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Golden Harvest

**ORANGE SKY GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED**

**橙天嘉禾娛樂(集團)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1132)**

## **ISSUANCE OF SUPPLEMENTAL 2013 ANNUAL REPORT**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the Results Announcement, the Annual Report, the Circular, the Update Announcement and the Poll Results Announcement.

On 14 August 2014, the board of directors of the Company approved the Updated Financial Statements with an unqualified auditor's opinion.

The Company will convene the SGM at which an ordinary resolution will be proposed to adopt the Updated Auditor's Report and the Updated Financial Statements.

The Company will despatch to its shareholders (i) the Supplemental 2013 Annual Report containing, among other things, the Updated Auditor's Report and the Updated Financial Statements; and (ii) a circular containing the notice of the SGM by no later than 27 August 2014.

This announcement is made by Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "**Company**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to (i) the final results announcement of the Company dated 28 March 2014 (the "**Results Announcement**"); (ii) the annual report (the "**Annual Report**") of the Company for the financial year ended 31 December 2013, which contained, among other things, the consolidated financial statements of the Company and its subsidiaries (together, the "**Group**") for the financial year ended 31 December 2013 (the "**Financial Statements**"); (iii) the circular of the Company dated

\* *For identification purposes only*

25 April 2014 (the “**Circular**”); (iv) the announcement of the Company (the “**Update Announcement**”) dated 17 June 2014 in relation to an update on the financial information of Vie Show Cinemas Company Limited (“**Vie Show**”); and (v) the announcement of the Company dated 27 June 2014 on the poll results of the annual general meeting of the Company held on 27 June 2014 (the “**Poll Results Announcement**”).

## **BACKGROUND**

As mentioned in the Results Announcement and the Annual Report, Vie Show is a Taiwan incorporated company which is 35.71% owned by Golden Sky Entertainment Limited, a wholly owned subsidiary of the Company, the principal business of which is to operate and manage cinemas in Taiwan. The Company had applied the equity method of accounting for its investment in Vie Show, to include in the consolidated financial statements of the Group for the year ended 31 December 2013 the Group’s share of the results and net assets of Vie Show for the year ended 31 December 2013 and as at that date.

As the directors of Vie Show needed more time to finalise the financial statements of Vie Show, they had not approved its financial statements for the year ended 31 December 2013 and had not provided written representations in that regard as at the date of the Results Announcement and the Annual Report to the component auditor of Vie Show. Hence the component auditor of Vie Show was unable to provide Messrs. KPMG, Certified Public Accountants, the auditor of the Company (“**KPMG**”) with an audit opinion in respect of the financial statements of Vie Show in accordance with Hong Kong Standard on Auditing 600. KPMG was accordingly unable to determine whether any adjustments were necessary to the carrying amount of the Group’s investment in Vie Show and the Group’s share of the results of Vie Show as included in the Group’s consolidated financial statements as at and for the year ended 31 December 2013. KPMG therefore issued a qualified opinion on the Financial Statements, which were adopted by the shareholders of the Company at the annual general meeting of the Company held on 27 June 2014.

As mentioned in the Update Announcement, the component auditor of Vie Show completed its audit of the financial statements of Vie Show for the year ended 31 December 2013 and as at that date with an unqualified opinion issued. Accordingly, the Company has reviewed Vie Show’s financial statements and is of the view that the financial figures stated in Vie Show’s audited financial statements for the year ended 31 December 2013 are consistent with those accounted for using the equity method in the Financial Statements.

## **UPDATED FINANCIAL STATEMENTS AND UPDATED AUDITOR’S REPORT**

On 14 August 2014, the board of directors of the Company has approved the updated audited consolidated financial statements of the Company (the “**Updated Financial Statements**”) for the year ended 31 December 2013 after taking into account the completion of Vie Show’s audited financial statements for the year ended 31 December 2013, which are attached to this announcement. KPMG has provided an independent auditor’s report (the “**Updated Auditor’s Report**”) on the Updated Financial Statements, a copy of which is attached to the Updated Financial Statements. The Company

has noted that the Updated Auditor's Report does not contain any qualifications. The Updated Financial Statements and the Updated Auditor's Report have been reviewed by the audit committee of the Company.

## **AMENDMENTS TO FINANCIAL STATEMENTS**

The only amendment made to the contents of the Financial Statements was to note 15 to the Financial Statements, which was to remove the paragraph in relation to the audit of Vie Show's financial statements having not been finalised.

## **PUBLICATION OF UPDATED FINANCIAL STATEMENTS AND UPDATED AUDITOR'S REPORT**

The Company will despatch to its shareholders a supplemental annual report containing, among other things, the Updated Financial Statements and the Updated Auditor's Report, to supplement the Annual Report (the "**Supplemental 2013 Annual Report**") by no later than 27 August 2014.

## **SPECIAL GENERAL MEETING**

The Company will convene a special general meeting (the "**SGM**") at which an ordinary resolution will be proposed to adopt the Updated Auditor's Report and the Updated Financial Statements.

A circular containing, among others, the notice of the SGM, is expected to be despatched to the shareholders of the Company by no later than 27 August 2014.

By order of the Board  
**Orange Sky Golden Harvest Entertainment (Holdings) Limited**  
**Wong Kwan Lai**  
*Company Secretary*

Hong Kong, 14 August 2014

List of all directors of the Company as of the time issuing this announcement:–

*Chairman and Executive Director:*

Mr. Wu Kebo

*Executive Directors:*

Mr. Mao Yimin

Mr. Li Pei Sen

Ms. Wu Keyan

*Independent Non-executive Directors:*

Mr. Leung Man Kit

Mr. Huang Shao-Hua George

Ms. Wong Sze Wing

**Orange Sky Golden Harvest Entertainment (Holdings) Limited**

**Updated Auditor's Report**

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## INDEPENDENT AUDITOR'S REPORT

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**Independent auditor's report to the shareholders of  
Orange Sky Golden Harvest Entertainment (Holdings) Limited**

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 8 to 76, which comprise the consolidated and Company statements of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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## INDEPENDENT AUDITOR'S REPORT

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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 profit 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.

