785)**

9 TAXATION *(Continued)*

Deferred tax liabilities: *(Continued)*

Deferred tax assets are recognized for tax losses carry-forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. As at 31 December 2012, the Group had unrecognized tax losses of approximately HK$455,469,000 (2011 (Restated): HK$419,069,000) to carry forward against future taxable income, subject to agreement by the Inland Revenue Department of Hong Kong and local tax bureau of the PRC. The tax losses of the PRC subsidiaries have an expiry period of five years, while the tax losses of Hong Kong subsidiaries have no expiry date. Losses amounting to HK$65,398,000 (2011 (Restated): HK$65,898,000), HK$23,767,000 (2011 (Restated): HK$26,537,000), HK$40,975,000 (2011 (Restated): HK$40,975,000) and HK$22,491,000 (2011 (Restated): nil) expire in 2013, 2015, 2016 and 2017 respectively.

Deferred income tax liabilities of HK$22,533,000 (2011: HK$12,520,000) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled HK$225,336,000 as at 31 December 2012 (2011: HK$125,201,000).

10 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$88,090,000 (2011: HK$12,108,000).

11 LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
Weighted average number of ordinary shares in issue (thousands) disclosed in 2011 annual report	N/A	3,734,649
Weighted average number of ordinary shares in issue (thousands) (restated as described in note 2)	2,268,321	1,867,325
Loss attributable to equity holders of the Company (HK$'000)	(43,589)	(17,779)
Basic loss per share attributable to equity holders of the Company (HK cents per share) (restated as described in note 2)	(1.92)	(0.95)

Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2012, the Company has only two categories of potential ordinary shares: convertible notes and share options (2011: share options only). The convertible notes are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The conversion of all potential ordinary shares would have an anti-dilutive effect on the basic loss per share for the years ended 31 December 2012 and 31 December 2011.

12 DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2012 (2011: nil).

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid or payable to directors of the Company during the year are as follows:

	2012 HK$'000	2011 HK$'000
Fees	753	487
Salaries, bonuses, allowances and benefits in kind	2,320	3,325
Contributions to defined contribution pension schemes	3	12
Sub-total	3,076	3,824
Share-based payments (i)	2,008	30
Total	5,084	3,854

(i) Share-based payments represent the recognition of the fair value of share options of the Company granted to the directors over the vesting period.

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of each director for the year ended 31 December 2012 is set out below:

Name of director	Fees HK$'000	Salaries, bonuses, allowances and benefits in kind HK$'000	Contributions to defined contribution pension schemes HK$'000	Sub-total HK$'000	Share-based payments (i) HK$'000	Total HK$'000
Mr. YUEN Hoi Po	–	–	–	–	–	–
Mr. ZHANG Changsheng	–	1,670	–	1,670	1,434	3,104
Mr. Edward TIAN Suning	–	–	–	–	–	–
Mr. Hugo SHONG	–	–	–	–	–	–
Professor WEI Xin	200	–	–	200	143	343
Dr. WONG Yau Kar David	200	–	–	200	143	343
Mr. YUEN Kin	200	–	–	200	143	343
Mr. CHU Yuguo (iii)	155	–	–	155	143	298
Mr. WANG Hong (ii)	–	650	3	653	–	653

(ii) Resigned in March 2012.

(iii) Appointed in March 2012.

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The remuneration of each director for the year ended 31 December 2011 is set out below:

Name of director	Fees	Salaries, bonuses, allowances and benefits in kind	Contributions to defined contribution pension schemes	Sub-total	Share-based payments (i)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. YUEN Hoi Po	–	–	–	–	–	–
Mr. ZHANG Changsheng	–	1,596	–	1,596	–	1,596
Mr. Edward TIAN Suning	–	–	–	–	–	–
Mr. Hugo SHONG	–	–	–	–	–	–
Professor WEI Xin	144	–	–	144	–	144
Dr. WONG Yau Kar David	144	–	–	144	–	144
Mr. YUEN Kin	144	–	–	144	–	144
Mr. WANG Hong	–	1,729	12	1,741	30	1,771
Mr. JIANG Jianning (iv)	55	–	–	55	–	55

(iv) Resigned in May 2011.

Other than as presented above, for 2011 and 2012 there were:

(1) no arrangement under which a director waived or agreed to waive any remuneration; and

(2) no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the three (2011: three) individuals during the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries, bonuses, allowances and benefits in kind	**3,065**	2,955
Share-based payments	**1,061**	8
Contributions to defined contribution pension schemes	**134**	106
	4,260	3,069

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$500,001 – HK$1,000,000	**2**	2
HK$1,500,001 – HK$2,000,000	**—**	1
HK$2,500,001 – HK$3,000,000	**1**	—
	3	3

14 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Golf course HK$'000	Buildings HK$'000 (Restated) (Note 2)	Machinery and equipment HK$'000	Furniture, computer and equipment HK$'000 (Restated) (Note 2)	Leasehold improvements HK$'000	Motor vehicles HK$'000 (Restated) (Note 2)	Construction in progress HK$'000	Total HK$'000 (Restated) (Note 2)
Cost								
At 1 January 2011								
(Previously stated)	–	498	–	3,479	418	4,222	–	8,617
Effect of adoption of								
HKFRS 11	–	(498)	–	(2,746)	–	(1,812)	–	(5,056)
At 1 January 2011 (Restated)	–	–	–	733	418	2,410	–	3,561
Additions	–	–	586	1,236	285	1,626	579	4,312
Acquisition of subsidiaries								
(note 30)	108,578	180,795	8,067	6,707	14,245	12,885	8,389	339,666
Reclassification	–	8,929	–	–	–	–	(8,929)	–
Disposals	–	–	–	(21)	–	–	–	(21)
Exchange difference	2,178	3,848	177	194	293	338	(39)	6,989
At 31 December 2011	110,756	193,572	8,830	8,849	15,241	17,259	–	354,507
Accumulated depreciation								
At 1 January 2011								
(Previously stated)	–	6	–	2,540	24	2,317	–	4,887
Effect of adoption of								
HKFRS 11	–	(6)	–	(2,290)	–	(1,179)	–	(3,475)
At 1 January 2011 (Restated)	–	–	–	250	24	1,138	–	1,412
Disposals	–	–	–	(5)	–	–	–	(5)
Depreciation	3,489	2,940	1,047	873	331	4,838	–	13,518
Exchange difference	87	73	26	30	5	155	–	376
At 31 December 2011	3,576	3,013	1,073	1,148	360	6,131	–	15,301
Net book value:								
At 31 December 2011	107,180	190,559	7,757	7,701	14,881	11,128	–	339,206

14 PROPERTY, PLANT AND EQUIPMENT — GROUP *(Continued)*

	Golf course HK$'000	Buildings HK$'000	Machinery and equipment HK$'000	Furniture, computer and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2012 (Previously stated)	110,756	194,222	8,830	11,754	15,241	19,140	–	359,943
Effect of adoption of HKFRS 11	–	(650)	–	(2,905)	–	(1,881)	–	(5,436)
At 1 January 2012 (Restated)	110,756	193,572	8,830	8,849	15,241	17,259	–	354,507
Additions	–	370	937	270	–	1,865	–	3,442
Acquisition of subsidiaries (note 30)	–	–	–	2	–	–	1,540	1,542
Disposals	–	–	–	(68)	–	(1,461)	–	(1,529)
Exchange difference	(20)	(36)	(2)	(2)	(3)	(3)	(7)	(73)
At 31 December 2012	110,736	193,906	9,765	9,051	15,238	17,660	1,533	357,889
Accumulated depreciation								
At 1 January 2012 (Previously stated)	3,576	3,048	1,073	3,671	360	7,560	–	19,288
Effect of adoption of HKFRS 11	–	(35)	–	(2,523)	–	(1,429)	–	(3,987)
At 1 January 2012 (Restated)	3,576	3,013	1,073	1,148	360	6,131	–	15,301
Disposals	–	–	–	(37)	–	(738)	–	(775)
Depreciation	8,576	7,532	1,872	1,349	597	5,325	–	25,251
Exchange difference	(2)	(1)	(1)	–	–	(1)	–	(5)
At 31 December 2012	12,150	10,544	2,944	2,460	957	10,717	–	39,772
Net book value:								
At 31 December 2012	98,586	183,362	6,821	6,591	14,281	6,943	1,533	318,117

Depreciation expense of HK$22,982,000 (2011: HK$12,234,000) and HK$2,269,000 (2011: HK$1,284,000) has been charged in cost of sales and administrative expenses, respectively.

