ANNUAL REPORT 2013

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)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Edward TIAN Suning
Mr. Hugo SHONG

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
Guanto Law Firm

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Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

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WEBSITE

www.jiuhaohealth.com

I am pleased to present you the annual results of China Jiuhao Health Industry Corporation Limited ("the Company" or "China Jiuhao Health") and its subsidiaries (collectively "the Group") for the year ended 31 December 2013.

The health industry in China has a rosy outlook thanks to years of rapid economic growth and a steadily growing elderly population in China. The past year marked a critical milestone in the Company's drive for strategic transformation to restructure its business model and step up focus on its health business.

In recent years, the Company has actively pushed for business transformation. In March 2013, the Company renamed itself "China Jiuhao Health Industry Corporation Limited" as part of its move to expand into the health industry. Over the past year, the Group has focused on developing the "Kangxun 360" cloud health management platform to provide users with a systematic range of specialized and customized online health management services that centre on data support. Powered by cloud technology, the platform is designed to customize health management and family health counseling services for users and continuously improve the quality of information by expanding its database. In conjunction with its "Green Healthcare Channel" – priority access to outpatient and specialist service and hospitalization, Bayhood No.9 Club, Beijing Health Preservation Si He Yuan and Hotel under construction, and China Jiuhao Health Town projects in Haikou and Sanya, the "Kangxun 360" platform aims to offer a one-stop health management solution that comprises a package of online and offline health services over the long term.

In 2013, China Jiuhao Health partnered with China-Japan Friendship Hospital and Beijing Medical Doctor Association to provide specialist medical support for the Group's "Kangxun 360" platform and "Green Healthcare Channel" service. Moreover, the Group signed a strategic cooperation framework agreement with China Life Insurance (Overseas) Company Limited and a share placing agreement to strengthen business cooperation between both sides. To consolidate the partnership, China Life Insurance (Overseas) Company Limited has become the Company's strategic shareholder.

"Kangxun 360" health management platform has soon gained customer recognition after its launch. In March 2014, China Jiuhao Health entered into a health management service cooperation agreement with Taiping Life Insurance Company Limited ("Taiping Life"), pursuant to which the Group will provide 10 million Taiping Life's insurance customers with the license to use "Taiping-Kangxun 360" health management platform by phases by the end of 2014. Among them, there will be at least 500,000 high-end customers using the paid services. Together with sales of supporting equipment, "Kangxun 360" health management platform are expected to contribute considerable amounts of revenue to the Group within the year. The Group is also making active efforts to promote specific cooperation in "Kangxun 360" health management platform with other major insurance companies and financial institutions, in order to further increase the number of users, revenue and data base for "Kangxun 360" health management platform. With the rapid increase in the number of users for "Kangxun 360" health management platform, the Group can further launch value-added services, online business and advertising business related to health services, and can make use of the growing health database to carry out targeted database management and marketing.

CHAIRMAN'S STATEMENT

In line with the mission set out in "Several Opinions of the State Council on Promoting the Health Service Industry" (Guo Fa 〔2013〕 No. 40), development of health service industry will be actively promoted in China. Premier Li Keqiang also reiterated the synergy between the medical and insurance sectors and the development of a hierarchical diagnosis and treatment system in his government work report on 5 March 2014. Looking ahead, amid the growth of ageing population and individual wealth, China Jiuhao Health is highly confident about the prospects of its "Kangxun 360" platform. The Company looks forward to joining hands with leading insurance companies to expand its user base rapidly and increase the customer base of its other businesses to fortify its market position in China. As its health services roll out one by one, China Jiuhao Health is expected to grow rapidly and generate considerable returns for shareholders.

In future, we will continue to put full efforts towards achieving our business goals. Finally, I would like to express my sincere gratitude on behalf of the board of directors to investors, business partners and the entire staff for their efforts and contribution during the past year.

Yuen Hoi Po
Chairman
China Jiuhao Health Industry Corporation Limited

21 March 2014, Hong Kong

BUSINESS REVIEW AND PROSPECTS

Financial performance

Major indicators of the financial results for the year ended 31 December 2013 are summarized in the table below:

	2013 HK$'000	2012 HK$'000
Continuing Operations:		
Total sales revenue	**126,192**	165,068
Gross profit before impairment of film rights and film in production	**32,210**	94,089
(Loss)/profit before finance costs and taxation	**(49,960)**	31,309
Loss for the year	**(100,323)**	(69,100)
Discontinued Operation:		
(Loss)/profit for the year	**(65,399)**	25,511

In 2013, China's economy grew steadily with a GDP growth pace of 7.7% despite a volatile global economy and a slowdown in imports and exports and domestic demand. During the year, disposable income per capita of urban residents rose 8.1% to RMB18,311, creating a favourable business environment for the Group.

Guided by the established strategy, the Group focused on developing health care projects and achieved remarkable progress. The Bayhood No.9 Club project continued to bring in steady profits. As a leading revenue stream for the Group during the year, the project generated total revenue of HK$125 million, a 13% fall year-on-year. The decline in revenue was largely attributed to the sharp contraction in mainland China's high-end food and beverage market. On the other hand, the Group is actively developing the "Kangxun 360" health management cloud service platform, which, combined with the "Green Healthcare Channel" that gives users priority access to outpatient and hospitalization services and the Bayhood No.9 Club project, provides customers with a comprehensive range of health management services online and offline. The "Kangxun 360" platform was launched in March 2014. Taiping Life Insurance Company Limited ("Taiping Life") has then entered into cooperating agreement with the Group, pursuant to which Taiping Life will introduce 10 million customers, of which 500,000 users are high-end paid service customers, by end of 2014.

Due to the disposal of its Shenzhen-based property investment subsidiary, non-cash interest accretion of outstanding convertible notes and promissory notes, and the impairment in value of non-core media assets, the Group recorded a loss of about HK$166 million in 2013, higher than the 2012 level. Excluding the relevant non-cash items, the loss narrowed to approximately HK$28 million.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Industry Review

China had a population of 167 million aged above 60 in 2008 and the figure is expected to surge to a staggering 400 million by 2050. In response to the fast ageing population, the Chinese government has stepped up efforts to support the health industry. As part of the initiative, the State Council issued the "Several Opinions of the State Council on Promoting the Health Service Industry" (Guofa〔2013〕No. 40) in year 2013, hoping to encourage and support all sectors of the society developing health services. In addition, China's elderly population continues to grow and accumulate massive wealth thanks to many years of high economic growth. Amid the trend, they have a robust demand for high-quality health, healthcare, and elderly care services and facilities.

Encouraged by strong policy support and macro-economic environment, the management is confident that China's health, health care and elderly care industry will embrace a brighter future. To seize the opportunity, China Jiuhao Health restructured its business portfolio and developed a blueprint for the Group in the year. During the period, the Group focused on building the "Kangxun 360" health management cloud service platform, launching the "Green Healthcare Channel" that gives users priority access to outpatient and hospitalization services, and upgrading its various supporting facilities.

In October 2013, the Company entered into a strategic cooperation framework agreement with China Life Insurance (Overseas) to sustain its growth by extending its business scope from health and elderly care services to the insurance industry. Later in the year, China Life Insurance (Overseas) become the strategic shareholder of the Company and this has strengthened cooperation between both sides. As part of the partnership, the two firms jointly design products that incorporate insurance into health management and elderly care geared to the healthcare and retirement needs of high-end customers.

In line with its renewed business strategy, the Company changed its name from "Media China Corporation Limited" to "China Jiuhao Health Industry Corporation Limited". The renaming resolution was adopted at the extraordinary general meeting on 28 February 2013. The new business name became effective on 20 March 2013, marking a new milestone in the Group's future development.

Business Review

(Unit: HK$'000)	Sales Revenue		Segment Results	
	2013	2012	**2013**	2012
Health industry	**125,465**	144,880	**(32,414)**	36,438
Media	**727**	20,188	**(9,644)**	39,009
Properties investment (discontinued operation)	**–**	–	**(65,399)**	25,511
Total	**126,192**	165,068	**(107,457)**	100,958

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

Health Industry

"Kangxun 360" health management cloud service platform

In 2013, the Group concentrated on developing the "Kangxun 360" health management cloud service platform. By accessing their "Kangxun 360" accounts via computers, smartphone browsers, and iOS and Android-based applications, "Kangxun 360" users can access health data and create health profiles to develop health plans and obtain real-time health alerts, regular health assessment and customized health reports, as well as health knowledge and advice. Leveraging on systemic and cutting-edge cloud technology and an extensive team of registered general practitioners, the "Kangxun 360" platform provides users with a systematic range of specialized and customized online health management services that centre on data support. Powered by cloud technology, the "Kangxun 360" platform is designed to customize health management and family health counseling services for users and continuously improve the quality of information by expanding its database.

In conjunction with its "Green Healthcare Channel" – priority access to outpatient and hospitalization service, Bayhood No.9 Club, Beijing Health Preservation Si He Yuan and Hotel (under construction), and China Jiuhao Health Town projects in Haikou and Sanya, the "Kangxun 360" platform aims to offer a one-stop health management solution that comprises a package of online and offline health services over the long term.

The "Kangxun 360" platform was launched in March 2014 and has soon gained customer recognition. In March 2014, China Jiuhao Health entered into a health management service cooperation agreement with Taiping Life, pursuant to which the Group will provide 10 million Taiping Life's insurance customers with the license to use "Taiping-Kangxun 360" health management platform by phases by the end of 2014. Among them, there will be at least 500,000 high-end customers using the paid services. Together with sales of supporting equipment, "Kangxun 360" health management platform are expected to contribute considerable amounts of revenue to the Group within the year. The Group is also making active efforts to promote specific cooperation in "Kangxun 360" health management platform with other major insurance companies and financial institutions, in order to further increase the number of users, revenue and data base for "Kangxun 360" health management platform. With the rapid increase in the number of users for "Kangxun 360" health management platform, the Group can further launch value-added services, online business and advertising business related to health services, and can make use of the growing health database to carry out targeted database management and marketing.

Green Healthcare Channel – priority access to outpatient and hospitalization services

Considering the lack of timely and high-quality tailored personal medical services in China, the Group formed a partnership with China-Japan Friendship Hospital in October 2013 and Beijing Medical Doctor Association in November 2013 as part of the plan to provide customers with innovative health management services and the "Green Healthcare Channel" service package in order to closely track customers' medical service progress and offer timely specialist guidance. In addition, customers are given priority access to general and specialized outpatient and hospitalization services as well as prompt and appropriate treatment in numerous Tertiary Grade-A hospitals in Beijing such as Beijing Union Medical College Hospital, Beijing Anzhen Hospital, Beijing Tongren Hospital, and China-Japan Friendship Hospital.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

Health Industry *(Continued)*

Membership-based health clubs

Operating under membership plans for corporations and individuals, our prestigious green health clubs is one of the top of its kind in China which have so far attracted approximately 500 members including senior executives of well-known companies in China and abroad, and high net wealth individuals. Corporate membership fee comes up to RMB1.78 million and individual membership costs a maximum of RMB1.58 million, signifying the enormous spending power of the members.

Strategically located, Beijing Bayhood No. 9 Club is only 3.5 km from the Beijing Capital International Airport and 25 minutes' drive from the urban centre of Beijing. As one of the largest high-end leisure complexes in downtown Beijing, the club covers approximately 1,150 chinese acres. Jointly designed by several world-renowned design firms, the building complex comprises an 18-hole golf course, Asia's first PGA-branded golf academy, health-themed restaurants, health SPA, lakeside golfcourse private VIP rooms, and conferencing facilities.

With a total floor area of over 80,000 square metres adjacent to Bayhood No.9 Club, Beijing Health Preservation Si He Yuan and Hotel will comprise a fitness centre, a boutique hotel, villas and conferencing facilities. It is designed by the world-renowned Denniston International Architects & Planners whose works include Fuchun Resort Hangzhou, Aman Resorts Beijing and St. Regis Lhasa Resort. Phase 1 of the project, mainly comprising nine villas with a total floor area of approximately 20,000 square metres, commenced in August 2013 and is expected to complete in phrases in 2014. The nine villas are now being offered for pre-lease.

In August 2013, the Company entered into a framework cooperation agreement with Yan Feng People's Government and the investment invitation centre of Meilan District, Haikou, Hainan Province regarding the development of China Jiuhao (Haikou) Health Town in Haikou. In addition, the Group has acquired a company that is entitled to develop a land plot of around 339,000 square metres in the city of Sanya to build a high-quality health care community – China Jiuhao (Sanya) Health Town.

Media

In 2013, growth in TV advertising revenues from the Chinese mainland slowed down. Travel Channel, an affiliated company under the Group, reported advertising sales revenues of RMB330 million, a year-on-year growth of about 5%. In 2013, we shared profits of HK$16,261,000 from Travel Channel and other media businesses (2012: HK$25,509,000).

The carrying amounts of film rights and films in production have been reduced to their recoverable amounts through recognition of provision for impairment losses of HK$21,050,000 during the year (2012: nil). The recoverable amounts of film rights and films in production is assessed by management at the end of each reporting period with reference to both internal and external market information, for example, the local box office information and collected gross receipts information from overseas distributors on respective films.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Business Review *(Continued)*

Discontinued Operation – Properties Investment

Through its joint ventures, the Group owns a 50% interest in certain office units, retail facilities and their management company at Shenzhen Tian An International Building with a gross floor area of approximately 31,700 square metres. The building is located at Renmin South Road, Luohu District, Shenzhen. Currently, most of its office space and all the retail space have been leased out.