### OTHER MATTER

In our report dated 28 March 2014, we expressed an opinion on the Group's consolidated financial statements as at and for the year ended 31 December 2013 that was qualified for the effects of such adjustments, if any, that might have been determined to be necessary had we been able to obtain sufficient appropriate audit evidence in relation to the carrying amount of the Group's investment in Vie Show Cinemas Co. Ltd ("Vie Show") and the Group's share of the results of Vie Show as included in the Group's consolidated financial statements as at and for the year ended 31 December 2013. Since that date, we have been requested by the Directors of the Company to update our audit of the Group's consolidated financial statements as at and for the year ended 31 December 2013 on the basis that the directors of Vie Show have approved its financial statements for the year ended 31 December 2013 and have provided written representations in this regard, and the component auditor of Vie Show has provided us with an audit opinion in respect of the financial statements of Vie Show in accordance with Hong Kong Standard on Auditing 600 ("HKSA 600"), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*. Accordingly, we have updated our audit procedures and we have obtained sufficient appropriate audit evidence in relation to the Group's share of the results and net assets of Vie Show for the year ended 31 December 2013 and as at that date, including amendments in relation to note 15 to the consolidated financial statements. Therefore, our present report on the Group's consolidated financial statements as at and for the year ended 31 December 2013, as presented herein and approved by the Board of Directors on 14 August 2014, is different from our previous report dated 28 March 2014.

### KPMG

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

14 August 2014

**Orange Sky Golden Harvest Entertainment (Holdings) Limited**  
**Updated Financial Statements for the year ended 31 December 2013**

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Consolidated Income Statement**

for the year ended 31 December 2013

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>Turnover</b>	3 & 4	<b>929,334</b>	797,912
Cost of sales		<b>(364,740)</b>	(320,788)
<b>Gross profit</b>		<b>564,594</b>	477,124
Other revenue	5(a)	<b>42,097</b>	30,692
Other net income	5(b)	<b>24,410</b>	25,104
Selling and distribution costs		<b>(502,205)</b>	(424,896)
General and administrative expenses		<b>(100,543)</b>	(95,150)
Other operating expenses		<b>(7,741)</b>	(6,198)
Valuation gains on investment properties	12	<b>51,492</b>	–
<b>Profit from operations</b>		<b>72,104</b>	6,676
Finance costs	6(a)	<b>(47,378)</b>	(24,898)
Share of profits of joint ventures		<b>91,947</b>	105,371
Share of losses of associates		<b>(266)</b>	(449)
<b>Profit before taxation</b>	6	<b>116,407</b>	86,700
Income tax	7(a)	<b>(1,230)</b>	9,527
<b>Profit for the year</b>		<b>115,177</b>	96,227
<b>Attributable to:</b>			
Equity holders of the Company		<b>114,986</b>	95,987
Non-controlling interests		<b>191</b>	240
<b>Profit for the year</b>		<b>115,177</b>	96,227
<b>Earnings per share</b>			
	11		
Basic		<b>4.29 cents</b>	3.58 cents
Diluted		<b>4.29 cents</b>	3.58 cents

The notes on pages 16 to 76 form part of these financial statements.



**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Consolidated Statement of Comprehensive Income**

for the year ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>Profit for the year</b>	<b>115,177</b>	96,227
<b>Other comprehensive income for the year:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of:		
— overseas subsidiaries	19,092	6,467
— overseas joint ventures	(13,497)	17,096
— overseas associates	208	—
	5,803	23,563
<b>Total comprehensive income for the year</b>	<b>120,980</b>	119,790
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	120,578	119,532
Non-controlling interests	402	258
<b>Total comprehensive income for the year</b>	<b>120,980</b>	119,790

Note: There is no tax effect relating to the above components of comprehensive income.

The notes on pages 16 to 76 form part of these financial statements.

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Consolidated Statement of Financial Position**

at 31 December 2013

		As at 31 December 2013 HK\$'000	As at 31 December 2012 HK\$'000 (Restated)	As at 1 January 2012 HK\$'000 (Restated)
	Note			
<b>Non-current assets</b>				
Fixed assets	12			
— Investment properties		<b>149,264</b>	—	—
— Property, plant and equipment		<b>1,345,280</b>	1,043,912	848,628
		<b>1,494,544</b>	1,043,912	848,628
Interests in joint ventures	15	<b>344,619</b>	371,132	299,152
Interests in associates	14	<b>13,713</b>	6,876	—
Other receivables, deposits and prepayments	17	<b>210,662</b>	144,232	88,018
Club memberships		<b>2,490</b>	2,490	2,490
Trademark	18	<b>79,785</b>	79,785	79,785
Goodwill	19	<b>73,658</b>	73,658	73,658
Deferred tax assets	27(b)	<b>29,512</b>	22,235	6,947
Pledged bank deposits	23	<b>46,905</b>	46,850	21,845
		<b>2,295,888</b>	1,791,170	1,420,523
<b>Current assets</b>				
Inventories	20	<b>4,977</b>	3,626	3,898
Available-for-sale equity securities	16	—	—	20,000
Film rights	21	<b>46,741</b>	58,071	67,363
Trade receivables	22(a)	<b>126,586</b>	83,056	64,221
Other receivables, deposits and prepayments	22(b)	<b>160,532</b>	142,248	121,618
Deposits and cash	23	<b>534,536</b>	575,031	606,888
		<b>873,372</b>	862,032	883,988
<b>Current liabilities</b>				
Bank loans	24	<b>323,581</b>	285,098	68,467
Trade payables	26(a)	<b>101,137</b>	95,275	67,901
Other payables and accrued charges	26(b)	<b>155,634</b>	162,246	157,162
Deferred revenue	26(c)	<b>162,758</b>	106,717	91,362
Obligations under finance leases	25	<b>8,988</b>	4,905	—
Taxation payable	27(a)	<b>9,871</b>	7,899	14,432
		<b>761,969</b>	662,140	399,324
<b>Net current assets</b>		<b>111,403</b>	199,892	484,664
<b>Total assets less current liabilities</b>		<b>2,407,291</b>	1,991,062	1,905,187