15 INTANGIBLE ASSETS — GROUP

	Non-current assets					Current assets
	Goodwill HK$'000 (Restated) (Note 2)	Programmes and film rights HK$'000	Programmes and film production in progress HK$'000	Cooperating construction and operating agreements HK$'000	Total HK$'000 (Restated) (Note 2)	Exclusive advertising agency right HK$'000
Year ended 31 December 2011						
Opening net book amount (Previously stated)	43,611	20,429	50,630	—	114,670	51,121
Effect of adoption of HKFRS 11	(43,611)	—	—	—	(43,611)	—
Opening net book amount (Restated)	—	20,429	50,630	—	71,059	51,121
Additions	—	—	64,274	—	64,274	—
Acquisition of subsidiaries (note 30)	49,090	—	—	325,288	374,378	—
Reclassification	—	50,463	(50,463)	—	—	—
Disposals	—	(34,905)	—	—	(34,905)	—
Amortization expense	—	(1,501)	—	(3,338)	(4,839)	(34,304)
Impairment expense	—	(11,596)	—	—	(11,596)	—
Exchange difference	985	180	2,469	6,441	10,075	1,686
Closing net book amount	50,075	23,070	66,910	328,391	468,446	18,503
At 31 December 2011						
Cost	596,004	125,262	66,910	331,812	1,119,988	53,657
Accumulated amortization and impairment	(545,929)	(102,192)	—	(3,421)	(651,542)	(35,154)
Net book amount	50,075	23,070	66,910	328,391	468,446	18,503

15 INTANGIBLE ASSETS — GROUP *(Continued)*

	Non-current assets						Current assets
	Goodwill HK$'000	Programmes and film rights HK$'000	Programmes and film production in progress HK$'000	Cooperating construction and operating agreements HK$'000	Software and licences HK$'000	Total HK$'000	Exclusive advertising agency right HK$'000
Year ended 31 December 2012							
Opening net book amount (Previously stated)	102,215	23,070	66,910	328,391	–	520,586	18,503
Effect of adoption of HKFRS 11	(52,140)	–	–	–	–	(52,140)	–
Opening net book amount (Restated)	50,075	23,070	66,910	328,391	–	468,446	18,503
Additions	–	–	7,400	–	1,023	8,423	–
Acquisition of subsidiaries (note 30)	263,399	–	–	993,798	–	1,257,197	–
Reclassification	–	65,863	(65,863)	–	–	–	–
Disposals	–	(65,863)	–	–	–	(65,863)	–
Transfer out (note)	–	–	–	–	–	–	(18,501)
Amortization expense	–	(1,538)	–	(12,716)	(914)	(15,168)	–
Exchange difference	(1,258)	(1)	(7)	(4,770)	–	(6,036)	(2)
Closing net book amount	312,216	21,531	8,440	1,304,703	109	1,646,999	–
At 31 December 2012							
Cost	312,216	116,214	8,440	1,325,548	1,023	1,763,441	–
Accumulated amortization and impairment	–	(94,683)	–	(20,845)	(914)	(116,442)	–
Net book amount	312,216	21,531	8,440	1,304,703	109	1,646,999	–

Amortization expense of HK$14,254,000 (2011: HK$39,143,000) and HK$914,000 (2011: nil) has been charged in cost of sales and administrative expenses, respectively.

Cooperation Construction and Operating Agreements represents the rights (i) to construct and operate the club facilities of "Bayhood No. 9 Club" up to 31 December 2051 acquired through a business combination completed in July 2011; and (ii) to develop and operate a piece of 580-acre land adjacent to "Bayhood No. 9 Club" up to 31 May 2048 acquired through a business combination completed in October 2012.

15 INTANGIBLE ASSETS — GROUP *(Continued)*

Note: In December 2010, the Group has acquired a three-year exclusive advertising agency right in certain sectors for Beijing Railway Station and Beijing West Railway Station. The amount of "exclusive advertising agency right" as at 1 January 2012 represents the relevant deposit paid by the Group. During the year, the Group has entered into an early termination agreement with the counterparty, pursuant to which the said exclusive advertising agency right is early terminated and the deposit paid by the Group shall be refunded to the Group by the end of 2012. As such, the deposit is transferred to "prepayments, deposits and other receivables" during the year. The deposit has been refunded to the Group by end of the year.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment as follows:

	2012 HK$'000	2011 HK$'000 (Restated) (Note 2)
Health industry	312,216	50,075
Total	312,216	50,075

The recoverable amount of a CGU is determined based on fair value less cost to sell calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimate rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for fair value less cost to sell calculations:

	Health industry	
	2012	2011
— Compound annual growth rate of revenue in fifteen-year period	5%	5%
— Annual growth rate beyond the fifteen-year period	2%	0%
— Discount rate	13.5%	15.5%

16 INTERESTS IN SUBSIDIARIES — COMPANY

Management determined the average annual revenue growth rate based on past performance and its expectations of market development. The discount rates used reflect specific risks relating to the relevant segments.

If the compound annual growth rate of revenue in the first fifteen-year period applied had been 1% lower and the discount rate applied had been 1% higher than management's estimates as at 31 December 2012 with all other variables held constant, no further impairment provision would be required for the goodwill as at 31 December 2012.

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares at cost (note a)	**760,837**	759,937
Provision for impairment loss	**(634,827)**	(634,827)
	126,010	125,110
Loans advance to subsidiaries	**2,190,939**	1,330,121
Provision for impairment loss	**(308,325)**	(308,325)
	1,882,614	1,021,796
	2,008,624	1,146,906

All the balances with subsidiaries were unsecured, interest-free and not repayable in the foreseeable future.

Particulars of the principal subsidiaries are set out in note 35 to the consolidated financial statements.

Note a: Expenses relating to share options granted by the Company to (i) certain employees working for, and (ii) parties providing services to, subsidiaries of the Group is recognized as deemed investments in subsidiaries.

17 INTERESTS IN JOINT VENTURES

As at 31 December 2012 and 2011, amounts due from joint ventures are unsecured, interest-bearing at prevailing market rates and repayable on demand.

Set out below are the joint ventures of the Group as at 31 December 2012, which, in the opinion of the directors, are material to the Group. All these joint ventures are private companies and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interest in these joint ventures, and there are no contingent liabilities and commitments of these joint ventures themselves.

(i) Media

Name	Place of establishment and kind of legal entity	Registered capital	Interest held indirectly		Principal activities and place of operation
			2012	2011	
Hainan Hailu Advertising Limited Liability Company (2)	The PRC, limited liability company	RMB1,000,000	50%	50%	Advertising agency, design and production
AUFM GROUP					
Asia Union Film and Media (1) (2)	The PRC, limited liability company	RMB120,000,000	50%	50%	Investment in television drama, film production and advertising production in the PRC
Beijing Ying Shi Film & Television Art Limited Liability Company (2)	The PRC, limited liability company	RMB500,000	30%	30%	Television drama production in the PRC
Beijing Hua Yi Shan He Shui Advertising Company Limited (2)	The PRC, limited liability company	RMB1,020,000	25.50%	25.50%	Advertisement production in the PRC
Hai Nan Haishi Travel Satellite TV Media Co., Ltd (2)	The PRC, limited liability company	RMB115,963,100	24.5%	24.5%	Production of television programmes (other than news) for the Travel Channel in the PRC

17 INTERESTS IN JOINT VENTURES *(Continued)*

(ii) Properties investment

Name	Place of establishment and kind of legal entity	Registered capital	Interest held indirectly 2012	2011	Principal activities and place of operation
Shenzhen ITC Tian An Co., Ltd.	The PRC, Sino-foreign equity joint venture	US$8,880,000	50%	50%	Holding and rental of investment properties in the PRC
Shenzhen Tian An International Building Property Management Co., Ltd.	The PRC, Sino-foreign equity joint venture	RMB3,000,000	50%	50%	Property management in the PRC

(1) On 3 July 2007, the Group entered into an agreement with Poly Culture and Arts Co., Ltd. ("PCACL") pursuant to which the Group has agreed to repay the shareholder's loans of approximately RMB150 million on behalf of AUFM to PCACL. On the other hand, PCACL has agreed to transfer to the Group its right to share 25% of the future dividends and other distribution of AUFM out of the retained distributable profits of AUFM. After the repayment of the abovementioned shareholder's loans by the Group, AUFM will continue to be a joint venture of the Group but the profit sharing ratio of the Group in AUFM will increase from 50% to 75%. The Group has already fully repaid the abovementioned shareholder's loans on behalf of AUFM in 2007.