In April 2013, the Group signed agreements with an independent party to sell all of its indirectly-held equity interests in Shenzhen Tian An International Building and its property management company for RMB190 million. As of the date of this annual report, the transaction is still pending for completion.

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 approximately 15% in the U.S. and European countries. Driven by China's growing ageing population and favourable government policies, we strongly believe that China's health industry will gather momentum in the foreseeable future and thus sustain our rapid business growth.

Looking ahead, the "Kangxun 360" health management service platform is expected to generate revenues for the Group within 2014 at the earliest. By partnering with leading insurance companies and institutions, we expect the platform to attract a growing number of users and expand the customer base of other businesses of the Group, marking the first fruit of the various health services offered by the Group.

In line with our vision to focus on the highly potential health industry, the Group will continue to review the performance of its media business, and evaluate the contribution of this business segment in light of the Group's business strategy.

FINANCIAL REVIEW

Continuing Operations

Sales revenue for year 2013 amounted to HK$126,192,000, being a 24% decrease comparing to year 2012. Sales revenue from the health industry segment and media segment accounted for 99% (2012: 88%) and 1% (2012: 12%), respectively, of sales revenue in year 2013. The decrease in sales revenue is mainly attributable to the worsening operating environment of the high-end food and beverage market in the PRC, and the shrinkage of the non-core media businesses during the year.

FINANCIAL REVIEW *(Continued)*

Continuing Operations *(Continued)*

Cost of sales for year 2013 amounted to HK$93,982,000, being a 32% increase comparing to year 2012. Included in the cost of sales for year 2012 was a one-off net write back of accrual of "operating lease rental – operation right" of approximately HK$17 million, while in year 2013 "operating lease rental – operation right" amounted to approximately HK$12 million. Excluding the factor relating to "operating lease rental – operation right", cost of sales for year 2013 and 2012 are approximately HK$82 million and HK$88 million, respectively, representing an 7% decrease.

The carrying amounts of film rights and films in production have been reduced to their recoverable amounts through recognition of provision for impairment losses of HK$21,050,000 during the year (2012: nil). The recoverable amounts of film rights and films in production is assessed by management at the end of each reporting period with reference to both internal and external market information, for example, the local box office information and collected gross receipts information from overseas distributors on respective films.

Other income and other gains/(losses), net mainly comprised fair value loss on financial assets at fair value through profit or loss and exchange gain mainly arising from upward revaluation of Renminbi against Hong Kong dollars. The record of a net gain for the year comparing to a net loss in the prior year is mainly because there was a significantly higher exchange gain during the year, which is in line with the exchange rate trend of Renminbi against Hong Kong dollars.

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

Administrative expenses for year 2013 amounted to HK$95,401,000 (2012: HK$87,300,000), being a 9% increase comparing to year 2012. The increase in administrative expenses is mainly because amortization of intangible assets in relation to the Beijing Health Preservation Si He Yuan and Hotel Project included in administrative expenses increased from HK$5,421,000 in year 2012 to HK$16,341,000 in year 2013.

Share of profit of joint ventures for year 2013 amounted to HK$16,261,000 (2012: HK$25,509,000), being a 36% decrease comparing to year 2012. This reflects the worsened financial performance of the Travel Channel operations during the year. Travel Channel's advertising revenue is affected by the tightened economic environment during the year, especially against high-end consumer products.

Finance costs for year 2013 amounted to HK$54,437,000 (2012: HK$87,776,000). The fluctuation in finance costs comparing to the prior year is mainly attributed to:

(i) included in finance cost for year 2012 was a 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 2012. The fair value loss is mainly driven by the increase in the Company's stock price during year 2012. As the warrants have already been fully exercised, no further fair value change is recorded in year 2013.

FINANCIAL REVIEW *(Continued)*

Continuing Operations *(Continued)*

(ii) increase in notional non-cash interest on promissory notes and convertible notes totaling HK$47,357,000 for year 2013 from HK$16,323,000 for year 2012. Promissory notes and convertible notes were issued in October 2012 to finance the acquisition of the development and operation rights of the 580-acre land adjacent to "Bayhood No. 9 Club".

Discontinued Operation

In April 2013, the Group has entered into an agreement to dispose of the Properties Investment segment in Shenzhen to an independent third party. Accordingly, the operational results of the segment are accounted for as discontinued operation, and the prior year figures are reclassified to conform to the current year presentation. Loss from discontinued operation for year 2013 amounted to HK$65,399,000 (2012: profit of HK$25,511,000), mainly comprises the loss on measurement to fair value less costs to sell of the discontinued operation of HK$69.6 million, offset by the Group's share of profit of the joint ventures holding the discontinued operations of HK$4.2 million.

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 2013, the Group held cash and cash equivalents of approximately HK$99,880,000, being a 44% decrease comparing to the balance as at 31 December 2012.

The Group was at net current asset position of HK$397,720,000 as at 31 December 2013 (2012: HK$217,292,000). The current ratio, representing the total current assets to the total current liabilities, increased from 1.52 as at 31 December 2012 to 1.94 as at 31 December 2013. The debt to equity ratio, representing the sum of borrowings to total equity, decreased from 0.37 as at 31 December 2012 to 0.19 as at 31 December 2013. The Group's borrowings represented the outstanding 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".

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.

Capital Structure

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

FINANCIAL REVIEW *(Continued)*

Capital Structure *(Continued)*

During the year, the Company has issued (i) 1,405,000,000 new ordinary shares upon conversion of convertible notes at HK$0.20 per share; (ii) 10,000,000 new ordinary shares upon share option exercise at HK$0.20 per share; (iii) 75,000,000 new ordinary shares upon issuance of consideration shares; and (iv) 237,100,000 new ordinary shares upon a placement.

Promissory notes with principal amount of HK$150 million and convertible notes with principal amount of RMB569 million were issued during the year ended 31 December 2012 to finance an acquisition completed that year. As at 31 December 2013, principal amount of outstanding promissory notes and convertible notes amounted to HK$6 million and RMB341 million respectively. Details of these borrowings are disclosed in Note 27 to the consolidated financial statements.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2013 none of our assets was pledged and we did not have any material contingent liabilities or guarantees saved as disclosed in Note 34 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2013, 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. Throughout the year ended 31 December 2013, the Company has applied the principles and meet the code provisions of the Corporate Governance Code (the "CG Code") with the exception of the following three deviations:–

1. **Code Provision A.1.1**

   The Board held three regular meetings instead of four as required by the code provision A.1.1 because of the Executive Committee providing an efficient means to exercise the powers and authorities delegated by the Board to consider and approve, among other things, all the relevant transactions pursuant to its terms of reference. Besides the three regular meetings, resolutions were adopted on 28 February 2013, 17 April 2013, 4 June 2013 and 1 August 2013 respectively by written resolutions duly signed by all the Directors in accordance with the Articles of Association of the Company.

2. **Code Provision A.2.1**

   The Chairman of the Board, Mr. YUEN Hoi Po, has also been appointed as Chief Executive Officer in March 2012. 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.

3. **Code Provision A.6.7**

   Most of Non-executive Directors including Independent Non-executive Directors have regularly attended and participated in the Board and Board committee meetings. Their attendance records of all the Company meetings during the year 2013 are set out on page 14.

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 should meet 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 seven Board meetings were held (four 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 2013 is as follows:

Composition of the Board and Board Committees as at the date of this Annual Report and their attendance during the year 2013:

Directors	Director Categories	Board Meetings	General Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Corporate Governance Committee Meetings	Nomination Committee Meetings	Executive Committee Meetings
Mr. YUEN Hoi Po	Chairman, Chief Executive Officer and Executive Director	7/7	3/3	–	member 1/1	chairman 1/1	chairman 3/3	chairman 12/12
Mr. ZHANG Changsheng	Vice Chairman and Executive Director	7/7	3/3	–	–	–	–	member 12/12
Mr. Edward TIAN Suning	Non-executive Director	7/7	1/3	–	–	–	–	–
Mr. Hugo SHONG	Non-executive Director	6/7	3/3	–	–	–	–	–
Prof. WEI Xin	Independent Non-executive Director	4/7	2/3	member 2/2	member 1/1	member 1/1	member 3/3	–
Dr. WONG Yau Kar, David	Independent Non-executive Director	6/7	3/3	member 0/2	chairman 1/1	–	member 3/3	–
Mr. YUEN Kin	Independent Non-executive Director	7/7	3/3	chairman 2/2	member 1/1	member 1/1	–	–
Mr. CHU Yuguo	Independent Non-executive Director	5/7	2/3	–	–	member 1/1	member 3/3	–
Total number of meetings held		7	3	2	1	1	3	12

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 have been 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 Executive Committee, 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.

During the year, 12 meetings were held by the Executive Committee. These meetings are mainly to approve the allotment of Shares to the convertible noteholder after exercising the conversion rights; to approve bank accounts opening; to approve those transactions not falling under chapters 14 and 14A of the Listing Rules.

Corporate Governance Committee

The Corporate Governance Committee 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 year, one meeting was held by the Corporate Governance Committee to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, and to review and monitor the training and continuous professional development of Directors and senior management.

Nomination Committee

The Nomination Committee 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; reviewing Board Diversity Policy; and assessing the independence of independent non-executive directors.

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

During the year, three meetings were held by the Nomination Committee to conduct the annual review of the structure, size and composition of the Board; to assess independence of independent non-executive directors; to recommend the Board's rotation schedule for 2013 annual general meeting, and to adopt the Board Diversity Policy.

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; on the establishment of a formal and transparent procedure for developing remuneration policy; and making recommendations 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, one meeting was held by the Remuneration Committee to determine Executive Director and senior management 2013 remuneration package and 2012 performance-based bonus, and to recommend the same for non Executive Directors to the Board.

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.

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

BOARD DIVERSITY POLICY

The Group adopted a Board Diversity Policy on 19 August 2013. A summary of this policy, together with the measureable objectives set for implementing the Policy, and the progress made towards achieving those objectives are as follows:–

The Board Diversity Policy aimed to sets out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a numbers of measurable aspects including not limited to gender, ethnicity, age, business experience, functional expertise, personal skills, and geographic background. The aim of the Board Diversity Policy is to attract and maintain a Board with an appropriate mix of skills, experience, and expertise. The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy since 19 August 2013.

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 year is as follows:

Directors participate in continuous professional development

Directors	Attending Seminars	Reading Regulatory Updates	Giving Speeches
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 13 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 four Independent Non-executive Directors representing 50% of the Board. Among the four Independent Non-executive Directors, one of them has appropriate professional qualifications in accounting or related financial management expertise as required 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 their 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 2013.

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 inside information in relation to the Company or its securities.

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	2013 HK'000	2012 HK'000
Audit and review services	2,625	2,500
Non-audit services (including reporting accountant and agreed upon procedures)	801	930
	3,426	3,430

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 external auditor.

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 internal control system and for the assessment and management of the risk. The Board has conducted a review of and is satisfied with the effectiveness of the internal control system 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.

INTERNAL CONTROL AND GROUP RISK MANAGEMENT *(Continued)*

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.

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 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

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 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 2013 (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 would 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 auditor's 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 Registrar of the Company. Feedback and comments from shareholders are always encouraged.

CONSTITUTIONAL DOCUMENTS

During the year, there were no changes in the constitutional documents of the Company, a copy of which has been uploaded to the websites of the Stock Exchange and the Company.

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 Registrar 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	:	3690 2050
Fax	:	3690 2059

By Order of the Board

YUEN Hoi Po
Chairman

Hong Kong, 21 March 2014

BOARD OF DIRECTORS

Mr. YUEN Hoi Po

Director since 2010
Chairman, Chief Executive Officer and Executive Director
Mr. YUEN Hoi Po, aged 50, currently serves as Chairman, Chief Executive Officer and Executive Director of the Company. He is chair of Nomination Committee, Corporate Governance Committee, Executive Committee and Strategic Committee as well as a member of Remuneration Committee. Mr. YUEN is the sole member and the sole director of Smart Concept Enterprise Limited which is a substantial shareholder of the Company pursuant to Part XV of the Securities and Futures Ordinance and a director of three subsidiaries of the Company. Mr. YUEN currently serves as a 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.

Mr. ZHANG Changsheng

Director since 2008
Vice Chairman and Executive Director
Mr. ZHANG Changsheng, aged 66, currently serves as Vice Chairman and Executive Director of the Company. He is a member of Executive Committee and Strategic Committee and a director of several subsidiaries of the Company. Mr. ZHANG has also served as the Deputy General Manager of China Netcom Communications Group Corporation since 2003 and served as Senior Vice President and General Counsel of China Netcom Communications (Group) Limited Company since 2004 and 2005 respectively. From 1995 to 2003, Mr. ZHANG 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 graduated from the Department of Comprehensive Studies of the Military Academy of the PRC Liberation Army.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Edward TIAN Suning

Director since 2008
Non-Executive Director

Mr. Edward TIAN Suning, aged 51, currently serves as Non-executive Director of the Company. 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; 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. 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

Director since 2009
Non-Executive Director

Mr. Hugo SHONG, aged 57, currently serves as Non-executive Director of the Company. Mr. SHONG has been the Founding General Partner of IDG Capital Partners, IDG-Accel China Growth Fund and IDG-Accel Capital Fund since 1993, 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 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 non-executive director of WPP plc, a company listed on the London Stock Exchange and NASDAQ and a non-executive director of Mei Ah Entertainment Group Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Professor WEI Xin

Director since 2010
Independent Non-Executive Director
Professor WEI Xin, aged 58, currently serves as Independent Non-executive Director of the Company. He is a member of Audit Committee, Nomination Committee, Remuneration Committee and Corporate Governance Committee. Prof. WEI serves as Chairman of Peking University Founder Group Company Limited; executive director of Founder Holdings Company Limited, a company listed on The Stock Exchange of Hong Kong Limited; and 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.*

Director since 2000
Independent Non-Executive Director
Dr. WONG Yau Kar, David, BBS, JP, aged 56, currently serves as Independent Non-executive Director of the Company. He is chair of Remuneration Committee and a member of Audit Committee and Nomination Committee. 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, he is an independent non-executive director of Shenzhen Investment Limited, China Wind Power Group Limited, Redco Properties 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. Dr. Wong has served as a deputy to the National People's Congress of the PRC.