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Consolidated Statement of Financial Position**

at 31 December 2013

	Note	As at 31 December 2013 HK\$'000	As at 31 December 2012 HK\$'000 (Restated)	As at 1 January 2012 HK\$'000 (Restated)
<b>Non-current liabilities</b>				
Bank loans	24	<b>611,576</b>	325,354	376,345
Obligations under finance leases	25	<b>18,045</b>	12,356	–
Deferred tax liabilities	27(b)	<b>12,338</b>	12,112	8,002
		<b>641,959</b>	349,822	384,347
<hr/>				
<b>NET ASSETS</b>		<b>1,765,332</b>	1,641,240	1,520,840
<hr/>				
<b>CAPITAL AND RESERVES</b>				
	28			
Share capital		<b>267,982</b>	267,982	268,419
Reserves		<b>1,486,689</b>	1,366,111	1,245,532
<hr/>				
<b>Total equity attributable to equity holders of the Company</b>		<b>1,754,671</b>	1,634,093	1,513,951
<b>Non-controlling interests</b>		<b>10,661</b>	7,147	6,889
<hr/>				
<b>TOTAL EQUITY</b>		<b>1,765,332</b>	1,641,240	1,520,840

Approved and authorised for issue by the Board of Directors on 14 August 2014.

**Wu Kebo**  
Director

**Mao Yimin**  
Director

The notes on pages 16 to 76 form part of these financial statements.

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Statement of Financial Position**

at 31 December 2013

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
<b>Non-current asset</b>			
Interests in subsidiaries	13	<b>1,637,003</b>	1,538,756
<hr style="border-top: 1px dashed black;"/>			
<b>Current assets</b>			
Amount due from a subsidiary	13	<b>1,560</b>	1,560
Prepayments		<b>440</b>	439
Deposits and cash	23	<b>93</b>	20
		<b>2,093</b>	2,019
<hr style="border-top: 1px dashed black;"/>			
<b>Current liabilities</b>			
Payables and accrued charges		<b>401</b>	427
		<b>1,692</b>	1,592
<hr style="border-top: 1px dashed black;"/>			
<b>NET ASSETS</b>		<b>1,638,695</b>	1,540,348
<hr style="border-top: 1px solid black;"/>			
<b>CAPITAL AND RESERVES</b>			
	28		
Share capital		<b>267,982</b>	267,982
Reserves		<b>1,370,713</b>	1,272,366
<b>TOTAL EQUITY</b>		<b>1,638,695</b>	1,540,348
<hr style="border-top: 1px solid black;"/>			

Approved and authorised for issue by the Board of Directors on 14 August 2014.

**Wu Kebo**  
*Director*

**Mao Yimin**  
*Director*

The notes on pages 16 to 76 form part of these financial statements.

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Note	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Reserve funds HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2013</b>		267,982	664,835	7,771	8,833	80,000	17,966	62,396	524,310	1,634,093	10,518	1,644,611
<b>Impact of change in accounting policy</b>	2(c)	-	-	-	-	-	(9,113)	-	9,113	-	(3,371)	(3,371)
<b>Restated balance at 1 January 2013</b>		267,982	664,835	7,771	8,833	80,000	8,853	62,396	533,423	1,634,093	7,147	1,641,240
Profit for the year		-	-	-	-	-	-	-	114,986	114,986	191	115,177
Other comprehensive income		-	-	-	-	-	-	5,592	-	5,592	211	5,803
Total comprehensive income		-	-	-	-	-	-	5,592	114,986	120,578	402	120,980
Equity contribution from a non-controlling interest		-	-	-	-	-	-	-	-	-	3,112	3,112
Transfer to retained profits on lapse of share options	28(a)(i)	-	-	(52)	-	-	-	-	52	-	-	-
Transfer to/(from) reserves		-	-	-	-	-	2,120	-	(2,120)	-	-	-
<b>Balance at 31 December 2013</b>		267,982	664,835	7,719	8,833	80,000	10,973	67,988	646,341	1,754,671	10,661	1,765,332
<b>Balance at 1 January 2012</b>		268,419	665,625	5,934	8,396	80,000	13,430	38,744	433,296	1,513,844	9,739	1,523,583
<b>Impact of change in accounting policy</b>	2(c)	-	-	-	-	-	(5,033)	107	5,033	107	(2,850)	(2,743)
<b>Restated balance at 1 January 2012</b>		268,419	665,625	5,934	8,396	80,000	8,397	38,851	438,329	1,513,951	6,889	1,520,840
Profit for the year (Restated)		-	-	-	-	-	-	-	95,987	95,987	240	96,227
Other comprehensive income (Restated)		-	-	-	-	-	-	23,545	-	23,545	18	23,563
Total comprehensive income (Restated)		-	-	-	-	-	-	23,545	95,987	119,532	258	119,790
Equity-settled share-based transactions	28(a)(i)	-	-	1,837	-	-	-	-	-	1,837	-	1,837
Shares repurchased	28(a)(iii)	(437)	(790)	-	437	-	-	-	(437)	(1,227)	-	(1,227)
Transfer to/(from) reserves (Restated)		-	-	-	-	-	456	-	(456)	-	-	-
<b>Restated balance at 31 December 2012</b>		267,982	664,835	7,771	8,833	80,000	8,853	62,396	533,423	1,634,093	7,147	1,641,240

The notes on pages 16 to 76 form part of these financial statements.