On 10 May 2009, the shareholders of AUFM passed a resolution, pursuant to which PCACL has agreed to transfer to the Group its right to share the remaining 25% of the dividends and other distribution of AUFM out of the retained distributable profits of AUFM for the future three years in return for an annual receipt of a fixed consideration of RMB3,000,000. Accordingly, AUFM will continue to be a joint venture of the Group but the profit sharing ratio of the Group in AUFM will be 100% during the three-year period. The additional 25% share of results of AUFM net of the consideration has been included in "other income and other (losses)/gains, net" in the consolidated income statement.

(2) The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

17 INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information for joint ventures

Set out below are the summarised financial information for joint ventures for media business and properties investment business which are accounted for using the equity method.

Summarised balance sheet

	Joint ventures for media business		Joint ventures for properties investment business		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current						
Cash and cash equivalents	**128,840**	130,817	**12,097**	52,406	**140,937**	183,223
Net current assets (excluding cash and cash equivalents)	**29,192**	19,478	**47,749**	13,769	**76,941**	33,247
Total current assets	**158,032**	150,295	**59,846**	66,175	**217,878**	216,470
Financial liabilities (excluding trade payables)	**(571,608)**	(578,356)	**(53,573)**	(83,396)	**(625,181)**	(661,752)
Other current liabilities (including trade payables)	**(11,606)**	(10,417)	**(6)**	(6)	**(11,612)**	(10,423)
Total current liabilities	**(583,214)**	(588,773)	**(53,579)**	(83,402)	**(636,793)**	(672,175)
Non-current						
Asset	**416,278**	394,868	**715,729**	679,826	**1,132,007**	1,074,694
Liabilities	**–**	–	**(37,685)**	(25,743)	**(37,685)**	(25,743)
Net assets	**(8,904)**	(43,610)	**684,311**	636,856	**675,407**	593,246

17 INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information for joint ventures *(Continued)*

Summarised statement of comprehensive income

	Joint ventures for media business		Joint ventures for properties investment business		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Revenue	**21,146**	3,648	**45,815**	43,859	**66,961**	47,507
Depreciation and amortization	**(492)**	(590)	**(140)**	(185)	**(632)**	(775)
Interest income	**1,148**	401	**1,611**	515	**2,759**	916
Profit or loss	**35,259**	12,217	**62,899**	78,859	**98,158**	91,076
Interest expense	**—**	—	**—**	—	**—**	—
Income tax expense	**(557)**	(9)	**(15,439)**	(16,319)	**(15,996)**	(16,328)
Post-tax profit	**34,702**	12,208	**47,460**	62,540	**82,162**	74,748
Other comprehensive income	**—**	—	**—**	—	**—**	—
Total comprehensive income	**34,702**	12,208	**47,460**	62,540	**82,162**	74,748
Dividends received from a joint venture	**—**	—	**—**	5,935	**—**	5,935

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

17 INTERESTS IN JOINT VENTURES *(Continued)*

Investment in joint ventures

	Joint ventures for media business		Joint ventures for properties investment business		Total	
	2012 HK$'000	2011 HK$'000 (Restated) (Note 2)	**2012 HK$'000**	2011 HK$'000 (Restated) (Note 2)	**2012 HK$'000**	2011 HK$'000 (Restated) (Note 2)
Investment in joint ventures						
At 1 January 2012/2011 (Previously stated)	**N/A**	—	**N/A**	—	**N/A**	—
Effect of adoption of HKFRS 11	**N/A**	—	**N/A**	264,430	**328,697**	264,430
At 1 January 2012/2011 (Restated)	**10,269**	—	**318,428**	264,430	**328,697**	264,430
Share of profit	**25,509**	8,937	**23,730**	31,270	**49,239**	40,207
Exchange differences	**(10)**	1,332	**(2)**	22,728	**(12)**	24,060
At 31 December	**35,768**	10,269	**342,156**	318,428	**377,924**	328,697

17 INTERESTS IN JOINT VENTURES *(Continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in joint ventures.

Summarized financial information	Joint ventures for media business 2012 HK$'000	Joint ventures for media business 2011 HK$'000	Joint ventures for properties investment business 2012 HK$'000	Joint ventures for properties investment business 2011 HK$'000	Total 2012 HK$'000	Total 2011 HK$'000
Opening net assets 1 January	**(43,610)**	(52,889)	**636,856**	540,798	**593,246**	487,909
Profit/(loss) for the year	**34,701**	11,766	**47,460**	62,539	**82,161**	74,305
Exchange differences	**5**	(2,487)	**(5)**	33,519	**—**	31,032
Closing net assets	**(8,904)**	(43,610)	**684,311**	636,856	**675,407**	593,246
Interests in joint ventures	**(13,304)**	(38,819)	**342,156**	318,428	**328,852**	279,609
Goodwill	**49,072**	49,088	**—**	—	**49,072**	49,088
Carrying value	**35,768**	10,269	**342,156**	318,428	**377,924**	328,697

18 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY

The accounting policies for financial instruments were applied to the line items below:

Group

Assets as per consolidated balance sheet

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
As at 31 December 2012			
Trade receivables	**13,475**	**—**	**13,475**
Amounts due from a joint venture and its subsidiaries	**365,600**	**—**	**365,600**
Financial assets at fair value through profit or loss	**—**	**11,600**	**11,600**
Deposits and other receivables	**13,389**	**—**	**13,389**
Cash and cash equivalents	**179,527**	**—**	**179,527**
Total	**571,991**	**11,600**	**583,591**
As at 31 December 2011 (Restated) (Note 2)			
Trade receivables	15,150	—	15,150
Amounts due from a joint venture and its subsidiaries	383,734	—	383,734
Financial assets at fair value through profit or loss	—	14,600	14,600
Deposits and other receivables	23,557	—	23,557
Cash and cash equivalents	108,216	—	108,216
Total	530,657	14,600	545,257
As at 1 January 2011 (Restated) (Note 2)			
Trade receivables	1,416	—	1,416
Amounts due from a joint venture and its subsidiaries	106,272	—	106,272
Financial assets at fair value through profit or loss	—	28,000	28,000
Deposits and other receivables	41,932	—	41,932
Cash and cash equivalents	162,115	—	162,115
	311,735	28,000	339,735

18 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY *(Continued)*

Group

Liabilities as per consolidated balance sheet

	Other financial liabilities at amortized cost HK$'000	**Total** HK$'000
As at 31 December 2012		
Agency fee payables	**97,605**	**97,605**
Trade payables	**3,878**	**3,878**
Other payables and accrued liabilities	**144,697**	**144,697**
Amount due to a joint venture	**33,249**	**33,249**
Convertible notes — liability component	**491,587**	**491,587**
Promissory notes	**104,170**	**104,170**
Total	**875,186**	**875,186**
As at 31 December 2011 (Restated) (Note 2)		
Agency fee payables	97,623	97,623
Trade payables	5,392	5,392
Other payables and accrued liabilities	153,731	153,731
Amount due to a joint venture	33,255	33,255
Total	290,001	290,001
As at 1 January 2011 (Restated) (Note 2)		
Agency fee payables	93,008	93,008
Trade payables	—	—
Other payables and accrued liabilities	57,162	57,162
Amount due to a joint venture	31,683	31,683
	181,853	181,853