Mr. YUEN Kin

Director since 2004
Independent Non-Executive Director
Mr. YUEN Kin, aged 59, currently serves as Independent Non-executive Director of the Company. He is chair of Audit Committee of the Company and a member of Remuneration Committee and Corporate Governance Committee. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHU Yuguo

Director since 2012
Independent Non-Executive Director
Mr. CHU Yuguo, aged 48, currently serves as Independent Non-executive Director of the Company. He is a member of Nomination Committee and Corporate Governance Committee. 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 and the president of Beida Jade Bird; a director of Beijing Science Park Culture Education Development Co., Ltd; the chairman of Beida Jade Bird Culture and Education Group and the vice president of Institute of Examinations, Peking University.

SENIOR MANAGEMENT

Mr. HAU Wai Man, Raymond

Mr. HAU Wai Man, Raymond, aged 39, 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 holds 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 2013.

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 2013 are set out in Note 37 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.

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 2013.

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 132 of this Annual Report.

DONATIONS

The Group has made donations of approximately HK$38,000 (2012: Nil) to non-profit organizations during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

PRINCIPAL PROPERTIES

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

Property Name	Expiry Date Year	Property Gross Floor Area m²	Interest Held by the Group	Gross Floor Area Attributable to the Group m²	Use
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

On 16 December 2013, the Company announced a proposal to place 522,814,285 new Shares at HK$0.35 per Share (the closing price: HK$0.4350) to not less than six placees. All placees are professional, institutional and other appropriate investors as selected by the placing agent. As China Life Trustees Limited is one of the placees to subscribe for 285,714,285 placing shares, the placing provides an opportunity for the Company to further strengthen its strategic cooperation with China Life (Overseas), as well as to broaden its shareholders' profile and improve its capital structure. As of 31 December 2013, placing of 237,100,000 shares has been completed and net proceeds of approximately HK$79.67 million (representing a net placing price of HK$0.336 per placing share) have been raised. Placing of the remaining 285,714,285 shares has been completed in January 2014.

The Company intends to utilize the aggregate net proceeds of approximately HK$175.67 million respectively (representing a net placing price of HK$0.336 per placing share) from the placing for the development of health industry, including, among others, building of interactive cloud health platform and construction of healthcare facilities in Beijing. The details of the Placing is set out in the Company's announcement dated 16 December 2013. As of 31 December 2013, none of the net proceeds raised of approximately HK$79.67 million has been utilized.

Details of the movements in share capital of the Company are set out in Note 28 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]

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. YUEN Hoi Po, Mr. Edward TIAN Suning and Mr. CHU Yuguo 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 their 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 14 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 2013
2002 Share Option Scheme	27,625,165	0.65
2012 Share Option Scheme	195,958,972	4.58

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$)	Outstanding as at 1 January 2013	Exercised during the year	Outstanding as at 31 December 2013	% of total issued share capital of the Company	Note
Director							
Edward TIAN Suning	5.5.2008	2.58	1,042,459	–	1,042,459	0.02	(1)
	4.11.2008	0.86	2,084,918	–	2,084,918	0.05	(1)
Others	4.11.2008	0.86	24,497,788	–	24,497,788	0.57	(2)
Total for all categories			27,625,165	–	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$)	No. of share options: Outstanding as at 1 January 2013	Exercised during the year	Outstanding as at 31 December 2013	% of total issued share capital of the Company	Note
Directors							
ZHANG Changsheng	15.6.2012	0.20	20,000,000	–	20,000,000	0.47	(3)
WEI Xin	15.6.2012	0.20	2,000,000	–	2,000,000	0.05	(3)
WONG Yau Kar, David	15.6.2012	0.20	2,000,000	–	2,000,000	0.05	(3)
YUEN Kin	15.6.2012	0.20	2,000,000	–	2,000,000	0.05	(3)
CHU Yuguo	15.6.2012	0.20	2,000,000	–	2,000,000	0.05	(3)
Continuous contract employee in aggregate	15.6.2012	0.20	1,500,000	–	1,500,000	0.04	(3)
Others	15.6.2012	0.20	47,500,000	10,000,000	37,500,000	0.88	(3)
Total for all categories			77,000,000	10,000,000	67,000,000		

Notes:

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

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

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

4. During the year, no share options were granted, cancelled and lapsed under the 2002 Share Option Scheme and the 2012 Share Option Scheme respectively.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2013, 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$698,764,000 (2012: HK$651,794,000), representing the share premium of HK$1,644,681,000 (2012: HK$1,524,338,000) less the accumulated losses of HK$945,917,000 (2012: HK$872,544,000). 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 2013, 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 purchases 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 2013, 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	1,274,492,607	2,095,000,000 (Note 1)	3,369,492,607 (Note 1)	78.70 (Note 2)
ZHANG Changsheng	Beneficial owner	Personal interest	–	20,000,000 (Note 4)	20,000,000	0.47
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)	4.60
WEI Xin	Beneficial owner	Personal Interest	–	2,000,000 (Note 4)	2,000,000	0.05
WONG Yau Kar, David	Beneficial owner	Personal interest	–	2,000,000 (Note 4)	2,000,000	0.05
YUEN Kin	Beneficial owner	Personal interest	–	2,000,000 (Note 4)	2,000,000	0.05
CHU Yuguo	Beneficial owner	Personal interest	–	2,000,000 (Note 4)	2,000,000	0.05

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 1,274,492,607 Shares held by his wholly-owned corporations namely, Ming Bang Limited, Rich Public Limited and Smart Concept Enterprise Limited. Mr. YUEN is also deemed to be interested in 2,095,000,000 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 RMB419 million ("Convertible Note") held by Smart Concept Enterprise Limited. 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 2013, 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" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company of any Associated Corporation" 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 2013, 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	1,135,000,000	2,095,000,000 (Note a)	3,230,000,000	75.45 (Note a)
Rich Public Limited	Beneficial owner (Note b)	Beneficial interest	139,492,607	–	139,492,607	3.26
Ming Bang Limited	Interest of controlled corporation (Note c)	Corporation interest	139,492,607	–	139,492,607	3.26
China Life Insurance (Group) Company	Interest of a controlled corporation (Note d)	Corporate interest	285,714,285	–	285,714,285	6.67
China Life Insurance (Overseas) Co. Ltd.	Interest of a controlled corporation (Note d)	Corporate interest	285,714,285	–	285,714,285	6.67
China Life Trustees Limited	Beneficial owner (Note d)	Beneficial interest	285,714,285	–	285,714,285	6.67
Sun Hung Kai Structured Finance Limited	Beneficial owner (Note e)	Beneficial interest	1,135,000,000	2,095,000,000	3,230,000,000	75.45
Sun Hung Kai & Co. Limited	Interest of a controlled corporation (Note e)	Corporate interest	1,135,000,000	2,095,000,000	3,230,000,000	75.45
Allied Properties (H.K.) Limited	Interest of a controlled corporation (Note e)	Corporate interest	1,135,000,000	2,095,000,000	3,230,000,000	75.45
Allied Group Limited	Interest of a controlled corporation (Note e)	Corporate interest	1,135,000,000	2,095,000,000	3,230,000,000	75.45
LEE Seng Hui	Interest of a controlled corporation (Note e)	Corporate interest	1,135,000,000	2,095,000,000	3,230,000,000	75.45
LEE Su Hwei	Interest of a controlled corporation (Note e)	Corporate interest	1,135,000,000	2,095,000,000	3,230,000,000	75.45
LEE Seng Huang	Interest of a controlled corporation (Note e)	Corporate interest	1,135,000,000	2,095,000,000	3,230,000,000	75.45

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 derivatives 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 2,095,000,000 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. China Life Trustees Limited is a wholly-owned subsidiary of China Life Insurance (Overseas) Co. Ltd, which in turn is a wholly-owned subsidiary of China Life Insurance (Group) Company.

e. Sun Hung Kai Structured Finance Limited is a wholly-owned subsidiary of Sun Hung Kai Financial Limited, an indirect 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 68.43% interest in Allied Group Limited as at 27 December 2013. Accordingly, they are deemed to have the same long position as Sun Hung Kai Structured Finance Limited.

Save as disclosed above, as at 31 December 2013, 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 3 September 2013, the Company and Smart Concept Enterprise Limited, a company wholly-owned by Mr. YUEN Hoi Po, an executive director of the Company and being the sole holder of the convertible note issued by the Company in 2012 ("Convertible Note"), entered into the Deed of Variation relating to the amendment of a term of the Convertible Note to permit the Company to early redeem the outstanding Convertible Note at their face value (the "Amendment"). The purpose of the Amendment is (i) to give flexibility to the Company; (ii) to permit the Company to better manage its gearing levels; and (iii) to assist the Board to manage possible dilution to Shareholders in the future. Apart from the Amendment, all other terms and conditions of the Convertible Note remain unchanged.

As Mr. YUEN is an executive director of the Company, the Amendment constitutes a connected transaction for the Company under the Listing Rules and is subject to reporting requirement.

RELATED PARTY TRANSACTIONS

Details of the transactions carried out with related parties are set out in Note 33 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.

REPORT OF THE DIRECTORS

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 21 March 2014.

CORPORATE GOVERNANCE

A separate corporate governance report prepared by the Board on its corporate governance practices is set out on pages 13 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 2013 Interim Report are set out below.

1. Dr. Wong Yau Kar, David was appointed as an independent non-executive director of Redco Properties Group Limited on 14 January 2014.

2. The annual remuneration of ZHANG Changsheng was raised to approximately HK$2 million with effect from 1 January 2014.

3. AsiaInfo-Linkage Inc. is a company, of which Mr. Edward TAN Suning was appointed director, delisted from NASDAQ in January 2014.

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, 21 March 2014

羅兵咸永道

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

We have audited the consolidated financial statements of China Jiuhao Health Industry Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 131, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated) (Note 2(y), 11)
Continuing Operations			
Sales	5	**126,192**	165,068
Cost of sales		**(93,982)**	(70,979)
Gross profit before impairment of film rights and film in production		**32,210**	94,089
Provision for impairment of film rights and film in production	16	**(21,050)**	–
Other income and other gains/(losses), net	5	**18,399**	(430)
Marketing and selling expenses		**(379)**	(559)
Administrative expenses		**(95,401)**	(87,300)
Share of profit of joint ventures	18	**16,261**	25,509
		(49,960)	31,309
Finance costs			
Interest expense	7	**(54,437)**	(24,256)
Fair value loss on financial liabilities at fair value through profit or loss	7	**–**	(63,520)
Loss before taxation	8	**(104,397)**	(56,467)
Taxation	9	**4,074**	(12,633)
Loss for the year from continuing operations		**(100,323)**	(69,100)
Discontinued Operation			
(Loss)/profit for the year from discontinued operation	11	**(65,399)**	25,511
Loss for the year		**(165,722)**	(43,589)
Attributable to:			
Equity holders of the Company		**(165,722)**	(43,589)
Non-controlling interests		**–**	–
		(165,722)	(43,589)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000 (Restated) (Note 2(y), 11)
Loss per share attributable to the equity holders of the Company for the year		**HK Cents**	HK Cents
Basic (loss)/earnings per share	12		
– From continuing operations		**(3.78)**	(3.04)
– From discontinued operation		**(2.46)**	1.12
		(6.24)	(1.92)
Diluted (loss)/earnings per share	12		
– From continuing operations		**(3.78)**	(3.04)
– From discontinued operation		**(2.46)**	1.12
		(6.24)	(1.92)

The notes on pages 53 to 131 are an integral part of these consolidated financial statements.