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Consolidated Statement of Cash Flows**

for the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>Operating activities</b>			
Profit before taxation		<b>116,407</b>	86,700
Adjustments for:			
Interest income	5(a)	<b>(13,933)</b>	(12,301)
Finance costs	6(a)	<b>47,378</b>	24,898
Depreciation of fixed assets	12	<b>107,948</b>	80,123
Loss on disposals of property, plant and equipment	6(c)	<b>1,121</b>	71
Gain on disposals of available-for-sale equity securities	5(b)	<b>(150)</b>	(7,911)
Valuation gains on investment properties	12	<b>(51,492)</b>	-
Share of profits of joint ventures		<b>(91,947)</b>	(105,371)
Share of losses of associates		<b>266</b>	449
Equity-settled share-based payment expenses		-	1,837
Exchange (gain)/loss, net		<b>(13,842)</b>	4,277
<b>Operating profit before changes in working capital</b>		<b>101,756</b>	72,772
(Increase)/decrease in inventories		<b>(1,240)</b>	280
Decrease in film rights		<b>11,858</b>	9,356
Increase in trade receivables		<b>(41,875)</b>	(17,671)
Increase in other receivables, deposits and prepayments		<b>(77,237)</b>	(75,394)
Increase in trade payables		<b>4,431</b>	27,250
(Decrease)/increase in other payables and accrued charges		<b>(10,353)</b>	3,648
Increase in deferred revenue		<b>52,413</b>	15,142
<b>Cash generated from operations</b>		<b>39,753</b>	35,383
Interest received		<b>14,371</b>	11,658
Finance costs paid		<b>(52,380)</b>	(36,263)
Interest element of finance lease rentals paid		<b>(2,136)</b>	(494)
Overseas tax paid	27(a)	<b>(6,030)</b>	(8,142)
Overseas tax refunded	27(a)	<b>159</b>	-
<b>Net cash (used in)/generated from operating activities</b>		<b>(6,263)</b>	2,142

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

## Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		<b>(360,211)</b>	(241,908)
Payment for the purchase of investment properties		<b>(96,953)</b>	–
Proceeds from disposals of property, plant and equipment		<b>538</b>	–
Proceeds from disposals of available-for-sale equity securities		<b>150</b>	27,911
Equity contribution from a non-controlling interest		<b>3,112</b>	–
Increase in pledged bank deposits		–	(25,000)
Investment in an associate		<b>(241)</b>	(1,208)
Advance to an associate		<b>(6,654)</b>	(6,117)
Repayment from/(advance to) joint ventures		<b>174</b>	(1,526)
Dividends received		<b>104,963</b>	50,487
<b>Net cash used in investing activities</b>		<b>(355,122)</b>	(197,361)
<b>Financing activities</b>			
Draw down of bank loans		<b>552,885</b>	248,861
Repayment of bank loans		<b>(238,812)</b>	(83,899)
Payment for shares repurchased	<i>28(a)(ii)</i>	–	(1,227)
Capital element of finance lease rentals paid		<b>(6,576)</b>	(1,821)
<b>Net cash generated from financing activities</b>		<b>307,497</b>	161,914
<b>Net decrease in cash and cash equivalents</b>		<b>(53,888)</b>	(33,305)
<b>Cash and cash equivalents at 1 January</b>		<b>575,031</b>	606,888
<b>Effect of foreign exchange rate changes</b>		<b>13,393</b>	1,448
<b>Cash and cash equivalents at 31 December</b>	<i>23</i>	<b>534,536</b>	575,031

The notes on pages 16 to 76 form part of these financial statements.

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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 1 CORPORATE INFORMATION

Orange Sky Golden Harvest Entertainment (Holdings) Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. The principal activities of the Company, its subsidiaries (together "the Group"), its associates and its joint ventures consist of worldwide film and video distribution, film exhibition in Hong Kong, Mainland China, Taiwan and Singapore, film and television programme production in Hong Kong and Mainland China and the provision of advertising and consultancy services in Hong Kong, Mainland China, Taiwan and Singapore. The other particulars and principal activities of the subsidiaries are set out in note 35 to the financial statements.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

(i) These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

#### (ii) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Note 2(c) provides information on changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

#### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Group and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties (see note 2(h));
- other leasehold land and buildings, where the leasehold land is classified as being held under a finance lease (see notes 2(i) and (l)); and
- financial instruments classified as available-for-sale or as trading securities (see note 2(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.



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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009–2011 Cycle*
- Amendments to HKFRS 7, *Financial instruments: Disclosures — Disclosures — Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impacts of these developments are discussed below:

#### **Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income***

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

#### **HKFRS 11, *Joint arrangements***

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements.

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Notes to the Financial Statements**

for the year ended 31 December 2013

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Changes in accounting policies** *(continued)*

**HKFRS 11, Joint arrangements** *(continued)*

The Group has reclassified the investments from jointly controlled entities to joint ventures. Investments which were previously accounted for using the proportionate consolidated method are now required to be accounted for using the equity method of accounting as the joint arrangements are considered to be joint ventures under HKFRS 11. The new accounting policy was adopted in accordance with the relevant transition provisions. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

	Impact on the results for the year ended 31 December 2012		
	As previously reported for the year ended 31 December 2012 HK\$'000	Retrospective effect of change in accounting policy in 2013 HK\$'000	Restated results for the year ended 31 December 2012 HK\$'000
<b>Turnover</b>	1,591,971	(794,059)	797,912
Cost of sales	(643,990)	323,202	(320,788)
<b>Gross profit</b>	947,981	(470,857)	477,124
Other revenue	38,989	(8,297)	30,692
Other net income	25,156	(52)	25,104
Selling and distribution costs	(762,251)	337,355	(424,896)
General and administrative expenses	(114,376)	19,226	(95,150)
Other operating expenses	(9,436)	3,238	(6,198)
<b>Profit from operations</b>	126,063	(119,387)	6,676
Finance costs	(26,877)	1,979	(24,898)
Share of profits of joint ventures	–	105,371	105,371
Share of loss of an associate	(449)	–	(449)
<b>Profit before taxation</b>	98,737	(12,037)	86,700
Income tax	(1,033)	10,560	9,527
<b>Profit for the year</b>	97,704	(1,477)	96,227
<b>Attributable to:</b>			
Equity holders of the Company	95,987	–	95,987
Non-controlling interests	1,717	(1,477)	240
<b>Profit for the year</b>	97,704	(1,477)	96,227
<b>Earnings per share</b>			
Basic	3.58 cents	–	3.58 cents
Diluted	3.58 cents	–	3.58 cents