18 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY *(Continued)*

Company

Assets as per balance sheet

	Loans and receivables HK$'000	Total HK$'000
As at 31 December 2012		
Deposits and other receivables	6	6
Amounts due from subsidiaries	1,982,534	1,982,534
Cash and cash equivalents	17,477	17,477
Total	2,000,017	2,000,017
As at 31 December 2011		
Deposits and other receivables	2	2
Amounts due from subsidiaries	1,121,715	1,121,715
Cash and cash equivalents	7,693	7,693
Total	1,129,410	1,129,410

Company

Liabilities as per balance sheet

	Other financial liabilities at amortized cost HK$'000	Total HK$'000
As at 31 December 2012		
Other payables and accrued liabilities	16,158	16,158
Amount due to a subsidiary	99,920	99,920
Convertible notes — liability component	491,587	491,587
Total	607,665	607,665
As at 31 December 2011		
Other payables and accrued liabilities	17,043	17,043
Amount due to a subsidiary	99,920	99,920
Total	116,963	116,963

19 TRADE RECEIVABLES — GROUP

At 31 December 2012, the aging analysis of the trade receivables is as follows:

	Group		
	As at 31 December		As at 1 January
	2012	2011	2011
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
		(Note 2)	(Note 2)
0–3 months	**790**	796	637
4–6 months	**417**	1,328	—
Over 6 months	**25,786**	23,213	10,485
	26,993	25,337	11,122
Provision for doubtful debts (all made against trade receivables aged over 6 months)	**(13,518)**	(10,187)	(9,706)
	13,475	15,150	1,416

The net carrying amounts of the trade receivables of the Group are denominated in Renminbi.

The Group generally requires customers to pay in advance, but grants a credit period of 30 days to 90 days to some customers.

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. As at 31 December 2012, HK$13,518,000 of the trade receivables was considered impaired (2011(Restated): HK$10,187,000 and 2010 (Restated): HK$9,706,000).

19 TRADE RECEIVABLES — GROUP *(Continued)*

The aging analysis of trade receivables that were past due but not impaired is as follows:

	Group		
	As at 31 December		As at 1 January
	2012	2011	2011
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
		(Note 2)	(Note 2)
4–6 months	**417**	1,328	—
Over 6 months	**12,268**	13,026	779
	12,685	14,354	779

Management does not expect any material losses from non-performance by these counterparties, as these relate to a number of independent customers for whom there is no recent history of default.

Movements on the Group's provision for doubtful debts are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
		(Note 2)
At 1 January	**10,187**	9,706
Provision for doubtful debts (note 8)	**3,333**	—
Exchange differences	**(2)**	481
At 31 December	**13,518**	10,187

The creation and release of provision for doubtful debts have been included in administrative expenses in the consolidated income statement (note 8). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

19 TRADE RECEIVABLES — GROUP *(Continued)*

The carrying amounts of trade receivables approximate their respective fair values.

The maximum exposure to credit risk at the balance sheet date is the carrying value of trade receivables disclosed above. The Group does not hold any collateral as security.

20 INVENTORIES

	Group As at 31 December	
	2012	2011
	HK$'000	HK$'000
Raw materials	**2,209**	396
Finished goods	**16,962**	15,131
	19,171	15,527

The cost of inventories recognized as expense and included in cost of sales, administrative expenses and other income and other (losses)/gains, net amounted to approximately HK$7,557,000 (2011: HK$6,352,000), HK$1,540,000 (2011: HK$2,151,000) and HK$1,612,000 (2011: nil), respectively.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	Group As at 31 December	
	2012	2011
	HK$'000	HK$'000
Equity security:		
Listed in Hong Kong	**11,600**	14,600
Market value of listed security	**11,600**	14,600

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the cash flow statement (note 29).

Changes in fair value of financial assets at fair value through profit or loss are recorded in "other income and other (losses)/gains, net" in the consolidated income statement (note 5).

The fair value of the equity security was based on its current bid prices in an active market.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — GROUP AND COMPANY

	Group			Company	
	As at 31 December		As at 1 January	As at 31 December	
	2012	2011	2011	**2012**	2011
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated) (Note 2)	(Restated) (Note 2)		
Prepayments, deposits and other receivables	**71,081**	76,088	41,932	**265**	15
Less non-current portion	**(25,185)**	—	—	**—**	—
	45,896	76,088	41,932	**265**	15

The carrying amounts of prepayments, deposits and other receivables of the Group and the Company are denominated in the following currencies:

	Group			Company	
	As at 31 December		As at 1 January	As at 31 December	
	2012	2011	2011	**2012**	2011
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated) (Note 2)	(Restated) (Note 2)		
HK$	**15,379**	19,400	19,100	**265**	15
RMB	**55,702**	56,688	22,832	**—**	—
	71,081	76,088	41,932	**265**	15

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

The maximum exposure to credit risk at the balance sheet date is the carrying value of prepayments, deposits and other receivables disclosed above.

23 CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

	Group			Company	
	As at 31 December		As at 1 January	As at 31 December	
	2012	2011	2011	**2012**	2011
	HK$'000	HK$'000 (Restated) (Note 2)	HK$'000 (Restated) (Note 2)	**HK$'000**	HK$'000
Cash and bank balances	**179,527**	108,216	162,115	**17,477**	7,693
	179,527	108,216	162,115	**17,477**	7,693
Denominated in:					
HK$	**129,902**	56,451	147,316	**17,475**	7,691
RMB	**41,436**	51,274	5,418	**—**	—
United States Dollar (USD)	**8,139**	443	9,381	**2**	2
British Pound	**50**	48	—	**—**	—
	179,527	108,216	162,115	**17,477**	7,693
Maximum exposure to credit risk	**178,639**	107,396	162,079	**17,477**	7,693

24 TRADE PAYABLES, RECEIPT IN ADVANCE, OTHER PAYABLES AND ACCRUED LIABILITIES — GROUP AND COMPANY

	Group			Company	
	As at 31 December		As at 1 January	As at 31 December	
	2012	2011	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated) (Note 2)	(Restated) (Note 2)		
Current liabilities:					
Trade payables	3,878	5,392	—	—	—
Receipt in advance	18,970	24,560	—	—	—
Other payables and accrued liabilities	141,360	128,872	57,162	16,158	17,043
	164,208	158,824	57,162	16,158	17,043
Non-current liabilities:					
Other payables	3,335	24,860	—	—	—
	167,543	183,684	57,162	16,158	17,043

At 31 December 2012, the aging analysis of the trade payables is as follows:

	Group		
	As at 31 December		As at 1 January
	2012	2011	2011
	HK$'000	HK$'000	HK$'000
		(Restated) (Note 2)	(Restated) (Note 2)
0–3 months	2,363	2,758	—
4–6 months	856	1,528	—
Over 6 months	659	1,106	—
	3,878	5,392	—

24 TRADE PAYABLES, RECEIPT IN ADVANCE, OTHER PAYABLES AND ACCRUED LIABILITIES — GROUP AND COMPANY *(Continued)*

The carrying amounts of the trade payables of the Group are denominated in Renminbi.

The carrying amounts of trade payables, receipt in advance, other payables and accrued liabilities approximate their fair values.

25 DEFERRED REVENUE

Deferred revenue includes the deferred membership entrance fee income and rental income during the year.

	Group	
	2012	2011
	HK$'000	HK$'000
Balance as at 1 January		
— Current portion	**75,383**	—
— Non-current portion	**56,509**	—
	131,892	—
Acquisition of subsidiaries (note 30)	**—**	141,119
Additions during the year	**29,875**	12,874
Recognized in the consolidated income statement	**(49,678)**	(26,039)
Exchange differences	**(762)**	3,938
Balance as at 31 December	**111,327**	131,892
Less: Current portion	**(36,322)**	(75,383)
Non-current portion	**75,005**	56,509

26 BORROWINGS

	Group As at 31 December		Company As at 31 December	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Convertible notes	**491,587**	–	**491,587**	–
Promissory notes	**104,170**	–	**–**	–
	595,757	–	**491,587**	–

(a) Convertible notes

The Company issued a three-year term zero-coupon convertible note with principal amount of RMB569 million (equivalent to approximately HK$700 million at the time of issuance) in October 2012 upon completion of a business combination as detailed in note 30. The convertible note mature three years from the issue date at their nominal value of RMB569 million or can be converted into a maximum of 3,500,000,000 ordinary shares of the Company at the holder's option at any time during the period between the issue date and the maturity date at the conversion price of HK$0.20 each, subject to certain conditions. The values of the liability component and the equity conversion component were determined at issuance of the convertible note.