	Notes	**2013 HK$'000**	2012 HK$'000
Dividend	13	**–**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated) (Note 2(y), 11)
Loss for the year		**(165,722)**	(43,589)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
– Currency translation differences	29	**38,148**	(4,808)
Other comprehensive income/(loss) for the year, net of tax		**38,148**	(4,808)
Total comprehensive loss for the year		**(127,574)**	(48,397)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company			
– continuing operations		**(62,175)**	(73,908)
– discontinued operations		**(65,399)**	25,511
Non-controlling interests		**–**	–
		(127,574)	(48,397)

The notes on pages 53 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Notes	As at 31 December 2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**390,219**	318,117
Intangible assets	16	**1,645,263**	1,646,999
Interests in joint ventures	18	**70,910**	377,924
Deferred tax assets	9	**20,037**	22,262
Prepayments	23	**35,162**	25,185
		2,161,591	2,390,487
CURRENT ASSETS			
Trade receivables	20	**2,182**	13,475
Inventories	21	**10,823**	19,171
Amounts due from joint ventures and its subsidiaries	19	**396,104**	365,600
Financial assets at fair value through profit or loss	22	**16,000**	11,600
Prepayments, deposits and other receivables	23	**54,909**	45,896
Cash and cash equivalents	24	**99,880**	179,527
		579,898	635,269
Assets of disposal group held for sale	11	**241,660**	–
		821,558	635,269
CURRENT LIABILITIES			
Agency fee payables	25	**100,661**	97,605
Trade payables	25	**2,499**	3,878
Receipt in advance, other payables and accrued liabilities	25	**157,314**	160,330
Amount due to a joint venture	19	**34,290**	33,249
Deferred revenue	26	**32,100**	36,322
Current income tax liabilities		**90,875**	86,593
Promissory notes	27	**6,099**	–
		423,838	417,977
NET CURRENT ASSETS		**397,720**	217,292
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,559,311**	2,607,779

	Notes	As at 31 December 2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Convertible notes	27	**334,588**	491,587
Promissory notes	27	**–**	104,170
Other payables	25	**7,098**	3,335
Deferred revenue	26	**77,601**	75,005
Deferred tax liabilities	9	**340,961**	336,785
		760,248	1,010,882
NET ASSETS		**1,799,063**	1,596,897
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	**856,238**	510,818
Reserves	29	**942,825**	1,086,079
		1,799,063	1,596,897
Non-controlling interests	29	**–**	–
TOTAL EQUITY		**1,799,063**	1,596,897

The financial statements on pages 45 to 131 were approved by the Board of Directors on 21 March 2014 and were signed on its behalf.

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

The notes on pages 53 to 131 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	17	**126,010**	126,010
Loans advance to subsidiaries	17	**1,910,409**	1,882,614
		2,036,419	2,008,624
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**15**	265
Cash and cash equivalents	24	**76,873**	17,477
		76,888	17,742
CURRENT LIABILITIES			
Other payables and accrued liabilities	25	**3,731**	16,158
NET CURRENT ASSETS		**73,157**	1,584
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,109,576**	2,010,208
NON-CURRENT LIABILITY			
Convertible notes	27	**334,588**	491,587
NET ASSETS		**1,774,988**	1,518,621
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	**856,238**	510,818
Reserves	29	**918,750**	1,007,803
TOTAL EQUITY		**1,774,988**	1,518,621

The financial statements on pages 45 to 131 were approved by the Board of Directors on 21 March 2014 and were signed on its behalf.

YUEN Hoi Po
Director

ZHANG Chang Sheng
Director

The notes on pages 53 to 131 are an integral part of these consolidated financial statements.

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	30	**(2,515)**	43,118
Income tax refunded/(paid), net		**2,237**	(2,380)
Net cash (used in)/generated from operating activities		**(278)**	40,738
Cash flows from investing activities			
Interest received		**98**	220
Purchases of property, plant and equipment		**(40,123)**	(3,442)
Acquisition of subsidiaries – net of cash acquired	31	**(7,596)**	(49,609)
Purchases of intangible assets		**(13,775)**	(8,423)
Disposals of property, plant and equipment		**–**	742
Disposal of intangible assets		**7,514**	65,863
Net cash used in investing activities		**(53,882)**	5,351
Cash flows from financing activities			
Proceeds from issuance of shares on exercise of share options		**2,000**	3,900
Proceeds from issuance of warrants and issuance of shares upon exercise of warrants		**–**	57,350
Proceeds from issuance of shares on placement – net of expenses		**79,666**	–
Repayment of promissory notes		**(108,287)**	(37,279)
Net cash (used in)/generated from financing activities		**(26,621)**	23,971
Net (decrease)/increase in cash and cash equivalents		**(80,781)**	70,060
Cash and cash equivalents at 1 January	24	**179,527**	108,216
Exchange gains on cash and cash equivalents		**1,134**	1,251
Cash and cash equivalents at 31 December	24	**99,880**	179,527

The notes on pages 53 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to equity holders of the Company				
	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2012	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
Balance at 1 January 2013	**510,818**	**2,819,459**	**(1,733,380)**	**–**	**1,596,897**
Comprehensive income:					
– Loss for the year	**–**	**–**	**(165,722)**	**–**	**(165,722)**
Other comprehensive income:					
– Currency translation differences	**–**	**38,148**	**–**	**–**	**38,148**
Issuance of shares upon conversion of convertible notes	**281,000**	**(57,826)**	**–**	**–**	**223,174**
Issuance of shares upon exercise of share options	**2,000**	**–**	**–**	**–**	**2,000**
Issuance of consideration shares	**15,000**	**9,900**	**–**	**–**	**24,900**
Issuance of shares upon placement	**47,420**	**32,246**	**–**	**–**	**79,666**
Balance at 31 December 2013	**856,238**	**2,841,927**	**(1,899,102)**	**–**	**1,799,063**

The notes on pages 53 to 131 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

China Jiuhao Health Industry Corporation Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in the development of health management services, health preservation services and relevant projects. The Group is also engaged in 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 21 March 2014.

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, 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)*

Changes in accounting policy and disclosures:

(i) ***New, revised and amended standards and interpretations to existing standards effective in 2013 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 2013:

HKAS 1 (Amendment)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 19 (Amendment)	Employee Benefit
HKAS 27 (revised 2011)	Separate Financial Statement
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	First Time Adoption of Hong Kong Financial Reporting Standards – Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures on asset and liability offsetting
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interest in Other Entities
HKFRS 10, 11 and 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurements
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in Jun 2012

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) New, revised and amended standards and interpretations to existing standards that are not effective in 2013 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 2013 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation on asset and liability offsetting	1 January 2014
HKAS 36 (Amendment)	Impairment of assets on recoverable amount disclosure	1 January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of derivatives	1 January 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities	1 January 2014
HKRFS 14	Regulatory Deferral Accounts	1 January 2016
HK(IFRIC) 21	Levies	1 January 2015

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(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.

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 consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the 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. The acquisition-related expenses are expensed as incurred. 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) Joint arrangements

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. Joint ventures are only accounted for using the equity method.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

***(vii) Joint arrangements** (Continued)*

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.

(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 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;

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Foreign currency translation *(Continued)*

(iii) Group companies (Continued)

(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.

(d) Investment properties

The Group held investment properties through a joint venture, which is accounted by equity method.

Investment property, principally comprising leasehold land and office buildings, is held for long- term rental yields. 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 joint venture 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.

(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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

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.

(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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets *(Continued)*

(ii) 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.

(iii) 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)*

(iv) 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", "cash and cash equivalents" in the consolidated balance sheet and the investments in film production with fixed returns.

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 first-in, first-out (FIFO) 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 2012, 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) 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.

(2) Revenue from the sale of television programmes and film rights 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. Revenue from the investments in fixed returns film production is recognized on a time proportion basis. 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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition *(Continued)*

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

(4) 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.

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Employee benefits *(Continued)*

(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;

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

- including the impact of any non-vesting conditions.

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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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 as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(u) Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss 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.

(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.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(y) Comparative figures

The comparative figures in the Group's consolidated income statement relating to the amortization of certain intangible assets of HK$8,209,000, which have been previously classified under "administrative expenses", is now reclassified as "cost of sales" in order to conform to the current year's presentation for a better understanding of the Group's activities. This reclassification has no effect on the Group's consolidated balance sheets as at both 31 December 2013 and 2012, or the Group's loss or cash flows for the years ended 31 December 2013 and 2012.

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 fixed rates, including promissory notes, 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 2013 would decrease/increase by HK$599,000 (2012: HK$1,077,000).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(b) Credit risk

Credit risk is managed on a group basis. The carrying amounts of bank balances, trade receivable, deposits and other receivables and amounts due from joint ventures and its subsidiaries 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.

In regards to the amount due from joint ventures, management assessed the financial position and performance of the counter-party, taking into account its business plans, financial information and other factors. Based on the assessment, the directors consider that the credit risk is not significant.

In addition, the Group reviews regularly the recoverable amount of deposits and other receivable and amounts due from joint ventures and its subsidiaries to ensure that a adequate impairment losses are made for irrecoverable amounts.

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 Hong Kong and the PRC. Foreign exchange risk arises from the fluctuation between Hong Kong Dollars and Renminbi of balances between the Company's subsidiaries in Hong Kong and the PRC. During the year, appreciation in Renminbi against Hong Kong Dollars from those balances resulted in the significant increase in exchange gain presented in the statement of comprehensive income within "other income and other gains/(losses), net".

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.

As at 31 December 2013, 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$19,216,000 (2012: loss decrease/increase by HK$20,554,000), mainly as a result of foreign exchange gains/losses on translation of Renminbi dominated loans advance to subsidiaries.

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.

The convertible notes is based on the contractual maturity date without considering the potential conversion. The promissory notes is based on the face value plus interest as stipulated by the contractual terms.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
Group			
At 31 December 2013			
Agency fee payables	**100,661**	**–**	**–**
Trade payables, other payables and accrued liabilities	**149,670**	**–**	**–**
Amount due to a joint venture	**34,290**	**–**	**–**
Promissory notes	**6,600**	**–**	**–**
Convertible notes	**–**	**334,588**	**–**
At 31 December 2012			
Agency fee payables	97,605	–	–
Trade payables, other payables and accrued liabilities	145,238	–	–
Amount due to a joint venture	33,249	–	–
Promissory notes	–	117,700	–
Convertible notes	–	–	491,587
Company			
At 31 December 2013			
Other payables and accrued liabilities	**3,731**	**–**	**–**
Convertible notes	**–**	**334,588**	**–**
At 31 December 2012			
Other payables and accrued liabilities	16,158	–	–
Convertible notes	–	–	491,587

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(i) Financial risk factors *(Continued)*

(e) Price risk

The Group is subject to price risk from its investment in listed shares. Management does not consider the risk significant since the carrying value of the listed shares is immaterial.

(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 capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The total gearing ratio at 31 December 2013 was 12% (2012: 21%). The decrease in the gearing ratio during 2013 resulted primarily from the conversion of convertible notes to ordinary shares and settlement of promissory notes during the year (Note 27).

(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:

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(iii) Fair value estimation *(Continued)*

- 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).

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 2013				
Financial assets at fair value through profit or loss				
Trading securities – Media Industry	**16,000**	**–**	**–**	**16,000**
At 31 December 2012				
Financial assets at fair value through profit or loss				
Trading securities – Media Industry	11,600	–	–	11,600

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.

The carrying amount of the Group's interests in Tian An International Building and the management company of the building to the fair value less cost to sell, which is a Level 3 fair value measurement with reference to the aggregate consideration under the sales and purchase agreement. Details are described in Note 11 in the consolidated financial statement.

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 are described in Note 16 to the consolidated financial statements.

(ii) 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. Details are described in Note 16 to the consolidated financial statements.

(iii) Impairment of trade receivables

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iv) 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.

(v) 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.

(vi) Fair value of convertible notes

The fair value of convertible notes 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. Details are described in Note 27 to the consolidated financial statements.

(vii) Membership entrance fees

Membership entrance fees represents non-refundable upfront registration fee for lifetime entitlement by members for using the Bayhood No.9 Club facilities and enjoying certain privileges in other facilities in the club and are recognized on a reducing balance method which is based upon historical usage pattern of the 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.

5 SALES AND OTHER INCOME AND OTHER GAINS/(LOSSES), 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	
	2013	2012
	HK$'000	HK$'000
Sales		
Health industry	**125,465**	144,880
Media	**727**	20,188
	126,192	165,068
Other income and other gains/(losses), net		
Interest income	**98**	220
Fair value gain/(loss) on financial assets at fair value through profit or loss	**4,400**	(3,000)
Exchange gain	**14,507**	846
Additional 25% share of results of a joint venture, net of the consideration (Note 18b)	**–**	2,292
Miscellaneous	**(606)**	(788)
	18,399	(430)

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 two main operating segments from continuing operations: (i) health industry and (ii) media business; and one operating segment from discontinued operation – properties investment. The management committee measures the performance of the segments based on their respective segment results. The segment results derived from profit before income tax, excluding exchange gain, finance costs and unallocated costs. Unallocated costs mainly comprise of corporate expenses including salary, office rental and other administrative expenses which are not attributable to particular reportable segment.

There are no sales between the operating segments in year 2013 (2012: HK$4,083,000).

During the year, the segment of properties investment have been classified as assets of disposal group held for sale (Note 11) and the comparative segment information have been reclassified to discontinued operation for presentation consistency.

During the year, the Group recorded provision of impairment of intangible assets of HK$21,050,000 (2012: nil) in the segment result of Media business.