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(c) Changes in accounting policies** *(continued)*  
**HKFRS 11, Joint arrangements** *(continued)*

	Impact on the results for the year ended 31 December 2012		
	As previously reported for the year ended 31 December 2012 HK\$'000	Retrospective effect of change in accounting policy in 2013 HK\$'000	Restated results for the year ended 31 December 2012 HK\$'000
<b>Profit for the year</b>	97,704	(1,477)	96,227
<b>Other comprehensive income for the year (after tax):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of:			
— overseas subsidiaries	6,467	—	6,467
— overseas joint ventures	17,328	(232)	17,096
	23,795	(232)	23,563
<b>Total comprehensive income for the year</b>	121,499	(1,709)	119,790
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	119,639	(107)	119,532
Non-controlling interests	1,860	(1,602)	258
<b>Total comprehensive income for the year</b>	121,499	(1,709)	119,790

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Notes to the Financial Statements**

for the year ended 31 December 2013

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Changes in accounting policies** *(continued)*  
**HKFRS 11, Joint arrangements** *(continued)*

	Impact on the financial position as at 31 December 2012		
	As previously reported as at 31 December 2012 HK\$'000	Retrospective effect of change in accounting policy in 2013 HK\$'000	Restated balance as at 31 December 2012 HK\$'000
<b>Non-current assets</b>			
Fixed assets	1,413,351	(369,439)	1,043,912
Interests in joint ventures	–	371,132	371,132
Interest in an associate	6,876	–	6,876
Other receivables, deposits and prepayments	193,886	(49,654)	144,232
Club memberships	2,490	–	2,490
Trademark	79,785	–	79,785
Goodwill	73,658	–	73,658
Deferred tax assets	22,547	(312)	22,235
Pledged bank deposits	69,296	(22,446)	46,850
	1,861,889	(70,719)	1,791,170
<b>Current assets</b>			
Inventories	5,789	(2,163)	3,626
Film rights	59,081	(1,010)	58,071
Trade receivables	112,120	(29,064)	83,056
Other receivables, deposits and prepayments	156,576	(14,328)	142,248
Deposits and cash	729,261	(154,230)	575,031
	1,062,827	(200,795)	862,032
<b>Current liabilities</b>			
Bank loans	323,204	(38,106)	285,098
Trade payables	165,647	(70,372)	95,275
Other payables and accrued charges	211,671	(49,425)	162,246
Deferred revenue	178,439	(71,722)	106,717
Obligations under finance lease	4,905	–	4,905
Taxation payable	21,221	(13,322)	7,899
	905,087	(242,947)	662,140
<b>Net current assets</b>	157,740	42,152	199,892
<b>Total assets less current liabilities</b>	2,019,629	(28,567)	1,991,062

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(c) Changes in accounting policies** *(continued)*  
**HKFRS 11, Joint arrangements** *(continued)*

	Impact on the financial position as at 31 December 2012		
	As previously reported as at 31 December 2012 HK\$'000	Retrospective effect of change in accounting policy in 2013 HK\$'000	Restated balance as at 31 December 2012 HK\$'000
<b>Non-current liabilities</b>			
Bank loans	325,354	–	325,354
Deposits received	8,830	(8,830)	–
Obligations under finance lease	12,356	–	12,356
Deferred tax liabilities	28,478	(16,366)	12,112
	375,018	(25,196)	349,822
<b>NET ASSETS</b>	<b>1,644,611</b>	<b>(3,371)</b>	<b>1,641,240</b>
<b>Capital and reserves</b>			
Share capital	267,982	–	267,982
Reserves	1,366,111	–	1,366,111
<b>Total equity attributable to equity holders of the Company</b>	<b>1,634,093</b>	<b>–</b>	<b>1,634,093</b>
Non-controlling interests	10,518	(3,371)	7,147
<b>TOTAL EQUITY</b>	<b>1,644,611</b>	<b>(3,371)</b>	<b>1,641,240</b>

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Notes to the Financial Statements**

for the year ended 31 December 2013

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Changes in accounting policies** *(continued)*  
**HKFRS 11, Joint arrangements** *(continued)*

	Impact on the consolidated statement of cash flows for the year ended 31 December 2012		
	As previously reported for the year ended 31 December 2012 HK\$'000	Retrospective effect of change in accounting policy in 2013 HK\$'000	Restated cash flows for the year ended 31 December 2012 HK\$'000
<b>Net cash generated from operating activities</b>	164,836	(162,694)	2,142
<b>Net cash used in investing activities</b>	(289,411)	92,050	(197,361)
<b>Net cash generated from financing activities</b>	137,591	24,323	161,914
<b>Net increase/(decrease) in cash and cash equivalents</b>	13,016	(46,321)	(33,305)
<b>Cash and cash equivalents at 1 January</b>	705,664	(98,776)	606,888
<b>Effect of foreign exchange rate changes</b>	10,581	(9,133)	1,448
<b>Cash and cash equivalents at 31 December</b>	729,261	(154,230)	575,031

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(c) Changes in accounting policies** *(continued)*  
**HKFRS 11, Joint arrangements** *(continued)*