The convertible notes recognized in the balance sheet is calculated as follows:

	Group and Company	
	2012	2011
	HK$'000	HK$'000
Fair value of convertible notes issued on 22 October 2012 (note 30)	**817,608**	–
Less: Equity component	**(337,971)**	–
Liability component on initial recognition at 22 October 2012	**479,637**	–
Interest expense (note 7)	**11,950**	–
Liability component at 31 December	**491,587**	–

26 BORROWINGS *(Continued)*

(a) Convertible notes *(Continued)*

The fair value of the liability component of the convertible bond at 31 December 2012 amounted to approximately HK$491,587,000. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 12.9%.

(b) Promissory notes

The Group issued a promissory note with principal amount of HK$150 million in October 2012 upon completion of a business combination as detailed in note 30. The repayment date of the promissory note is the date falling the on last day of the 24th month from the date of issuance (the "Repayment Date"), and the Group could, at its discretion, repay the promissory notes in whole or in part prior to the Repayment Date. The promissory notes bear interest from the date of the issuance at the best lending rate of the Hongkong and Shanghai Banking Corporation Limited on the outstanding amount of the promissory notes and is repayable in arrears on the Repayment Date.

	Group	
	2012	2011
	HK$'000	HK$'000
Fair value of promissory notes on initial recognition at 22 October 2012 (note 30)	**135,713**	—
Interest expense (note 7)	**5,736**	—
Repayments	**(37,279)**	—
Fair value of promissory notes at 31 December	**104,170**	—

The fair value of the promissory notes is calculated using cash flows discounted at a rate based on the borrowings rate of 9.8%.

27 SHARE CAPITAL

	Ordinary shares of HK$0.2 each (note (a)) No. of shares (note (a)) '000	HK$'000	Preference shares of HK$0.01 each No. of shares '000	HK$'000	Total HK$'000
Authorized:					
At 31 December 2012 (note (b))	**15,000,000**	**3,000,000**	**240,760**	**2,408**	**3,002,408**
At 31 December 2011	**3,000,000**	**600,000**	**240,760**	**2,408**	**602,408**
Issued and fully paid:					
At 1 January 2012	**2,259,590**	**451,918**	**–**	**–**	**451,918**
Issue of shares upon warrant conversion (note (c))	**275,000**	**55,000**	**–**	**–**	**55,000**
Issue of shares upon exercise of share options	**19,500**	**3,900**	**–**	**–**	**3,900**
At 31 December 2012	**2,554,090**	**510,818**	**–**	**–**	**510,818**
Authorized:					
At 31 December 2011	3,000,000	600,000	240,760	2,408	602,408
At 31 December 2010	3,000,000	600,000	240,760	2,408	602,408
Issued and fully paid:					
At 1 January 2011	1,439,727	287,945	–	–	287,945
Issue of shares upon rights issue (note (d))	719,863	143,973	–	–	143,973
Issue of shares upon acquisition of subsidiaries (note 30)	100,000	20,000	–	–	20,000
At 31 December 2011	2,259,590	451,918	–	–	451,918

27 SHARE CAPITAL *(Continued)*

Notes:

(a) Share Consolidation

As approved at the extraordinary general meeting of the Company held on 25 July 2012, every two issued and unissued shares of HK$0.10 each in the share capital of the Company have been consolidated into one consolidated share of HK$0.20 each effective from 26 July 2012. For details, please refer to the circular issued by the Company dated 21 June 2012.

(b) Increase in authorized share capital

The Company proposed to increase its authorized share capital to HK$3,002,407,600 divided into 15,000,000,000 (adjusted for the effect of share consolidation mentioned above) ordinary shares of HK$0.20 each (adjusted for the effect of share consolidation mentioned above) and 240,760,000 preference shares of HK$0.01 each. The increase in authorized share capital has been approved at the extraordinary general meeting of the Company held on 10 February 2012.

(c) Warrants

On 19 December 2011, the Company appointed a sole and exclusive placing agent to procure not less than six placees to subscribe for up to 275,000,000 (adjusted for the effect of share consolidation mentioned above) warrants of the Company on best effort basis. Such warrant has an exercise price of HK$0.20 per warrant (adjusted for the effect of share consolidation mentioned above), and could be exercised within three years since the date of issue. On 6 January 2012, the warrants have been fully placed. Up to 31 December 2012, all warrants have been converted to shares of the Company.

(d) Rights Issue

The Company issued 719,863,242 new ordinary shares of HK$0.20 each by way of a rights issue to the qualifying shareholders for subscription on the basis of one rights share for every two shares held on 23 May 2011 at HK$0.36 per rights share on the terms set out in the prospectus issued by the Company dated 24 May 2011 adjusted for the effect of share consolidation mentioned above. The rights issue has been completed in June 2011, raising net proceeds of approximately HK$251,067,000.

27 SHARE CAPITAL *(Continued)*

Share Option

Pursuant to a resolution passed on the extraordinary general meeting of the Company dated 4 June 2012, the share option scheme adopted by the Company on 30 July 2002 ("Terminated Option Scheme") has been terminated and the Company has adopted a new 10-year term share option scheme ("New Option Scheme") on the same date. Outstanding share options granted under the Terminated Option Scheme shall continue to be valid and exercisable. Pursuant to the New Option Scheme, the Company can grant options to Qualified Persons (as defined in the New Option Scheme) for a consideration of HK$1.00 for each grant payable by the Qualified Persons to the Company. The total number of the shares issued and to be issued upon exercise of options granted to each Qualified Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. Pursuant to said resolution passed on 4 June 2012, the Company can grant up to 225,958,972 share options (adjusted for the effect of share consolidation mentioned above) to the Qualified Persons.

Subscription price in relation to each option pursuant to the New Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares of the Company. There shall be no minimum holding period for the vesting or exercise of the options and the options are exercisable within the option period as determined by the Board of Directors of the Company. For the year ended 31 December 2012, 96,500,000 share options (adjusted for the effect of share consolidation mentioned above) have been granted under the New Option Scheme and share-based payment expense of approximately HK$6,399,000 has been charged to the condensed consolidated interim income statement (2011: HK$255,000).

27 SHARE CAPITAL *(Continued)*

Movement of share options during the current year and the prior year is as follows:

Tranche	Date of share options granted	Outstanding as at 1 January 2012	Granted during the year	Cancelled/ lapsed during the year	Adjusted during the year	Exercised during the year	Outstanding as at 31 December 2012	Exercisable as at 31 December 2012	Exercise Price (adjusted)	Vesting date	Expiry date
		Number of share options (after adjustment for share consolidation effective on 26 July 2012)							HK$		
1	7 March 2008	37,789,147	–	(37,789,144)	(3)	–	–	–	2.98	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	5,733,525	–	(4,691,066)	–	–	1,042,459	1,042,459	2.58	From 1 April 2009	31 December 2015
3	4 November 2008	41,956,457	–	(15,373,745)	(6)	–	26,582,706	26,582,706	0.86	From 8 March 2009 to 8 March 2011	31 December 2015
4	15 June 2012	–	96,500,000	–	–	(19,500,000)	77,000,000	77,000,000	0.20	From 15 June 2012	14 June 2017
		85,479,129	96,500,000	(57,853,955)	(9)	(19,500,000)	104,625,165	104,625,165			

Tranche	Date of share options granted	Outstanding as at 1 January 2011	Cancelled/ lapsed during the year	Adjusted during the year	Outstanding as at 31 December 2011	Exercisable as at 31 December 2011	Exercise Price (adjusted)	Vesting date	Expiry date
		Number of share options (after adjustment for share consolidation effective on 26 July 2012)					HK$		
1	7 March 2008	39,445,312	(2,062,500)	406,335	37,789,147	37,789,147	2.94	From 1 April 2008 to 1 March 2011	31 December 2012
2	5 May 2008	6,187,500	(521,230)	67,255	5,733,525	5,733,525	2.58	From 1 April 2009	31 December 2015
3	4 November 2008	44,341,250	(2,847,146)	462,353	41,956,457	41,956,457	0.86	From 8 March 2009 to 8 March 2011	31 December 2015
		89,974,062	(5,430,876)	935,943	85,479,129	85,479,129			

There are no performance conditions or market conditions required for these tranches of issued options.