6 SEGMENT INFORMATION *(Continued)*

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

	2013				
	Health Industry HK$'000	Media HK$'000	Total Continuing operations HK$'000	Discontinued operation HK$'000	Total HK$'000
Sales	125,465	727	126,192	–	126,192
Inter-segment revenue	–	–	–	–	–
Revenue from external customers	125,465	727	126,192	–	126,192
Share of result of joint ventures	–	16,261	16,261	4,253	20,514
Segment results	(32,414)	(9,644)	(42,058)	(65,399)	(107,457)
Exchange gain			14,507	–	14,507
Unallocated costs, net			(22,409)	–	(22,409)
			(49,960)	(65,399)	(115,359)
Finance costs			(54,437)	–	(54,437)
Loss before taxation			(104,397)	(65,399)	(169,796)
Taxation			4,074	–	4,074
Loss for the year			(100,323)	(65,399)	(165,722)
Non-controlling interests			–	–	–
Loss attributable to the equity holders of the Company			(100,323)	(65,399)	(165,722)
Depreciation expense					
– Allocated	21,131	423	21,554	–	21,554
– Unallocated			870	–	870
Amortization expense	24,676	1,562	26,238	–	26,238

6 SEGMENT INFORMATION *(Continued)*

	2012				
	Health Industry HK$'000	Media HK$'000	Total Continuing operations HK$'000	Discontinued operation HK$'000 (Note 11)	Total HK$'000
Sales	148,963	20,188	169,151	–	169,151
Inter-segment revenue	(4,083)	–	(4,083)	–	(4,083)
Revenue from external customers	144,880	20,188	165,068	–	165,068
Share of results of joint ventures	–	25,509	25,509	23,730	49,239
Segment results	36,438	39,009	75,447	25,511	100,958
Exchange gain			846	–	846
Share-based payments			(6,399)	–	(6,399)
Unallocated costs, net			(38,585)	–	(38,585)
			31,309	25,511	56,820
Finance costs			(87,776)	–	(87,776)
Loss before taxation			(56,467)	25,511	(30,956)
Taxation			(12,633)	–	(12,633)
Loss for the year			(69,100)	25,511	(43,589)
Non-controlling interests			–	–	–
Loss attributable to the equity holders of the Company			(69,100)	25,511	(43,589)
Depreciation					
– Allocated	23,872	452	24,324	–	24,324
– Unallocated			927	–	927
Amortization	12,730	2,438	15,168	–	15,168

Note: No segment assets and liabilities are disclosed as the chief operating decision makers are not relying on these segment information for the purposes of resources allocation and performance assessment.

7 FINANCE COSTS

	Group 2013 HK$'000	2012 HK$'000
Accrued interest on agency fee payable (Note 33)	**6,653**	6,570
Interest expense on promissory notes	**561**	1,363
Notional non-cash interest on promissory notes	**9,655**	4,373
Notional non-cash interest on convertible notes	**66,176**	11,950
	83,045	24,256
Less: Amounts capitalized as the cost of qualifying assets (i)	**(28,608)**	–
	54,437	24,256
Fair value loss on financial liabilities at fair value through profit or loss (ii)	**–**	63,520
	54,437	87,776

(i) Finance costs on the promissory notes and convertible notes capitalized during the year were borrowing costs attributable to the construction of the "Beijing Health Preservation Si He Yuan and Hotel".

(ii) The fair value loss on financial liabilities at fair value through profit or loss represented i) the loss recognized on the issue date between the proceed and the fair value of warrants; and ii) 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. Upon exercise, HK$120,870,000 of the fair value of the warrants has been recognized in equity. Management has applied the Black-Scholes option pricing model to value the fair value of the warrants upon exercise, that the inputs used for the model included volatility of 70%, stock price at grant date of HK$0.41, time to maturity of 738 days and risk-free rate of 0.22%.

8 LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	Group 2013 HK$'000	Group 2012 HK$'000
Depreciation of property, plant and equipment (Note 15)	**22,424**	25,251
Amortization of intangible assets (Note 16)	**37,392**	15,168
Less: Amortization capitalized (Note 16)	**(11,154)**	–
	26,238	15,168
Auditor's remuneration	**2,625**	2,500
Provision for impairment of film rights and film-in-production (Note 16)	**21,050**	–
Provision for impairment of trade receivables (Note 20)	**–**	3,333
Operating lease rentals – land and buildings	**1,135**	1,598
Operating lease rentals – operating rights (i)	**16,124**	(17,254)
Less: Operating lease capitalized (Note 15)	**(4,098)**	–
	12,026	(17,254)
Loss on disposal of property, plant and equipment	**62**	12
Donations	**38**	–
Staff costs:		
Directors' fees	**800**	753
Wages and salaries	**55,999**	48,633
Share-based payments	**–**	6,399
Contributions to defined contribution pension schemes	**7,413**	7,537
	64,212	63,322

(i) In 2012, a new agreement has been entered whereby the annual fee of Bayhood No.9 Business Hotel was revised to be RMB4 million per annum (the term for 5% fees increment every 5 years remain unchanged). HK$24,858,000 gain has been recognized as a result of the derecognition of the previously recorded liabilities.

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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% (2012: 25%) on the estimated assessable profit for the year accordingly.

	Group	
	2013	2012
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC Corporate income tax	**(692)**	11,853
Deferred income tax	**(3,382)**	780
Income tax (credit)/expense	**(4,074)**	12,633

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	
	2013	2012
	HK$'000	HK$'000
		(Restated)
		(Note 11)
Loss before taxation	**(104,397)**	(56,467)
Tax calculated at domestic tax rates applicable to the profit or loss in the respective countries	**(17,968)**	(4,785)
Tax effects of joint ventures and their subsidiaries' results reported net of tax	**(4,065)**	(6,377)
Income not subject to tax	**(3,094)**	(959)
Expenses not deductible for tax purposes	**10,453**	16,860
Utilization of previously unrecognized tax losses	**–**	(24)
Derecognition of deferred tax assets	**2,711**	–
Unrecognized tax losses	**7,889**	7,918
Income tax (credit)/expense	**(4,074)**	12,633

The weighted average applicable tax rate was 17.21% (2012: 8.47%). The change in weighted average applicable tax rate was mainly caused by a change in mix of profits earned.

Income tax credit for the year mainly represented the utilization of deferred tax liabilities arising from amortization of intangible assets.

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	
	2013	2012
	HK$'000	HK$'000
Deferred tax liabilities to be recovered within 12 months	**(3,391)**	(6,259)
Deferred tax liabilities to be recovered after 12 months	**(337,570)**	(330,526)
	(340,961)	(336,785)
Deferred tax assets to be recovered after 12 months	**20,037**	22,262
Deferred tax liabilities, net	**(320,924)**	(314,523)

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 HK$'000	**Amortization of operating lease HK$'000**	**Impairment losses HK$'000**	**Tax losses HK$'000**	**Total HK$'000**
At 1 January 2012	7,604	6,215	8,251	3,812	25,882
Acquisition of subsidiaries (Note 31)	–	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**
(Charged)/credited to the consolidated income statement	**–**	**900**	**–**	**(3,777)**	**(2,877)**
Exchange difference	**238**	**41**	**258**	**115**	**652**
At 31 December 2013	**7,841**	**1,774**	**8,507**	**1,915**	**20,037**

9 TAXATION *(Continued)*

Deferred tax liabilities:

	Group		
	Accelerated tax depreciation HK$'000	Intangible assets HK$'000	Total HK$'000
At 1 January 2012	(12,218)	(82,098)	(94,316)
Acquisition of subsidiaries (Note 31)	–	(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)**
Credited to the consolidated income statement	**1,125**	**5,134**	**6,259**
Exchange difference	**(309)**	**(10,126)**	**(10,435)**
At 31 December 2013	**(9,812)**	**(331,149)**	**(340,961)**

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 2013, the Group had unrecognized tax losses of approximately HK$491,598,037 (2012: HK$455,469,000) 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$65,898,000 (2012: HK$65,898,000), HK$23,767,000 (2012: HK$23,767,000), HK$40,975,000 (2012: HK$40,975,000), HK$22,491,000 (2012: HK$22,491,000) and HK$22,685,000 (2012: nil) expire in 2014, 2016, 2017, 2018 and 2019 respectively.

Deferred income tax liabilities of HK$21,442,000 (2012: HK$22,533,000) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries and joint ventures. Unremitted earnings totalled HK$214,417,000 as at 31 December 2013 (2012: HK$225,336,000).

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$73,373,000 (2012: HK$88,090,000).

11 DISCONTINUED OPERATION

On 17 April 2013, the Group has entered into a sale and purchase agreement to dispose of its 100% equity interests in Green Harmony Investments Limited ("Green Harmony") and Green Villa Investments Limited ("Green Villa") to Aote Holding Limited at an aggregate consideration of RMB190,000,000 (equivalent to approximately HK$241,660,000 as of 31 December 2013) payable in cash. Green Harmony and Green Villa are both investment holding companies, indirectly holds 50% of equity interest in Shenzhen ITC Tian An Co., Ltd. and Shenzhen Tian An International Building Property Management Co., Ltd.

As the operation of Green Harmony and Green Villa are considered as a separate major line of business during the year, they are accounted for as a discontinued operation. The comparative financial information for the year ended 31 December 2012 has been reclassified to conform with current year presentation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". The disposal was not yet completed as at 31 December 2013, but is expected to be completed within 12 months from the year end date.

(a) Results of the operation of Green Harmony and Green Villa during the year have been included in the consolidated income statement as follows:

	31 December	
	2013	2012
	HK$'000	HK$'000
Loss recognized on measurement to fair value less costs to sell (i)	**(69,646)**	–
Administrative expenses	**(6)**	1,781
Share of profit of joint ventures	**4,253**	23,730
(Loss)/profit before income tax	**(65,399)**	25,511
(Loss)/profit from discontinued operation attributable to the equity holders of the Company	**(65,399)**	25,511

(i) Loss recognized represented the loss incurred in adjusting the carrying amount of the Group's interests in Tian An International Building and the management company of the building to the fair value less cost to sell, which is a Level 3 fair value measurement with reference to the aggregate consideration under the sales and purchase agreement.

11 DISCONTINUED OPERATION *(Continued)*

(b) Assets of disposal group held for sale

	31 December 2013 HK$'000	31 December 2012 HK$'000
Interests in joint ventures (Note 18)	**316,232**	–
Amount due to joint venture(ii)	**(4,926)**	–
	311,306	–
Loss recognised on measurement to fair value less costs to sell (Note 11(a))	**(69,646)**	–
	241,660	–

(ii) The amount due to joint ventures represent liability to derecognise within the assets of disposal group held for sale.

Interest in joint ventures of the disposal group held for sale:

Name	Place of establishment and kind of legal entity	Registered capital	Percentage of equity interest attributable to the Group 2013	2012	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

12 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.

	2013	2012 (Restated) (Note 11)
Weighted average number of ordinary shares in issue (thousands)	**2,654,817**	2,268,321
Loss from continuing operations attributable to equity holders of the Company (HK$'000)	**(100,323)**	(69,100)
Basic loss per share from continuing operations attributable to equity holders of the Company (HK cents per share)	**(3.78)**	(3.04)
(Loss)/profit from discontinued operation attributable to equity holders of the Company (HK$'000)	**(65,399)**	25,511
Basic (loss)/earnings per share from discontinued operation attributable to equity holders of the Company (HK cents per share)	**(2.46)**	1.12
Loss per share attributable to equity holders of the Company (HK'000)	**(6.24)**	(1.92)

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 2013, the Company has only two categories of potential ordinary shares: convertible notes and share options (2012: same). 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 year ended 31 December 2013 (2012: same).

13 DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2013 (2012: nil).

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

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

	2013 HK$'000	2012 HK$'000
Fees	**800**	753
Salaries, bonuses, allowances and benefits in kind	**1,755**	2,320
Contributions to defined contribution pension schemes	**–**	3
Sub-total	**2,555**	3,076
Share-based payments (i)	**–**	2,008
Total	**2,555**	5,084

(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.

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

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of each director and the chief executive for the year ended 31 December 2013 is set out below:

Name	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
Director and chief executive						
Mr. YUEN Hoi Po	–	–	–	–	–	–
Directors						
Mr. ZHANG Changsheng	–	1,755	–	1,755	–	1,755
Mr. Edward TIAN Suning	–	–	–	–	–	–
Mr. Hugo SHONG	–	–	–	–	–	–
Professor WEI Xin	200	–	–	200	–	200
Dr. WONG Yau Kar David	200	–	–	200	–	200
Mr. YUEN Kin	200	–	–	200	–	200
Mr. CHU Yuguo	200	–	–	200	–	200

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

(a) Directors' and chief executive's emoluments *(Continued)*

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

Name	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
Director and chief executive						
Mr. YUEN Hoi Po	–	–	–	–	–	–
Directors						
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.

Other than as presented above, for 2012 and 2013 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.

14 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 one (2012: two) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the four (2012: three) individuals during the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, bonuses, allowances and benefits in kind	**4,380**	3,065
Share-based payments	**–**	1,061
Contributions to defined contribution pension schemes	**129**	134
	4,509	4,260

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK$500,001 – HK$1,000,000	**3**	2
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
	4	3

15 PROPERTY, PLANT AND EQUIPMENT – GROUP

	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	110,756	193,572	8,830	8,849	15,241	17,259	–	354,507
Additions	–	370	937	270	–	1,865	–	3,442
Acquisition of a subsidiary (Note 31)	–	–	–	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	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

15 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 2013	110,736	193,906	9,765	9,051	15,238	17,660	1,533	357,889
Additions	–	–	630	913	566	193	81,681	83,983
Acquisition of subsidiaries (Note 31)	–	774	8	2	–	256	–	1,040
Transfers and disposals	–	–	(157)	–	5,656	(71)	(5,656)	(228)
Exchange difference	3,468	6,072	306	276	465	487	28	11,102
At 31 December 2013	114,204	200,752	10,552	10,242	21,925	18,525	77,586	453,786
Accumulated depreciation								
At 1 January 2013	12,150	10,544	2,944	2,460	957	10,717	–	39,772
Disposals	–	–	(97)	–	–	(69)	–	(166)
Depreciation	8,707	7,654	1,541	1,174	562	2,786	–	22,424
Exchange difference	516	450	116	93	28	334	–	1,537
At 31 December 2013	21,373	18,648	4,504	3,727	1,547	13,768	–	63,567
Net book value:								
At 31 December 2013	92,831	182,104	6,048	6,515	20,378	4,757	77,586	390,219

Depreciation expense of HK$20,266,000 (2012: HK$22,982,000) and HK$2,158,000 (2012: HK$2,269,000) has been charged in cost of sales and administrative expenses, respectively.