	Impact on the financial position as at 1 January 2012		
	As previously reported as at 1 January 2012 HK\$'000	Retrospective effect of change in accounting policy in 2013 HK\$'000	Restated balance as at 1 January 2012 HK\$'000
<b>Non-current assets</b>			
Fixed assets	1,206,446	(357,818)	848,628
Interests in joint ventures	–	299,152	299,152
Available-for-sale equity securities	149	(149)	–
Other receivables, deposits and prepayments	135,103	(47,085)	88,018
Club memberships	2,490	–	2,490
Trademark	79,785	–	79,785
Goodwill	73,658	–	73,658
Deferred tax assets	7,335	(388)	6,947
Pledged bank deposits	48,010	(26,165)	21,845
	1,552,976	(132,453)	1,420,523
<b>Current assets</b>			
Inventories	6,137	(2,239)	3,898
Available-for-sale equity securities	20,000	–	20,000
Film rights	68,640	(1,277)	67,363
Trade receivables	84,226	(20,005)	64,221
Other receivables, deposits and prepayments	133,243	(11,625)	121,618
Deposits and cash	705,664	(98,776)	606,888
	1,017,910	(133,922)	883,988
<b>Current liabilities</b>			
Bank loans	127,252	(58,785)	68,467
Trade payables	120,205	(52,304)	67,901
Other payables and accrued charges	205,920	(48,758)	157,162
Deferred revenue	153,199	(61,837)	91,362
Taxation payable	29,778	(15,346)	14,432
	636,354	(237,030)	399,324
<b>Net current assets</b>	381,556	103,108	484,664
<b>Total assets less current liabilities</b>	1,934,532	(29,345)	1,905,187

**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

**Notes to the Financial Statements**

for the year ended 31 December 2013

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Changes in accounting policies** *(continued)*  
**HKFRS 11, Joint arrangements** *(continued)*

	Impact on the financial position as at 1 January 2012		
	As previously reported as at 1 January 2012 HK\$'000	Retrospective effect of change in accounting policy in 2013 HK\$'000	Restated balance as at 1 January 2012 HK\$'000
<b>Non-current liabilities</b>			
Bank loans	376,345	–	376,345
Deposits received	9,891	(9,891)	–
Deferred tax liabilities	24,713	(16,711)	8,002
	410,949	(26,602)	384,347
<b>NET ASSETS</b>	<b>1,523,583</b>	<b>(2,743)</b>	<b>1,520,840</b>
<b>Capital and reserves</b>			
Share capital	268,419	–	268,419
Reserves	1,245,425	107	1,245,532
<b>Total equity attributable to equity holders of the Company</b>	<b>1,513,844</b>	<b>107</b>	<b>1,513,951</b>
Non-controlling interests	9,739	(2,850)	6,889
<b>TOTAL EQUITY</b>	<b>1,523,583</b>	<b>(2,743)</b>	<b>1,520,840</b>

**HKFRS 12, Disclosure of interests in other entities**

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided these disclosures in note 15.

**HKFRS 13, Fair value measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 12(b) and 29(e). The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.



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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(r) or (s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)).

#### (e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(f) and (m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated income statement and the consolidated statement of comprehensive income.

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**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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## **Notes to the Financial Statements**

for the year ended 31 December 2013

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Associates and joint ventures** *(continued)*

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

**(f) Goodwill**

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

**(g) Other investments in debt and equity securities**

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs. Subsequently, investments in debt and equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(m)).

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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Other investments in debt and equity securities *(continued)*

Investments in securities which do not fall into trading securities or held-to-maturity securities are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(m)). Dividend income from equity securities and interest income from these interest-bearing investments calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(w)(ix) and 2(w)(vii), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 2(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

#### (h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair values cannot be reliably measured at that time in which case they are stated at cost less impairment losses. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(w)(vi).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(l)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(l).

#### (i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses (see note 2(m)):

- buildings held for own use which are situated on leasehold land, classified as held under operating leases (see note 2(l));
- machinery and equipment classified as being held under finance lease (see note 2(l)); and
- other items of plant and equipment, other than construction in progress.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repair and maintenance is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured realisably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Property, plant and equipment *(continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value, if any, using the straight line method, at the following rates per annum:

—	Leasehold land classified as held under finance leases	Over the remaining lease term
—	Buildings	2.0%–6.7%
—	Leasehold improvements	Over the shorter of lease term or its useful life
—	Machinery and equipment	10%–20.0%
—	Furniture and fixtures	8.3%–20.0%
—	Motor vehicles	20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

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

#### (j) Club memberships

Club memberships are stated in the consolidated statement of financial position at cost less impairment losses (see note 2(m)). Cost includes fees and expenses directly related to the acquisition of the club memberships.

Any gain or loss arising from disposal of club memberships is recognised in profit or loss.

#### (k) Trademark

Trademark is stated in the consolidated statement of financial position at cost less impairment losses (see note 2(m)). Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset.

#### (l) Leased assets

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

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

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

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Leased assets *(continued)*

##### (ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)).

##### (iii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

#### (m) Impairment of assets

##### (i) Impairment of investments in equity securities and trade and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(m)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

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**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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## **Notes to the Financial Statements**

for the year ended 31 December 2013

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(m) Impairment of assets** *(continued)*

##### **(i) Impairment of investments in equity securities and trade and other receivables** *(continued)*

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

##### **(ii) Impairment of other assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- trademark;
- club memberships;
- film rights;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Impairment of assets *(continued)*

##### (ii) Impairment of other assets *(continued)*

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

##### (iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

#### (n) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined using a first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down of loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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## **Notes to the Financial Statements**

for the year ended 31 December 2013

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Film rights**

**(i) Film rights**

Film rights represent films and television drama series and are stated at cost less accumulated amortisation and impairment losses (see note 2(m)).

Amortisation of film rights is charged to profit or loss based on the proportion of actual income earned during the year to the total estimated income from the sale of film rights.

**(ii) Film production in progress**

Film production in progress represents films under production and are stated at cost less any impairment losses (see note 2(m)). Costs include all direct costs associated with the production of films. Impairment losses are made for costs which are in excess of the expected future revenue generated by these films. Costs are transferred to self-produced programmes upon completion.

**(iii) Self-produced programmes**

Self-produced programmes are stated at cost, comprising direct expenditure and an attributable portion of direct production overheads, less accumulated amortisation and impairment losses (see note 2(m)). Amortisation is charged to the profit or loss based on the proportion of actual income and earned during the year to the total estimated income from the sale of the self-produced programmes.

**(iv) Investments in film/drama production**

Investments in film/drama production are stated initially at cost and adjusted thereafter for the net income derived from the investments, and less any accumulated impairment losses (see note 2(m)).