28 RESERVES

Group

	Share premium HK$'000 (note ii)	Merger reserve HK$'000 (note i)	Equity component of convertible notes HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000 (note iv)	Currency translation reserve HK$'000 (Restated) (note 2)	Accumulated losses HK$'000 (note iii)	Total HK$'000 (Restated) (note 2)	Non-controlling interests HK$'000 (Restated) (note 2)	Total HK$'000 (Restated) (note 2)
Balance at 1 January 2011 (Previously stated)	1,342,589	860,640	–	93,908	1,206	60,780	(1,754,272)	604,851	837	605,688
Effect of adoption of HKFRS 11	–	–	–	–	–	–	–	–	(111)	(111)
Balance at 1 January 2011 (Restated)	1,342,589	860,640	–	93,908	1,206	60,780	(1,754,272)	604,851	726	605,577
Loss for the year	–	–	–	–	–	–	(17,779)	(17,779)	(180)	(17,959)
Share-based payment expense	–	–	–	255	–	–	–	255	–	255
Issuance of shares upon right issue	107,094	–	–	–	–	–	–	107,094	–	107,094
Issue of shares upon acquisition of subsidiaries (note 30)	7,800	–	–	–	–	–	–	7,800	–	7,800
Currency translation differences	–	–	–	–	–	26,006	–	26,006	3	26,009
Disposal of subsidiaries	–	–	–	–	–	(3,506)	(485)	(3,991)	(549)	(4,540)
Balance at 31 December 2011	1,457,483	860,640	–	94,163	1,206	83,280	(1,772,536)	724,236	–	724,236

28 RESERVES *(Continued)*

Group *(Continued)*

	Share premium HK$'000 (note ii)	Merger reserve HK$'000 (note i)	Equity component of convertible notes HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000 (note iv)	Currency translation reserve HK$'000	Accumulated losses HK$'000 (note iii)	Total HK$'000	Non-controlling interests HK$'000 (Restated) (note 2)	Total HK$'000
Balance at 1 January 2012 (Previously stated)	1,457,483	860,640	–	94,163	1,206	83,280	(1,772,536)	724,236	457	724,693
Effect of adoption of HKFRS 11	–	–	–	–	–	–	–	–	(457)	(457)
Balance at 1 January 2012 (Restated)	1,457,483	860,640	–	94,163	1,206	83,280	(1,772,536)	724,236	–	724,236
Loss for the year	–	–	–	–	–	–	(43,589)	(43,589)	–	(43,589)
Share-based payment expense	–	–	–	6,399	–	–	–	6,399	–	6,399
Issuance of shares upon warrant conversion	65,870	–	–	–	–	–	–	65,870	–	65,870
Issue of shares upon exercise of share options	985	–	–	(985)	–	–	–	–	–	–
Issuance of convertible notes (note 26 and 30)	–	–	337,971	–	–	–	–	337,971	–	337,971
Currency translation differences	–	–	–	–	–	(4,808)	–	(4,808)	–	(4,808)
Lapse of share options	–	–	–	(82,745)	–	–	82,745	–	–	–
Balance at 31 December 2012	1,524,338	860,640	337,971	16,832	1,206	78,472	(1,733,380)	1,086,079	–	1,086,079

28 RESERVES *(Continued)*

Company

	Share premium HK$'000 (note ii)	Equity component of convertible notes HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000 (note iv)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	1,342,589	—	93,908	1,206	(855,091)	582,612
Share-based payment expense	—	—	255	—	—	255
Issuance of shares upon rights issue	107,094	—	—	—	—	107,094
Issue of shares upon acquisition of subsidiaries (note 30)	7,800	—	—	—	—	7,800
Loss for the year	—	—	—	—	(12,108)	(12,108)
At 31 December 2011	1,457,483	—	94,163	1,206	(867,199)	685,653
At 1 January 2012	1,457,483	—	94,163	1,206	(867,199)	685,653
Share-based payment expense	—	—	6,399	—	—	6,399
Issuance of shares upon warrant conversion	65,870	—	—	—	—	65,870
Issue of shares upon exercise of share options	985	—	(985)	—	—	—
Issuance of convertible notes (note 26 and 30)	—	337,971	—	—	—	337,971
Lapse of share options	—	—	(82,745)	—	82,745	—
Loss for the year	—	—	—	—	(88,090)	(88,090)
At 31 December 2012	1,524,338	337,971	16,832	1,206	(872,544)	1,007,803

28 RESERVES *(Continued)*

Company *(Continued)*

Notes:

(i) The merger reserve of the Group derives from the difference between the nominal value of the Company's shares issued to acquire the issued share capital of China Jiuhao Group Limited (formerly known as Universal Appliances Limited) pursuant to the Group reorganisation in 2002, and the consolidated net asset value of China Jiuhao Group Limited so acquired. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, the merger reserve is distributable to shareholders under certain prescribed circumstances.

(ii) The share premium of the Company represents the excess of the fair value of the issued shares over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law (2003 Revision) (Cap. 22) of the Cayman Islands, a company may make distributions to its members out of the share premium in certain circumstances.

(iii) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

(iv) During the year ended 31 December 2008, the Company repurchased 120,600,000 issued ordinary shares on the Stock Exchange. These repurchased shares were cancelled immediately upon repurchase. The total amount paid to acquire these issued ordinary shares of HK$4,609,000 were deducted from shareholders' equity. A sum equivalent to the nominal value of the repurchased shares amounting to HK$1,206,000 has been transferred from accumulated losses to capital redemption reserve.

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to cash used in operations

	2012 HK$'000	2011 HK$'000 (Restated) (Note 2)
Loss before taxation	(30,956)	(14,435)
Adjustments for:		
— Share of profit of joint ventures	(49,239)	(40,207)
— Interest income	(220)	(555)
— Depreciation	25,251	13,518
— Loss on disposal of property, plant and equipment	12	—
— Loss on disposal of subsidiaries, net	—	1,363
— Provision for impairment of intangible assets	—	11,596
— Amortization of intangible assets	15,168	39,143
— Provision for impairment of trade receivables	3,333	—
— Membership entrance fee income and rental income recognized	(49,678)	(26,039)
— Share-based payments	6,399	255
— Fair value loss on financial assets at fair value through profit or loss	3,000	13,400
— Finance costs	87,776	6,393
Operating profit before working capital changes	10,846	4,432
Changes in working capital:		
— Decrease/(increase) in trade receivables, prepayments, deposits and other receivables and amounts due from joint ventures	40,349	(56,054)
— Increase in inventories	(3,644)	(8,125)
— (Decrease)/increase in agency fee payables, trade payables, receipt in advance, other payables and accrued liabilities and amount due to a joint venture	(34,308)	30,162
— Cash inflow from membership entrance fee and rental income	29,875	12,874
Cash generated from/(used in) operations	43,118	(16,711)

30 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL

(a) Significant Business combination

For year 2012

On 25 May 2012, the Group and Smart Concept Enterprise Limited ("Smart Concept"), a wholly-owned company of Mr. YUEN Hoi Po, the chairman and a substantial shareholder of the Company, has entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to acquire from Smart Concept the entire equity interests in Yuan Shun Investments Limited ("Yuan Shun") free from encumbrances for the consideration of HK$900 million. The consideration of HK$900 million shall be settled in the following manner upon completion of the proposed acquisition:

(i) HK$50 million of the consideration shall be paid in cash;

(ii) HK$150 million of the consideration shall be settled by way of promissory note ("Promissory Note"); and

(iii) the remaining consideration shall be settled by the issuance by the Company of 3-year term zero-coupon convertible note with principal amount of RMB569 million (equivalent to approximately HK$700 million) and an initial conversion price of HK$0.10 per share ("Convertible Note").