During 2013, the Group has capitalized borrowing costs of HK$28,608,000, amortisation of HK$11,154,000 and operating lease rentals of HK$4,098,000 with an aggregated capitalized amount of HK$43,860,000.

16 INTANGIBLE ASSETS – GROUP

	Non-current assets					
	Goodwill HK$'000	Programmes and film rights HK$'000	Investments in film production, and programmes and film production in progress HK$'000	Cooperating construction and operating agreements HK$'000	Software and licences HK$'000	Total HK$'000
At 1 January 2012						
Cost	50,075	125,262	66,910	331,812	–	574,059
Accumulated amortization and impairment	–	(102,192)	–	(3,421)	–	(105,613)
Net book amount	50,075	23,070	66,910	328,391	–	468,446
Year ended 31 December 2012						
Opening net book amount	50,075	23,070	66,910	328,391	–	468,446
Additions	–	–	7,400	–	1,023	8,423
Acquisition of subsidiaries (Note 31)	263,399	–	–	993,798	–	1,257,197
Transfers and disposals	–	–	(65,863)	–	–	(65,863)
Amortization	–	(1,538)	–	(12,716)	(914)	(15,168)
Exchange difference	(1,258)	(1)	(7)	(4,770)	–	(6,036)
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

16 INTANGIBLE ASSETS – GROUP *(Continued)*

	Non-current assets					
	Goodwill HK$'000	Programmes and film rights HK$'000	Investments in film production, and programmes and film production in progress HK$'000	Cooperating construction and operating agreements HK$'000	Software and licences HK$'000	Total HK$'000
Year ended 31 December 2013						
Opening net book amount	312,216	21,531	8,440	1,304,703	109	1,646,999
Additions	–	–	13,775	–	–	13,775
Transfers and disposals	–	–	(7,514)	–	–	(7,514)
Amortization	–	(1,562)	–	(35,788)	(42)	(37,392)
Impairment expense	–	(19,993)	(1,057)	–	–	(21,050)
Exchange difference	9,777	24	346	40,294	4	50,445
Closing net book amount	321,993	–	13,990	1,309,209	71	1,645,263
At 31 December 2013						
Cost	321,993	118,407	15,064	1,362,197	1,027	1,818,688
Accumulated amortization and impairment	–	(118,407)	(1,074)	(52,988)	(956)	(173,425)
Net book amount	321,993	–	13,990	1,309,209	71	1,645,263

Amortization of HK$9,897,000 (2012: HK$9,747,000) and HK$16,341,000 (2012: HK$5,421,000) has been charged in cost of sales and administrative expenses, respectively. Amortization of HK$11,154,000 (2012: nil) has been capitalized in construction in progress.

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.

The carrying amounts of film rights and films in production have been reduced to their recoverable amounts through recognition of provision for impairment losses of HK$21,050,000 during the year (2012: nil). The recoverable amounts of film rights and films in production is assessed by management at the end of each reporting period with reference to both internal and external market information.

16 INTANGIBLE ASSETS – GROUP *(Continued)*

Impairment tests for goodwill

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

	2013	2012
	HK$'000	HK$'000
Health industry		
– Bayhood No. 9 Club (i)	**51,634**	50,066
– Beijing Health Preservation Si He Yuan and Hotel (ii)	**270,359**	262,150
Total	**321,993**	312,216

(i) The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. Cash flows beyond the budget period are extrapolated using the estimated growth rates stated as below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

(ii) The recoverable amount of a CGU is determined based on financial budgets plan approved by management. Cash flows beyond the budget period are extrapolated using the estimated growth rates stated as below.

Key assumptions used for value-in-use calculations:

	Health industry	
	2013	2012
Bayhood No. 9 Club (i)		
– Compound annual growth rate of revenue in budget period	**5%**	5%
– Annual growth rate	**2%**	2%
– Discount rate	**13.5%**	13.5%
Beijing Health Preservation Si He Yuan and Hotel (ii)		
– Compound annual growth rate of revenue	**5%**	–
– Discount rate	**15.2%**	–

(i) 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.

(ii) Management determined the assumptions applied in the impairment testing in current year remain appropriate since its acquisition in 2012. Management determined the average annual growth based on market data in the same industry and its expectations of market development. The decision rates used reflect specific risks relating to the relevant segment.

16 INTANGIBLE ASSETS – GROUP *(Continued)*

Impairment tests for goodwill *(Continued)*

(i), (ii) If the compound annual growth rate of revenue in the forecast period applied had been 1% lower or the discount rate applied had been 1% higher than management's estimates as at 31 December 2013 with all other variables held constant, no further impairment provision would be required for the goodwill as at 31 December 2013.

17 INTERESTS IN SUBSIDIARIES AND LOANS ADVANCE TO SUBSIDIARIES – COMPANY

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares at cost (Note a)	**760,837**	760,837
Provision for impairment loss	**(634,827)**	(634,827)
	126,010	126,010
Loans advance to subsidiaries	**2,218,734**	2,190,939
Provision for impairment loss	**(308,325)**	(308,325)
	1,910,409	1,882,614
	2,036,419	2,008,624

All the balances with subsidiaries were unsecured, interest-free and not repayable within 12 months.

Particulars of the principal subsidiaries are set out in Note 37 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.

18 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/TO JOINT VENTURES AND ITS SUBSIDIARIES

(a) Amount due from/to joint ventures and its subsidiaries

As at 31 December 2013 and 2012, amounts due from/(to) joint ventures and its subsidiaries are unsecured, interest-free and the amount due from joint ventures and its subsidiaries are pass due but not impaired and they are expected to be settled within 12 months from the year end date.

18 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/TO JOINT VENTURES AND ITS SUBSIDIARIES *(Continued)*

(b) Interests in joint ventures

Set out below are the joint ventures of the Group as at 31 December 2013, 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.

Name	Place of establishment and kind of legal entity	Registered capital	Percentage of equity interests attributable to the Group		Principal activities and place of operation
			2013	2012	
Joint ventures for media business					
Hainan Hailu Advertising Limited Liability Company (3)	The PRC, limited liability company	RMB1,000,000	**50%**	50%	Advertising agency, design and production
Asia Union Film and Media (1) (2) (3)	The PRC, limited liability company	RMB120,000,000	**50%**	50%	Investment in television drama, film production and advertising production in the PRC

(1) Asia Union Film and Media provides television drama, film and advertising in Mainland China which is strategic partnership to the Group.

(2) Pursuant to the shareholders' agreements, the Group and Poly Culture and Arts Co., Ltd. ("PCACL"), the joint venture partner, agreed that the Group maintains the joint control over AUFM but the profit sharing ratio of the Group in AUFM is 75%.

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. AUFM continued to be a joint venture of the Group.

(3) 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.

Joint ventures for properties investment business

Details of the joint ventures for properties investment business are outlined in Note 11(b) assets of disposal group held for sale.

18 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/TO JOINT VENTURES AND ITS SUBSIDIARIES *(Continued)*

Summarised financial information for joint ventures

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

	Haina Hailu Advertising Limited Liability Company		Asia Union Film and Media		Joint Venture for properties investment business (i)		Joint ventures not individually significant		Total	
	2013 HK'000	2012 HK'000	2013 HK'000	2012 HK'000	2013 HK'000	2012 HK'000	2013 HK'000	2012 HK'000	2013 HK'000	2012 HK'000
Summarised balance sheet										
Current										
Cash and cash equivalents	131,825	126,913	2,093	1,348	–	12,097	598	579	134,516	140,937
Other current assets (excluding cash)	10,883	10,325	19,662	18,867	–	47,749	–	–	30,545	76,941
Total current assets	142,708	137,238	21,755	20,215	–	59,846	598	579	165,061	217,878
Current financial liabilities (excluding trade and other payables and provisions)	(100,335)	(97,447)	(90,746)	(78,997)	–	–	–	–	(191,081)	(176,444)
Other current liabilities (including trade and other payables and provisions)	(13,548)	(13,115)	(396,909)	(392,371)	–	(53,579)	(1,346)	(1,284)	(411,803)	(460,349)
Total current liabilities	(113,883)	(110,562)	(487,655)	(471,368)	–	(53,579)	(1,346)	(1,284)	(602,884)	(636,793)
Non-current										
Assets	–	535	450,279	415,743	–	715,729	–	–	450,279	1,132,007
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–	–	–	–	–	–	–
Other non-current liabilities (including trade, other payables and provisions)	–	–	–	–	–	(70,990)	–	–	–	(70,990)
Total non-current liabilities	–	–	–	–	–	(70,990)	–	–	–	(70,990)
Net assets	28,825	27,211	(15,621)	(35,410)	–	651,006	(748)	(705)	12,456	642,102

18 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/TO JOINT VENTURES AND ITS SUBSIDIARIES *(Continued)*

Summarised financial information for joint ventures *(Continued)*

	Haina Hailu Advertising Limited Liability Company		Asia Union Film and Media		Joint Venture for properties investment business (i)		Joint ventures not individually significant		Total	
	2013 HK'000	2012 HK'000	2013 HK'000	2012 HK'000	2013 HK'000	2012 HK'000	2013 HK'000	2012 HK'000	2013 HK'000	2012 HK'000
Summarised statement of comprehensive income										
Revenue	–	–	11,343	21,146	15,312	45,815	–	–	26,655	66,961
Depreciation and amortization	(230)	(56)	(348)	(436)	(27)	(140)	(22)	–	(627)	(632)
Interest income	1,168	1,138	5	8	13	1,611	2	2	1,188	2,759
Interest expense	–	–	–	–	–	–	–	–	–	–
Profit or loss from continuing operations	751	2,647	21,213	32,652	11,257	62,899	(20)	(40)	33,201	98,158
Income tax expense	–	(541)	(20)	(16)	(2,751)	(15,439)	–	–	(2,771)	(15,996)
Post-tax from continuing operations	751	2,106	21,193	32,636	8,506	47,460	(20)	(40)	30,430	82,162
Other comprehensive income	–	–	–	–	–	–	–	–		
Total comprehensive income	751	2,106	21,193	32,636	8,506	47,460	(20)	(40)	30,430	82,162
Dividend received from joint ventures	–	–	–	–	13,740	–	–	–	13,740	–

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.

18 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/TO JOINT VENTURES AND ITS SUBSIDIARIES *(Continued)*

Investment in joint ventures

	Haina Hailu Advertising Limited Liability Company		Asia Union Film and Media		Joint Venture for properties investment business (i)		Joint ventures not individually significant		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$!000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Investment in joint ventures										
At 1 January	13,605	12,555	38,552	14,082	325,503	301,775	264	284	377,924	328,696
Share of profit	376	1,053	15,895	24,476	4,253	23,730	(10)	(20)	20,514	49,239
Exchange differences	431	(3)	1,785	(6)	216	(2)	12	–	2,444	(11)
Transfer to assets of disposal group held for sale	–	–	–	–	(316,232)	–	–	–	(316,232)	–
Dividend received from a joint venture	–	–	–	–	(13,740)	–	–	–	(13,740)	–
At 31 December	14,412	13,605	56,232	38,552	–	325,503	266	264	70,910	377,924
Summarized financial information										
Opening net assets 1 January	27,211	25,111	(35,410)	(68,056)	651,006	603,551	(705)	(665)	642,102	559,941
Profit/(loss) for the period	751	2,106	21,193	32,636	8,506	47,460	(20)	(40)	30,430	82,162
Exchange differences	863	(6)	(1,404)	10	432	(5)	(23)	–	(132)	(1)
Transfer to assets of disposal group held for sale	–	–	–	–	(659,944)	–	–	–	(659,944)	–
Closing net assets	28,825	27,211	(15,621)	(35,410)	–	651,006	(748)	(705)	12,456	642,102
Interest in joint ventures	14,412	13,605	(11,716)	(26,558)	–	325,503	(374)	(353)	2,322	312,197
Goodwill	–	–	67,948	65,110	–	–	640	617	68,588	65,727
Carrying value	14,412	13,605	56,232	38,552	–	325,503	266	264	70,910	377,924

(i) The joint ventures for properties investment business is reclassified as assets of disposal group held for sale in current year as disclosed in Note 11.