**(p) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(m)) except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**(q) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

**(r) Trade and other payables**

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(v)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(s) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.



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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Employee benefits

##### (i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

##### (ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

##### (iii) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

##### (iv) Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance (the "Employment Ordinance") in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group to the end of the reporting period.

##### (v) Retirement benefit schemes

The Group operates a defined contribution retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions to the Scheme are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the Scheme. The Group's employer contributions are fully and immediately vested with the employees when contributed to the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries which operate in the People's Republic of China ("PRC") are members of the state-sponsored retirement scheme (the "State Scheme") operated by the PRC government. Contributions to the State Scheme are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they became payable in accordance with the rules of the State Scheme.

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**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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## **Notes to the Financial Statements**

for the year ended 31 December 2013

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(u) Income tax**

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (u) Income tax *(continued)*

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
  - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
    - the same taxable entity; or
    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

#### (v) Financial guarantees issued, provisions and contingent liabilities

##### (i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(v)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

##### (ii) Other provisions and contingent liabilities

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

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

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**FINANCIAL STATEMENTS OF THE GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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## **Notes to the Financial Statements**

for the year ended 31 December 2013

### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(w) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (i) Income from box office takings is recognised when the services have been rendered to the buyers;
- (ii) Income from film distribution and screen advertising is recognised at the time when the services are provided;
- (iii) Income from promotion, advertising, advertising production and agency fee and consultancy service is recognised upon the provision of the services;
- (iv) Income from investments in film/drama production is recognised when the films or television programmes are released for distribution;
- (v) Income from confectionery sales and audio visual sales is recognised, at the point of sales when the confectionery and audio visual products are given to the customers;
- (vi) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned;
- (vii) Interest income is recognised as it accrues using the effective interest method;
- (viii) Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense;
- (ix) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established;
- (x) Income from tickets booking is recognised upon the provision of the services;
- (xi) Income from gift voucher purchases is recognised when customers exchange them for goods/services or upon expiry; and
- (xii) Income from membership fees is recognised in profit or loss in the accounting period covered by the membership terms.

#### **(x) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and the financial statements of overseas subsidiaries, associates and joint ventures are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except for those arising from the translation of the financial statements of overseas subsidiaries, associates and joint ventures which are taken directly to the exchange reserve.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

#### (z) Related parties

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

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

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

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

#### (aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of operating processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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## **Notes to the Financial Statements**

for the year ended 31 December 2013

### **3 TURNOVER**

Turnover represents the income from the sale of film, video and television rights, film and TV drama distribution, theatre operation, promotion and advertising fee income, agency and consultancy fee income, and proceeds from the sale of audio visual products.

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue. Details of concentrations of credit risk arising from customers are set out in note 29(a) to the financial statements.

### **4 SEGMENT REPORTING**

The Group manages its businesses by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the reportable segments, which are as follows:

- Hong Kong
- Mainland China
- Taiwan
- Singapore

The results of the Group's revenue from external customers for entities located in Hong Kong, Mainland China, Taiwan and Singapore are set out in the table below.

Each of the above reportable segments primarily derive their revenue from film exhibition, film and video distribution, film and television programme production, provision of advertising and consultancy services. The reportable segments, Taiwan and Singapore, represent the performance of the joint ventures operating in Taiwan and Singapore, respectively. For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and results attributable to each reportable segment on the following bases:

#### **Segment revenue and results**

Revenue is allocated to the reporting segment based on the local entities' location of external customers. Expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those geographical locations or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The measure used for reporting segment profit is operating profit after taxation.

In addition to receiving segment information concerning operating profit after taxation, management is provided with segment information concerning revenue.

Management evaluates performance primarily based on operating profit including the share of results of joint ventures of each segment. Intra-segment pricing is generally determined at arm's length basis.

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 4 SEGMENT REPORTING (CONTINUED)

Segment information regarding the Group's revenue and results by geographical market is presented below:

	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	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
										(Restated)
<b>Segment revenue</b>										
Revenue from external customers										
— Exhibition	176,106	223,492	674,698	524,773	457,088	430,096	399,735	362,981	1,707,627	1,541,342
— Distribution and production	74,712	73,529	41,074	6,120	4,110	11,801	9,345	14,917	129,241	106,367
— Corporate	1,252	2,314	—	—	—	—	—	—	1,252	2,314
<b>Reportable segment revenue</b>	<b>252,070</b>	<b>299,335</b>	<b>715,772</b>	<b>530,893</b>	<b>461,198</b>	<b>441,897</b>	<b>409,080</b>	<b>377,898</b>	<b>1,838,120</b>	<b>1,650,023</b>
<b>Reportable segment profit after taxation</b>	<b>49,569</b>	<b>37,482</b>	<b>3,563</b>	<b>3,863</b>	<b>33,717</b>	<b>46,419</b>	<b>53,262</b>	<b>55,140</b>	<b>140,111</b>	<b>142,904</b>
<b>Reconciliation — Revenue</b>										
Reportable segment revenue									1,838,120	1,650,023
Share of revenue from joint ventures in Taiwan and Singapore									(870,278)	(819,795)
Elimination of intra-segmental revenue									(5,920)	(4,018)
Others									(32,588)	(28,298)
									<b>929,334</b>	<b>797,912</b>
<b>Reconciliation — Profit before taxation</b>										
Reportable profit after taxation from external customers									140,111	142,904
Unallocated operating expenses, net									(25,125)	(46,917)
Non-controlling interests									191	240
Income tax									1,230	(9,527)
<b>Profit before taxation</b>									<b>116,407</b>	<b>86,700</b>

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for the year ended 31 December 2013

**5 OTHER REVENUE AND OTHER NET INCOME**

**(a) Other revenue**

	2013 HK\$'000	2012 HK\$'000 (Restated)
Interest income from bank deposits	<b>13,933</b>	12,301
Miscellaneous income	<b>28,164</b>	18,391
	<b>42,097</b>	30,692

**(b) Other net income**

	2013 HK\$'000	2012 HK\$'000 (Restated)
(Loss)/gain on settlements of cinema projects, net	<b>(1,161)</b>	6,080
Gain on disposals of available-for-sale equity securities	<b>150</b>	7,911
Compensation income from a contractor for delays in construction progress ( <i>note</i> )	<b>5,894</b>	12,491
Exchange gain/(loss), net	<b>19,527</b>	(1,378)
	<b>24,410</b>	25,104

*Note:* The Group has an agreement with a contractor in respect of compensation for delays in construction progress together with punitive damages relating to cinemas in Mainland China. For the year ended 31 December 2013, in addition to the reimbursement of expenses of HK\$12,866,000 (2012: HK\$28,870,000), an amount of HK\$5,894,000 (2012: HK\$12,491,000) representing compensation of punitive damages was recorded as other net income.