The repayment date of the Promissory Note is the date falling on the last day of the 24th month from the date of issuance (the "Repayment Date"), and the Group could, at its discretion, repay the Promissory Note in whole or in part prior to the Repayment Date. The Promissory Note shall bear interest from the date of the issue at the best lending rate of The Hongkong and Shanghai Banking Corporation Limited on the outstanding amount of the Promissory Note and shall be payable by in arrears on the Repayment Date.

The key assets of Yuan Shun and its subsidiaries (the "Target Group") is the cooperation agreement relating to the development and operation rights of the 580 acres (equivalent to approximately 387,000 square metres) of the subject land located at Beijing Chao Lai Football Activities Centre, which is adjacent to "Bayhood No. 9 Club", up to 31 May 2048. The Group intends to develop the Subject Land as the extension of "Bayhood No. 9 Club". Low density, double-storey deluxe hotel villas and conferencing facilities equipped with basement, luxurious amenities and gardening will be built on it. They will be operated in the form of serviced apartments and leased out on short to medium terms. As "Bayhood No. 9 Club" is currently only equipped with golf, spa, dining and retail facilities, the development and operation of serviced apartments in the vicinity enables the Group to provide more comprehensive services to customers. Current and potential members of "Bayhood No. 9 Club" are considered to be the target customers for the project, which will also be branded as "Bayhood No. 9".

The said acquisition has been completed on 22 October 2012.

30 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(a) Significant Business combination *(Continued)*

For year 2012 *(Continued)*

The following table summarises the consideration paid for the Target Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Consideration:	
— Cash	50,000
— Promissory notes (note 26)	135,713
— Convertible notes (note 26)	817,608
Total consideration	1,003,321
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (note 14)	1,542
Intangible assets (note 15)	993,798
Deferred tax assets (note 9)	1,939
Cash and cash equivalents	391
Receipt in advance, other payables and accrued liabilities	(7,390)
Other payables — non-current	(1,909)
Deferred tax liabilities (note 9)	(248,449)
Total identifiable net assets	739,922
Goodwill (note 15)	263,399
	1,003,321
Net cash outflow on business combinations:	
Cash consideration paid	(50,000)
Cash and cash equivalents acquired	391
Total	(49,609)

Acquisition-related costs of approximately HK$3.8 million have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2012.

30 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(a) Significant Business combination *(Continued)*

For year 2012 *(Continued)*
The fair value of the promissory notes and convertible notes issued as part of the consideration paid for the Target Group was based on the independent valuation carried out by American Appraisal China Limited, a firm of independent and qualified professional valuers not connected with the Group.

The Target Group has not contributed revenue included in the consolidated income statement since the completion of the business combination. The Target Group also contributed loss of HK$5,613,000 over the same period.

Had the Target Group been consolidated from 1 January 2012, the consolidated income statement would show pro-forma revenue of zero and loss of HK$10,976,000.

For year 2011
On 26 January 2011, the Group and Mr. He Peng (the "Vendor") has entered into a sale and purchase agreement (as amended by the supplemental agreement dated 16 May 2011), pursuant to which the Group has conditionally agreed to acquire the entire equity interests in Smart Title Limited free from encumbrances for the consideration of HK$500 million. The consideration of HK$500 million shall be settled in the following manner:

(i) HK$395 million of the consideration shall be paid in cash upon completion of the acquisition;

(ii) HK$70 million of the consideration shall be settled by issuance of 200,000,000 new ordinary shares of the Company at HK$0.35 each (after adjustment for share consolidation effective on 16 May 2011) upon completion of the acquisition; and

(iii) the remaining HK$35 million of the consideration shall be settled by the issuance of a maximum of 100,000,000 new ordinary shares of the Company at HK$0.35 each (after adjustment for share consolidation effective on 16 May 2011), provided that:

  (a) the number of new ordinary shares to be issued by the Company will be adjusted downwards on a dollar to dollar basis if the audited net profit after tax of Smart Title Limited and its subsidiaries (the "Target Group") for the years 2011 and 2012 shall be less than RMB80,000,000 in aggregate;

30 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(a) Significant Business combination *(Continued)*

For year 2011 *(Continued)*

(iii) (Continued)

(b) following the deduction of the value of the new ordinary shares issued under the preceding subparagraph (a), if there shall still be in existence a shortfall, the Vendor shall compensate such shortfall in cash on a dollar to dollar to basis; and

(c) in case the Target Group suffers an aggregated net loss after tax for the years 2011 and 2012, in addition to the compensation under the preceding subparagraph (a) and (b), the Vendor shall compensate the Group for the aggregated loss on a dollar to dollar basis.

If, as at the date of completion, there shall remain outstanding amounts receivable from related parties outside the Target Group, the Group shall have the right to reduce the cash consideration by such outstanding amounts, and thereafter such outstanding amounts shall be deemed to have been received by the Target Group.

The said acquisition has been completed on 28 July 2011.

The Target Group is principally engaged in the provision of high-end recreational and tourism services through the management of “Bayhood No. 9 Club”, a membership-based luxury club which comprises of business hotel facilities, an 18-hole golf course, driving range facilities, theme restaurants and cafes, spa facilities, retail shops, and the first PGA branded and managed golf academy in Asia. “Bayhood No. 9 Club” is located near the city centre of Beijing, PRC.

30 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(a) Significant Business combination *(Continued)*

For year 2011 *(Continued)*

The following table summarizes the total considerations paid by the Group for the above acquisitions and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date. The fair value of the consideration related to new ordinary shares issued and to be issued were determined based on the market price of the Company's shares at the acquisition date.

	2011 HK$'000
Consideration:	
— Cash	395,000
— Issuance of shares	27,800
— Shares to be issued	13,900
Total consideration	436,700
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (note 14)	339,666
Intangible assets (note 15)	325,288
Deferred tax assets (note 9)	5,748
Prepayments, deposits and other receivables	18,592
Amounts due from entities related to the Vendor offsetted against cash consideration payable upon completion	99,920
Inventories	7,402
Cash and cash equivalent	18,326
Trade payables	(8,639)
Receipt in advance, other payables and accrued liabilities	(124,646)
Deferred revenue (note 25)	(141,119)
Current income tax liabilities	(58,286)
Deferred tax liabilities (note 9)	(94,642)
Total identifiable net assets	387,610
Goodwill (note 15)	49,090
Net cash outflow on business combinations:	
Cash consideration payable	395,000
Amounts due from entities related to the Vendor offsetted against cash consideration payable upon completion	(99,920)
Cash and cash equivalents in subsidiaries acquired	(18,326)
Total	276,754

30 SIGNIFICANT BUSINESS COMBINATION AND DISPOSAL *(Continued)*

(a) Significant Business combination *(Continued)*

For year 2011 *(Continued)*

The sales included in the consolidated income statement since respective acquisition dates contributed by the subsidiaries acquired was HK$64,614,000 (2010: HK$5,181,000). These acquired subsidiaries also contributed profit of HK$11,876,000 (2010: HK$12,534,000) over the same period. Had these acquires subsidiaries been consolidated from 1 January 2011, the consolidated income statement would show sales of HK$150,940,000 (2010: HK$19,543,000) and profit of HK$27,818,000 (2010: HK$11,818,000).

(b) Significant business disposal

On 19 May 2011, the Company and DVN (Holdings) Limited have entered into a sale and purchase agreement, whereby the Company agreed to sell the entire issued share capital in and assign its loan due from Sinofocus Media (Holdings) Limited ("Sinofocus") to DVN (Holdings) Limited at an aggregate consideration of HK$82,000,000 payable in cash. Sinofocus, a wholly-owned subsidiary of the Company, is an investment holding company holding various subsidiaries engaging in advertising agency and media resources procurement business. The said disposal has been completed in June 2011, resulting in a loss on disposal of approximately HK$1,806,000.