19 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 2013			
Trade receivables	**2,182**	**–**	**2,182**
Amounts due from a joint venture and its subsidiaries	**396,104**	**–**	**396,104**
Financial assets at fair value through profit or loss	**–**	**16,000**	**16,000**
Deposits and other receivables	**24,900**	**–**	**24,900**
Cash and cash equivalents	**99,880**	**–**	**99,880**
Total	**523,066**	**16,000**	**539,066**
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

19 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 2013		
Agency fee payables	**100,661**	**100,661**
Trade payables	**2,499**	**2,499**
Other payables and accrued liabilities	**147,171**	**147,171**
Amount due to a joint venture	**34,290**	**34,290**
Convertible notes – liability component	**334,588**	**334,588**
Promissory notes	**6,099**	**6,099**
Total	**625,308**	**625,308**
As at 31 December 2012		
Agency fee payables	97,605	97,605
Trade payables	3,878	3,878
Other payables and accrued liabilities	141,361	141,361
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	871,850	871,850

19 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 2013		
Deposits and other receivables	**15**	**15**
Amounts due from subsidiaries	**1,910,409**	**1,910,409**
Cash and cash equivalents	**76,873**	**76,873**
Total	**1,987,297**	**1,987,297**
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

Company

Liabilities as per balance sheet

	Other financial liabilities at amortized cost HK$'000	Total HK$'000
As at 31 December 2013		
Other payables and accrued liabilities	**3,731**	**3,731**
Convertible notes – liability component	**334,588**	**334,588**
Total	**338,319**	**338,319**
As at 31 December 2012		
Other payables and accrued liabilities	16,158	16,158
Convertible notes – liability component	491,587	491,587
Total	507,745	507,745

20 TRADE RECEIVABLES – GROUP

The aging analysis of the trade receivables is as follows:

	Group As at 31 December	
	2013	2012
	HK$'000	HK$'000
0–3 months	**14**	790
4–6 months	**53**	417
Over 6 months	**16,056**	25,786
	16,123	26,993
Provision for doubtful debts (all made against trade receivables aged over 6 months)	**(13,941)**	(13,518)
	2,182	13,475

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 2013, HK$13,941,000 of the trade receivables was considered impaired (2012: HK$13,518,000).

20 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	
	2013	2012
	HK$'000	HK$'000
4–6 months	**53**	417
Over 6 months	**2,115**	12,268
	2,168	12,685

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	
	2013	2012
	HK$'000	HK$'000
At 1 January	**13,518**	10,187
Provision for doubtful debts (Note 8)	**–**	3,333
Exchange differences	**423**	(2)
At 31 December	**13,941**	13,518

Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

20 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.

21 INVENTORIES

	Group	
	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Raw materials	**2,185**	2,209
Finished goods	**8,638**	16,962
	10,823	19,171

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$6,533,000 (2012: HK$7,557,000), HK$1,397,000 (2012: HK$1,540,000) and HK$1,072,000 (2012: HK$1,612,000), respectively.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	Group	
	As at 31 December	
	2013	2012
	HK$'000	HK$'000
Equity security:		
Listed in Hong Kong	**16,000**	11,600
Market value of listed security	**16,000**	11,600

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 30).

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

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**65,171**	57,692	**–**	259
Deposits and other receivables	**24,900**	13,389	**15**	6
Less non-current portion	**(35,162)**	(25,185)	**–**	–
	54,909	45,896	**15**	265

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 31 December	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**19,465**	15,379	**15**	265
RMB	**70,606**	55,702	**–**	–
	90,071	71,081	**15**	265

The non-current portion is a Level 3 fair value measurement with reference to the aggregate consideration under sales and purchase agreement of the acquisition completed (Note 31). The carrying amounts of prepayments, deposits and other receivables approximate their fair values and do not contain past due or impaired assets.

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

As at 31 December 2013, prepayments mainly included prepaid operating lease payment of Bayhood No. 9 golf club and prepayments for renovation and construction works.

24 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**99,880**	179,527	**76,873**	17,477
	99,880	179,527	**76,873**	17,477
Denominated in:				
HK$	**79,170**	129,902	**76,871**	17,475
RMB	**15,037**	41,436	**–**	–
United States Dollar (USD)	**5,620**	8,139	**2**	2
British Pound	**51**	50	**–**	–
Other	**2**	–	**–**	–
	99,880	179,527	**76,873**	17,477
Maximum exposure to credit risk	**99,142**	178,639	**76,873**	17,477

25 AGENCY FEE PAYABLE, TRADE PAYABLES, RECEIPT IN ADVANCE, OTHER PAYABLES AND ACCRUED LIABILITIES – GROUP AND COMPANY

	Group		Company	
	As at 31 December		As at 31 December	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities:				
Agency fee payable (i)	**100,661**	97,605	**–**	–
Trade payables	**2,499**	3,878	**–**	–
Receipt in advance	**10,143**	18,970	**–**	–
Other payables and accrued liabilities	**147,171**	141,360	**3,731**	16,158
	260,474	261,813	**3,731**	16,158
Non-current liabilities:				
Other payables	**7,098**	3,335	**–**	–
	267,572	265,148	**3,731**	16,158

(i) During the year ended 31 December 2006, Beijing Hua Yi Qian Si Advertising Company Limited ("Qiansi"), a wholly-owned subsidiary of the Group, has entered into an exclusive advertising agency agreement ("Agreement") with Hai Nan Haishi Tourist Satellite TV Media Co., Ltd. ("HNTV"), an associated company of a joint venture of the Group. Under the agreement, Qiansi has been granted an exclusive right to sell all of the advertising resources of HNTV for a period of up to six years with effect from 1 January 2006. In return, Qiansi has agreed to make pre-agreed monthly payments to HNTV during the same period. In December 2009, Qiansi and HNTV have entered into a supplemental agreement, whereby the expiry date of the above-mentioned exclusive right was changed to 31 December 2009. The balance represents agency fee payable for the previous use of exclusive right from 2006 to 2009 not yet settled.

(ii) Other payables and accrued liabilities mainly represented PRC tax payables, provisions of social insurance for staffs in the PRC and interest payable.

The aging analysis of the trade payables is as follows:

	Group	
	As at 31 December	
	2013	2012
	HK$'000	HK$'000
0–3 months	**1,776**	2,363
4–6 months	**349**	856
Over 6 months	**374**	659
	2,499	3,878

25 AGENCY FEE PAYABLE, TRADE PAYABLES, RECEIPT IN ADVANCE, OTHER PAYABLES AND ACCRUED LIABILITIES – GROUP AND COMPANY *(Continued)*

The carrying amounts of agency fee payable, trade payables, receipt in advance, other payables and accrued liabilities are mainly denominated in Renminbi and do not contain past due liabilities. The carrying amounts of these balances are approximate their fair values.

26 DEFERRED REVENUE

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

	Group	
	2013	2012
	HK$'000	HK$'000
Balance as at 1 January		
– Current portion	**36,322**	75,383
– Non-current portion	**75,005**	56,509
	111,327	131,892
Additions during the year	**40,849**	29,875
Recognized in the consolidated income statement	**(45,181)**	(49,678)
Exchange differences	**2,706**	(762)
Balance as at 31 December	**109,701**	111,327
Less: Current portion	**(32,100)**	(36,322)
Non-current portion	**77,601**	75,005

27 BORROWINGS

	Group As at 31 December		Company As at 31 December	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Promissory notes	**6,099**	–	**–**	–
Non-current				
Convertible notes	**334,588**	491,587	**334,588**	491,587
Promissory notes	**–**	104,170	**–**	–
	340,687	595,757	**334,588**	491,587

27 BORROWINGS *(Continued)*

(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. 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 fair values of the convertible notes are determined using option pricing method based on the key assumptions, including volatility of daily stock price return of 63.4% and risk free rate of 0.56%.

During the year, convertible notes with principal amount equivalent to HK$281 million have been converted into 1,405,000,000 ordinary shares of the Company at the conversion price of HK$0.20 per share.

On 3 September 2013, the Company and Smart Concept Enterprise Limited, a company wholly-owned by Mr. Yuen, an executive director of the Company and being the sole noteholder, entered into the Deed of Variation to amend a term of the convertible notes to permit the Company to early redeem the outstanding convertible notes at their face value. Management assessed the value by considering the characteristics of the modification in the market and considered the value of the modification is immaterial to the convertible notes.

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

	Group and Company	
	2013	2012
	HK$'000	HK$'000
Liability component at 1 January	**491,587**	–
Initial recognition of liability component of convertible notes	**–**	479,637
Less: Conversion of convertible notes during the year	**(223,175)**	–
Interest expense (Note 7)	**66,176**	11,950
Liability component at 31 December	**334,588**	491,587

27 BORROWINGS *(Continued)*

(a) Convertible notes *(Continued)*

The fair value of the liability component of the convertible bond at 31 December 2013 amounted to approximately HK$334,588,000 (31 December 2012: approximately HK$491,587,000). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 13.7% and are within Level 3 of the fair value hierarchy.

(b) Promissory notes

The Group issued a 5% fixed interest promissory note with principal amount of HK$150 million in October 2012. 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	
	2013	2012
	HK$'000	HK$'000
Fair value of promissory notes at 1 January	**104,170**	–
Initial recognition of promissory notes (Note 31)	**–**	135,713
Interest expense (Note 7)	**10,216**	5,736
Repayments	**(108,287)**	(37,279)
Fair value of promissory notes at 31 December	**6,099**	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% and are within Level 3 of the fair value hierarchy.

28 SHARE CAPITAL

	Ordinary shares of HK$0.2 each		Preference shares of HK$0.01 each		
	No. of shares '000	HK$'000	No. of shares '000	HK$'000	Total HK$'000
Authorized:					
At 31 December 2013 (Note a)	**15,000,000**	**3,000,000**	**240,760**	**2,408**	**3,002,408**
Issued and fully paid:					
At 1 January 2013	**2,554,090**	**510,818**	**–**	**–**	**510,818**
Issuance of shares upon conversion of convertible notes (Note 27(a))	**1,405,000**	**281,000**	**–**	**–**	**281,000**
Issuance of shares upon exercise of share options	**10,000**	**2,000**	**–**	**–**	**2,000**
Issuance of consideration shares (Note c)	**75,000**	**15,000**	**–**	**–**	**15,000**
Issuance of shares upon placement (Note d)	**237,100**	**47,420**	**–**	**–**	**47,420**
At 31 December 2013	**4,281,190**	**856,238**	**–**	**–**	**856,238**
Authorized:					
At 31 December 2012 (Note a)	15,000,000	3,000,000	240,760	2,408	3,002,408
Issued and fully paid:					
At 1 January 2012	2,259,590	451,918	–	–	451,918
Issuance of shares upon warrant conversion (Note b)	275,000	55,000	–	–	55,000
Issuance of shares upon exercise of share options	19,500	3,900	–	–	3,900
At 31 December 2012	2,554,090	510,818	–	–	510,818

28 SHARE CAPITAL *(Continued)*

Notes:

(a) Authorized share capital

The total number of authorised shares includes ordinary shares and preference shares 15,000,000,000 shares (2012: 15,000,000,000 shares) are ordinary shares with par value of HK$0.2 per share (2012: HK$0.2). 240,760,000 shares are preference shares with par value of HK$0.1 per share (2012: HK$0.1). All issued shares are fully paid.

(b) 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, and could be exercised within three years since the date of issue. On 6 January 2012, the warrants have been fully placed at the issue price of HK$0.01 per warrant (adjusted for the effect of share consolidation mentioned above). Up to 31 December 2012, all warrants have been converted to shares of the Company.

(c) Consideration Shares

(i) According to the sale and purchase agreement dated 26 January 2011 and the supplemental agreement dated 16 May 2011 in relation to the acquisition of the entire equity interests of Smart Title Limited, the Company has issued the Second Consideration Shares of 50,000,000 new ordinary shares on 11 June 2013.

(ii) On 4 June 2013, the Group has entered into an agreement in relation to the acquisition of Sanya Haoyuntong Agricultural Technology Co., Ltd. Upon completion , among others, the Company has issued consideration shares of 25,000,000 new ordinary shares.

(d) Placing of new shares

On 16 December 2013, the Company and its placing agent have entered into a placing agreement, pursuant to which, the placing agent has agreed to place, on a best endeavours basis, up to 522,814,285 new ordinary shares of the Company at a placing price of HK$0.35 per share. China Life Trustees Limited, a wholly-owned subsidiary of China Life (Overseas) which in turn is a wholly-owned subsidiary of China Life Insurance (Group) Company, is one of the placees to subscribe for 285,714,285 shares at the placing price of HK$0.35. As at 31 December 2013, placing of 237,100,000 shares was completed. The placing of the remaining 285,714,285 shares was completed on 15 January 2014.

28 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 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 2013, no (2012: 96,500,000) share option have been granted under the New Option Scheme and no share-based payment expense has been charged to the condensed consolidated income statement (2012: HK$6,399,000).

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

		Number of share options							
Tranche	Date of share options granted	Outstanding as at 1 January 2013	Cancelled/ lapsed during the year	Exercised during the year	Outstanding as at 31 December 2013	Exercisable as at 31 December 2013	Exercise Price HK$	Vesting date	Expiry date
1	5 May 2008	1,042,459	–	–	1,042,459	1,042,459	2.58	From 1 April 2009	31 December 2015
2	4 November 2008	26,582,706	–	–	26,582,706	26,582,706	0.86	From 8 March 2009 to 8 March 2011	31 December 2015
3	15 June 2012	77,000,000	–	(10,000,000)	67,000,000	67,000,000	0.20	From 15 June 2012	14 June 2017
		104,625,165	–	(10,000,000)	94,625,165	94,625,165			

28 SHARE CAPITAL *(Continued)*

		Number of share options									
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 HK$	Vesting date	Expiry date
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			

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

Options exercised in 2013 resulted in 10,000,000 shares (2012: 19,500,000 shares) being issued at a weighted average exercise price of HK$0.20 each (2012: HK$0.20 each). The related weighted average share price at the time of exercise was HK$ 0.40 (2012: HK$ 0.41) per share.

In 2012, the weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was HK$0.033 per option.