31 COMMITMENTS

(a) Capital commitments — group

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2012	2011
	HK$'000	HK$'000
Property, plant and equipment	**47,541**	—

31 COMMITMENTS *(Continued)*

(b) Operating lease commitment — group companies as lessee

At 31 December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2012	2011
	HK$'000	HK$'000
Not later than one year	**13,216**	23,397
Later than one year and not later than five years	**49,824**	79,454
Later than five years	**524,890**	838,750
	587,930	941,601

The above future aggregate minimum lease payments under non-cancellable operating leases have included committed operating lease rental arising from the Cooperation Construction Operating Agreements, being the rights (i) to construct and operate the club facilities of "Bayhood No. 9 Club" up to 31 December 2051; and (ii) to develop and operate a piece of 580-acre land adjacent to "Bayhood No. 9 Club" up to 31 May 2048.

Pursuant to the Cooperation Construction and Operating Agreement for the construction and operation of the club facilities of "Bayhood No. 9 Club" up to 31 December 2051, acquired by the Group through a business combination completed in July 2011, the Group is committed to pay an annual operating lease rental of RMB15 million with a 5% increment for each five-year period. During the year, the Group has agreed with the counterparty that the annual committed operating lease rental is adjusted to RMB4 million with a 5% increment for each five-year period, in return that the Group will borne all costs of caddies and utilities relevant to "Bayhood No. 9 Club" operation upon actual incurrence. Accordingly, the amount of aggregate minimum lease payments under non-cancellable operation leases reduced significantly during the year.

32 RELATED PARTY TRANSACTIONS

(i) Included in finance costs is an accrued interest on agency fee payable to a joint venture of a joint venture amounting to approximately HK$6,570,000 (2011: HK$6,393,000).

(ii) Remuneration for key management personnel, including amounts paid to the Company's directors, is disclosed in note 13(a) and certain of the highest paid employees is disclosed in note 13(b).

(iii) Details of the acquisition of the entire share capital of Yuan Shun from Smart Concept, a wholly-owned company of Mr. YUEN Hoi Po, the chairman and a substantial shareholder of the Company, is disclosed in note 30(a).

33 CONTINGENCIES

Beijing Hua Yi Hao Ge Media Culture Limited ("Hua Yi Hao Ge"), an indirect wholly owned subsidiary of the Company, is a party to a possible litigation in the PRC whereby Hainan Haishi Tourist Satellite TV Media Co., Ltd. ("Hainan Haishi") has obtained an order from the People's Court of Yang Pu Economic Development Zone of Hainan Province to freeze its assets in connection with the allegation of an amount of RMB79.9 million alleged to be due from Hua Yi Hao Ge to Hainan Haishi. The alleged amount arose from the Group's exclusive advertising agency business with Hainan Haishi before 31 December 2008, starting with the exclusive advertising agency agreement signed between the Group and Hainan Haishi dated 12 May 2006. The amount payable to Hainan Haishi has already been accrued in the Group's consolidated financial statements since the year ended 31 December 2008, which has not yet been settled as of the balance sheet date. The Directors do not anticipate that any material liabilities will arise other than those provided for and believe that the Group has sufficient financial resources to discharge the debt.

Hua Yi Hao Ge appealed against the Beijing Intermediate Court Ruling and the appeal was heard by the Beijing People's High Court (the "Beijing High Court") on 1 December 2011. On 11 December 2011, the Beijing High Court ordered that the legal proceedings shall be discontinued pursuant to section 136(6) of the Civil Procedure Law of the PRC. Under the said section 136(6), the legal proceedings can be restored in accordance with the provisions thereof.

34 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 20 March 2013.

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists out the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of 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.

Name	Place of incorporation/ establishment and kind of legal entity	Nominal value of Issued ordinary share/registered capital	Interest held	Principal activities and place of operation
Anglo Alliance Co., Ltd (1)	British Virgin Islands, limited company	US$2 ordinary	100%	Investment holding
Beijing Hua Yi Hao Ge Media Culture Co., Ltd. (4)	PRC, co-operative joint venture	RMB120,000,000	100%	Investment holding and licensing of films and TV drama in the PRC
Beijing Hua Yi Qian Si Advertising Company Limited (4)	PRC, co-operative liability company	RMB5,000,000	100%	Advertising agency in the PRC
Effort Wonder Limited (1)	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
Unique Talent Group (1)	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
Smart Title Limited	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
Power Progress Limited (2)	Hong Kong, limited company	HK$1 ordinary	100%	Investment holding
Nengrong Culture (Beijing) Limited (4)	PRC, wholly-owned foreign enterprise	US$100,000	100%	Business administration consultancy in the PRC

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Nominal value of Issued ordinary share/registered capital	Interest held	Principal activities and place of operation
Happy Era Culture Development (Beijing) Limited (4)	PRC, limited liability enterprise	RMB100,000	100%	Media and marketing consultancy in the PRC
Beijing Bayhood No. 9 Business Hotel Company Limited (4)	PRC, limited liability company	RMB50,000,000	100%	Provision of recreational and tourism services through the management of "Bayhood No. 9 Club", a membership-based club in the PRC
Yuan Shun Investments Limited (3)	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
Estate Giant Limited (2)(3)	Hong Kong, limited company	HK$1 ordinary	100%	Investment holding
Beijing Bayhood Business Consultants Company Limited (3)(4)	PRC, wholly-owned foreign enterprise	US$50,000	100%	Consulting
Media China (Hong Kong) Limited (1)(2)	Hong Kong, limited company	HK$2 ordinary	100%	Group treasury and administrative services in Hong Kong
China Jiuhao Group Limited (formerly known as Universal Appliances Limited) (1)(2)	Hong Kong, limited company	HK$499,373,000 ordinary HK$43,337,000 preference	100%	Investment holding and licensing of films in Hong Kong

(1) Shares held directly by the Company.

(2) The Statutory financial statements of these companies for the year ended 31 December 2012 are audited by PricewaterhouseCoopers.

(3) Acquired in 2012 (see note 30 for details).

(4) The names of the companies referred to above represent management's best effort in translating the Chinese names of the companies as no English names for these companies have been registered.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, are summarized below.

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Sales — continuing operations	**165,068**	101,989	19,743	276,451	179,431
Profit/(Loss) before finance costs and taxation — continuing operations	**56,820**	(8,042)	(481,364)	97,788	(402,183)
Finance costs — continuing operations	**(87,776)**	(6,393)	(1,125)	(31,291)	(40,963)
Profit/(Loss) before taxation — continuing operations	**(30,956)**	(14,435)	(482,489)	66,497	(443,146)
Taxation — continuing operations	**(12,633)**	(3,524)	(996)	(413)	2,091
Non-controlling interests — continuing operations	**—**	180	22	(83)	(62)
Profit/(Loss) from continuing operations attributable to the equity holders of the Company	**(43,589)**	(17,779)	(483,463)	66,001	(441,117)
Loss from discontinued operation attributable to the equity holders of the Company	**—**	—	—	(64,618)	—
Profit/(Loss) attributable to the equity holders of the Company	**(43,589)**	(17,779)	(483,463)	1,383	(441,117)
Property, plant and equipment	**318,117**	339,206	2,148	3,131	7,489
Intangible assets	**1,646,999**	468,446	71,059	434,938	978,060
Amounts due from a joint venture and its subsidiaries	**—**	—	259,237	—	—
Interests in joint ventures	**377,924**	328,697	264,430	264,260	267,639
Other non-current assets	**47,447**	25,882	18,737	18,468	35,794
Current assets	**635,269**	631,818	509,203	890,071	912,794
Total assets	**3,025,756**	1,794,049	1,124,814	1,610,868	2,201,776
Current liabilities	**417,977**	442,210	231,292	251,573	919,841
Non-current liabilities	**1,010,882**	175,685	—	47,875	466,556
Total liabilities	**1,428,859**	617,895	231,292	299,448	1,386,397
Net assets	**1,596,897**	1,176,154	893,522	1,311,420	815,379

Note: With effect from 1 January 2012, the Group adopts the equity method as set out in HKFRS11 — "Joint Arrangements" for the recognition of interests in joint ventures. Figure for prior years have been adjusted for this change of accounting policy.