The significant inputs into the model were weighted average share price HK$0.077 per share at the grant date, exercise price shown above, volatility of 76.5%, dividend yield of 0%, an expected option life of three years and an annual risk-free interest rate of 0.46%.

29 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$'000 (Note iii)	Currency translation reserve HK$'000 (Note iv)	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2012	1,457,483	860,640	–	94,163	1,206	83,280	(1,772,536)	724,236
Loss for the year	–	–	–	–	–	–	(43,589)	(43,589)
Share-based payment expense	–	–	–	6,399	–	–	–	6,399
Issuance of shares upon warrant conversion	65,870	–	–	–	–	–	–	65,870
Issuance of shares upon exercise of share options	985	–	–	(985)	–	–	–	–
Issuance of convertible notes (Note 31)	–	–	337,971	–	–	–	–	337,971
Currency translation differences	–	–	–	–	–	(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

	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$'000** (Note iii)	**Currency translation reserve HK$'000** (Note iv)	**Accumulated losses HK$'000**	**Total HK$'000**
Balance at 1 January 2013	**1,524,338**	**860,640**	**337,971**	**16,832**	**1,206**	**78,472**	**(1,733,380)**	**1,086,079**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(165,722)**	**(165,722)**
Issuance of shares upon placement	**32,246**	**-**	**-**	**-**	**-**	**-**	**-**	**32,246**
Issuance of shares upon exercise of share options	**351**	**-**	**-**	**(351)**	**-**	**-**	**-**	**-**
Issuance of shares upon conversion of convertible notes	**77,846**	**-**	**(135,672)**	**-**	**-**	**-**	**-**	**(57,826)**
Issue of consideration shares	**9,900**	**-**	**-**	**-**	**-**	**-**	**-**	**9,900**
Currency translation differences	**-**	**-**	**-**	**-**	**-**	**38,148**	**-**	**38,148**
Balance at 31 December 2013	**1,644,681**	**860,640**	**202,299**	**16,481**	**1,206**	**116,620**	**(1,899,102)**	**942,825**

29 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 iii)	Accumulated losses HK$'000	Total HK$'000
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
Issuance of shares upon exercise of share options	985	–	(985)	–	–	–
Issuance of convertible notes (Note 27 and 31)	–	337,971	–	–	–	337,971
Lapse of share options (i)	–	–	(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
At 1 January 2013	**1,524,338**	**337,971**	**16,832**	**1,206**	**(872,544)**	**1,007,803**
Issuance of shares upon placement	**32,246**	**–**	**–**	**–**	**–**	**32,246**
Issue of shares upon exercise of share options	**351**	**–**	**(351)**	**–**	**–**	**–**
Issuance of shares upon conversion of convertible notes	**77,846**	**(135,672)**	**–**	**–**	**–**	**(57,826)**
Issuance of consideration shares	**9,900**	**–**	**–**	**–**	**–**	**9,900**
Loss for the year	**–**	**–**	**–**	**–**	**(73,373)**	**(73,373)**
At 31 December 2013	**1,644,681**	**202,299**	**16,481**	**1,206**	**(945,917)**	**918,750**

(i) During 2012, 37,789,000 share options were lapsed upon expiry on 31 December 2012.

29 RESERVES *(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) 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.

(iv) The Group had certain investments in PRC subsidiaries with Renminbi as their functional currency, which is subjected to foreign currency translation risk. Fluctuation in such currencies would be reflected in the movement of the translation reserve. Increase in currency translation differences in other comprehensive income in current year was resulted from appreciation in Renminbi against Hong Kong dollars.

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2013 HK$'000	2012 HK$'000 (Restated) (Note 11)
Loss before taxation	(169,796)	(30,956)
Adjustments for:		
Loss/(profit) for the year from discontinued operation	65,399	(25,511)
– Share of profit of joint ventures	(16,261)	(25,509)
– Interest income	(98)	(220)
– Depreciation	22,424	25,251
– Loss on disposal of property, plant and equipment	62	12
– Provision for impairment of film rights and film in production	21,050	–
– Amortization of intangible assets	26,238	15,168
– Capitalisation of operating lease rentals	(4,098)	–
– Provision for impairment of trade receivables	–	3,333
– Membership entrance fee income and rental income recognized	(45,181)	(49,678)
– Share-based payments	–	6,399
– Fair value (gain)/loss on financial assets at fair value through profit or loss	(4,400)	3,000
– Finance costs	54,437	87,776
	(50,224)	9,065
Changes in working capital:		
– (Increase)/decrease in trade receivables, prepayments, deposits and other receivables	(5,850)	40,349
– Decrease/(increase) in inventories	8,348	(3,644)
– Increase/(decrease) in agency fee payables, trade payables, receipt in advance, other payables and accrued liabilities	4,362	(32,527)
– Cash inflow from membership entrance fee and rental income	40,849	29,875
Cash (used in)/generated from operations	(2,515)	43,118

(b) Non-cash transactions

	2013 HK$'000	2012 HK$'000
(i) Conversion of 1,405 million ordinary shares	223,174	–
(ii) Acquisition of subsidiaries (Note 31)		
– Issuance of consideration shares	11,000	–
– Issuance of promissory notes	–	135,713
– Issuance of convertible notes	–	817,608

31 ACQUISITION OF SUBSIDIARIES

For year 2013

On 4 June 2013, the Group and Mr. WANG Edward Dongqing (the "Vendor") has entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to acquire the entire equity interests in Sanya Haoyuntong Agricultural Technology Co., Ltd. ("Sanya Haoyuntong") free from encumbrances for consideration to be settled in the following manner upon completion of the acquisition:

(i) HK$11,000,000 which shall be satisfied by the allotment and issue of the 25,000,000 consideration shares upon completion;

(ii) RMB1,000,000 in cash to be settled no later than the latest time for such payment as to be allowed according to the approval document to be issued by the local authority of the Ministry of Commerce in respect of the acquisition; and

(iii) RMB5,000,000 in cash to be paid in relation to the transfer or settlement of RMB5,000,000 of the shareholder's loan.

The said acquisition has been completed on 27 December 2013.

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

	HK$'000
Consideration:	
– Cash	7,596
– Consideration shares	11,000
Total consideration	18,596
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 15)	1,040
Prepayment, deposits and other receivables	84
Long-term lease prepayment	18,630
Receipt in advance, other payables and accrued liabilities	(1,158)
Total identifiable net assets	18,596
Net cash outflow on acquisition of assets:	
Cash consideration paid	(7,596)

31 ACQUISITION OF SUBSIDIARIES *(Continued)*

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.

31 ACQUISITION OF SUBSIDIARIES *(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 27(b))	135,713
– Convertible notes	
– Liability component (Note 27(a))	479,637
– Equity component (Note 29)	337,971
Total consideration	1,003,321
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 15)	1,542
Intangible assets (Note 16)	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 16)	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.

31 ACQUISITION OF SUBSIDIARIES *(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 liability component of the convertible notes is recognized initially at 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 notes as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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.

32 COMMITMENTS

(a) Capital commitments – Group

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

	2013 **HK$'000**	2012 HK$'000
Property, plant and equipment	**94,152**	47,541

32 COMMITMENTS *(Continued)*

(b) Operating lease commitment – group companies as lessee

At 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2013 HK$'000	2012 HK$'000
Not later than one year	12,141	13,216
Later than one year and not later than five years	49,063	49,824
Later than five years	531,960	524,890
	593,164	587,930

The above future aggregate minimum lease payments under non-cancellable operating leases have included committed operating lease rental arising from land and building and operating rights of 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.

33 RELATED PARTY TRANSACTIONS

(i) Included in finance costs for the year is an accrued interest on agency fee payable to an associated company of a joint venture amounting to approximately HK$6,653,000 (2012: HK$6,570,000).

(ii) Remuneration for key management personnel, including amounts paid to the Company's directors, is disclosed in Note 14(a) and certain of the highest paid employees is disclosed in Note 14(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, for the year ended 31 December 2012 is disclosed in Note 31(a).

(iv) On 3 September 2013, the Company and Smart Concept, a company wholly-owned by Mr. YUEN Hoi Po, the Chairman and a substantial shareholder of the Company and being the sole holder of the convertible notes issued by the Company in 2012, entered into the deed of variation relating to the amendment of a term of the convertible notes to permit the Company to early redeem the outstanding convertible notes at their face value (Note 27(a)). The purpose of the amendment is (i) to give flexibility to the Company; (ii) to permit the Company to better manage its gearing levels; and (iii) to assist the Board to manage possible dilution to shareholders in the future. Apart from the amendment, all other terms and conditions of the convertible notes remain unchanged. As Mr. YUEN is an executive director of the Company, the amendment constitutes a connected transaction for the Company under the Listing Rules. Details of the modification has been disclosed in Note 27(a).

34 CONTINGENCIES

Beijing Hua Yi Hao Ge Media Culture Limited ("Hua Yi Hao Ge"), Details have been disclosed in note 27 (a) 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 (Note 25). 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.

35 SUBSEQUENT EVENT

On 15 January 2014, there were 285,714,285 shares placement to China Life Insurance (Group) Company. Detail of shares placement has been disclosed in Note 28(d).

36 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 21 March 2014.

37 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. (5)	PRC, co-operative joint venture	RMB136,651,563	100%	Investment holding and licensing of films and TV drama in the PRC
Beijing Hua Yi Qian Si Advertising Company Limited (5)	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
China Jiuhao Health Industry Group Limited (formerly known as Power Progress Limited) (2)	Hong Kong, limited company	HK$1 ordinary	100%	Investment holding
Sihai Nengrong (Beijing) Food and Beverage Culture Limited (formerly known as Nengrong Culture (Beijing) Limited) (5)	PRC, wholly-owned foreign enterprise	US$1,050,000	100%	Food and beverage and hotel management in the PRC
Happy Era Culture Development (Beijing) Limited (5)	PRC, limited liability enterprise	RMB100,000	100%	Media and marketing consultancy in the PRC

37 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
Beijing Bayhood No. 9 Business Hotel Company Limited (5)	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	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
China Jiuhao Health Management Limited (formerly known as Estate Giant Limited (2)	Hong Kong, limited company	HK$1 ordinary	100%	Investment holding
Beijing Bayhood Business Consultants Company Limited (5)	PRC, wholly-owned foreign enterprise	US$50,000	100%	Consulting
China Jiuhao Health Industry (Hong Kong) Limited (formerly known as 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
China Jiuhao (Haikou) Investment Company Limited (1)(3)	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding

37 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
China Jiuhao (Sanya) Investment Company Limited (1)(3)	British Virgin Islands, limited company	US$1 ordinary	100%	Investment holding
China Jiuhao Health Industry Corporation (Haikou) Limited (2)(3)(5)	Hong Kong, limited company	HK$1 ordinary	100%	Investment holding
China Jiuhao Health Industry Corporation (Sanya) Limited (2)(3)(5)	Hong Kong, limited company	HK$1 ordinary	100%	Investment holding
Haikou Jiuhao Health Town Consultants Company Limited (3)(5)	PRC, wholly-owned foreign enterprise	HKD150,000	100%	Business consulting in the PRC
Sanya Haoyuntong Agricultural Technology Co., Ltd. (4)(5)	PRC, wholly-owned foreign enterprise	RMB1,000,000	100%	Agricultural business in the PRC

(1) Shares held directly by the Company.

(2) The Statutory financial statements of these companies for the year ended 31 December 2013 are audited by PricewaterhouseCoopers.

(3) Newly established in 2013.

(4) Acquired in 2013 (see Note 31 for details).

(5) 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.

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Sales – continuing operations	**126,192**	165,068	101,989	19,743	276,451
(Loss)/Profit before finance costs and taxation – continuing operations	**(49,960)**	31,309	(8,042)	(481,364)	97,788
Finance costs – continuing operations	**(54,437)**	(87,776)	(6,393)	(1,125)	(31,291)
(Loss)/Profit before taxation – continuing operations	**(104,397)**	(56,467)	(14,435)	(482,489)	66,497
Taxation – continuing operations	**4,074**	(12,633)	(3,524)	(996)	(413)
Non-controlling interests – continuing operations	**–**	–	180	22	(83)
(Loss)/Profit from continuing operations attributable to the equity holders of the Company	**(100,323)**	(69,100)	(17,779)	(483,463)	66,001
(Loss)/Profit from discontinued operation attributable to the equity holders of the Company	**(65,399)**	25,511	–	–	(64,618)
(Loss)/Profit attributable to the equity holders of the Company	**(165,722)**	(43,589)	(17,779)	(483,463)	1,383
Property, plant and equipment	**390,219**	318,117	339,206	2,148	3,131
Intangible assets	**1,645,263**	1,646,999	468,446	71,059	434,938
Amounts due from a joint venture and its subsidiaries	**–**	–	–	259,237	–
Interests in joint ventures	**70,910**	377,924	328,697	264,430	264,260
Other non-current assets	**55,199**	47,447	25,882	18,737	18,468
Current assets	**821,558**	635,269	631,818	509,203	890,071
Total assets	**2,983,149**	3,025,756	1,794,049	1,124,814	1,610,868
Current liabilities	**423,838**	417,977	442,210	231,292	251,573
Non-current liabilities	**760,248**	1,010,882	175,685	–	47,875
Total liabilities	**1,184,086**	1,428,859	617,895	231,292	299,448
Net assets	**1,799,063**	1,596,897	1,176,154	893,522	1,311,420