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for the year ended 31 December 2013

### 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>(a) Finance costs</b>		
Interest on bank loans wholly repayable		
— within five years	16,346	17,257
— after five years	30,222	15,818
	<b>46,568</b>	33,075
Finance charges on obligations under finance leases	2,136	494
Other ancillary borrowing costs	6,174	4,329
	<b>54,878</b>	37,898
Total finance costs on financial liabilities not at fair value through profit or loss	<b>(7,500)</b>	(13,000)
Less: Finance costs capitalised into leasehold improvements*		
	<b>47,378</b>	24,898

\* The finance costs have been capitalised at rates ranging from 6.55% to 7.86% per annum (2012: 5.25% to 8.46% per annum).

	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>(b) Staff costs (excluding directors' emoluments (note 8))</b>		
Salaries, wages and other benefits (note (i))	146,808	128,744
Contributions to defined contribution retirement plans	1,146	1,290
	<b>147,954</b>	130,034

	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>(c) Other items</b>		
Cost of inventories	27,566	18,535
Cost of services provided	311,872	271,320
Depreciation of fixed assets	107,948	80,123
Amortisation of film rights (note (ii))	25,302	30,933
Auditors' remuneration	3,005	2,758
Operating lease charges in respect of land and buildings		
— minimum lease payments	133,472	103,645
— contingent rentals	21,098	20,028
Loss on disposals of property, plant and equipment	1,121	71
Gain on disposals of available-for-sale equity securities	(150)	(7,911)
Rental income less direct outgoings	(7,786)	(3,771)
Dividend income from a listed investment	—	(566)

Notes:

- (i) The amount includes provision for long service payments.
- (ii) The amortisation of film rights for the year is included in "Cost of sales" of the consolidated income statement.

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**Notes to the Financial Statements**

for the year ended 31 December 2013

**7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT**

**(a) Taxation in the consolidated income statement represents:**

	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>The Group</b>		
<i>Current income tax</i>		
Provision for Hong Kong tax	1,100	–
Provision for overseas tax	12,464	3,392
Over-provision in respect of prior years	(6,066)	(1,796)
	7,498	1,596
<i>Deferred tax — Overseas (note 27(b))</i>		
Reversal of temporary differences	(6,268)	(11,123)
	1,230	(9,527)

*Notes:*

- (i) The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% of the estimated assessable profits for the year. No provision was made for Hong Kong Profits Tax last year as the tax losses brought forward from previous years exceeded the estimated assessable profits for the year.
- (ii) The provision for the PRC Corporate Income Tax of the subsidiaries established in the PRC is calculated at 25% (2012: 25%) of the estimated taxable profits for the year.
- (iii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.
- (iv) The China tax law imposes a withholding tax at 10% unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt for such withholding tax. As at 31 December 2013, the Group has not provided for income taxes on accumulated earnings generated by its Mainland China subsidiaries for the years ended 31 December 2012 and 2013 since it is probable that they will not be distributed to the immediate holding company outside Mainland China in the foreseeable future. It is not practicable to estimate the amount of additional taxes that might be payable on such undistributed earnings.

During the year ended 31 December 2013, the Group has provided HK\$226,000 (2012: HK\$4,110,000) for income taxes on accumulated earnings generated by its joint venture in Taiwan which will be distributed to the Group in the foreseeable future.

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

#### (b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2013 HK\$'000	2012 HK\$'000 (Restated)
Profit before taxation	<b>116,407</b>	86,700
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	<b>19,960</b>	10,715
Tax effect of non-deductible expenses	<b>13,002</b>	12,179
Tax effect of non-taxable income	<b>(7,878)</b>	(15,268)
Tax effect of unused tax losses not recognised	<b>4,493</b>	2,650
Tax effect of previously unrecognised prior years' tax losses utilised this year	<b>(3,845)</b>	(4,692)
Tax effect of losses attributable to associates	<b>67</b>	112
Tax effect of profits attributable to joint ventures	<b>(15,631)</b>	(17,913)
Tax effect of temporary differences unrecognised, net	<b>(3,098)</b>	376
Provision for Taiwan withholding tax for the year	<b>226</b>	4,110
Over-provision in prior years	<b>(6,066)</b>	(1,796)
Actual tax expense/(credit)	<b>1,230</b>	(9,527)

### 8 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Equity-settled share-based payments HK\$'000 (Note)	2013 Total HK\$'000	2012 Total HK\$'000
<b>Executive directors</b>						
WU, Kebo	–	1,398	–	–	<b>1,398</b>	3,201
LI, Pei Sen	–	240	–	–	<b>240</b>	240
TAN, Boon Pin Simon	–	628	3	–	<b>631</b>	490
WU, Keyan	–	597	15	–	<b>612</b>	581
MAO, Yimin	–	2,226	88	–	<b>2,314</b>	2,283
<b>Independent non-executive directors</b>						
LEUNG, Man Kit	340	–	–	–	<b>340</b>	330
HUANG, Shao-Hua George	230	–	–	–	<b>230</b>	220
WONG, Sze Wing	240	–	–	–	<b>240</b>	220
	<b>810</b>	<b>5,089</b>	<b>106</b>	<b>–</b>	<b>6,005</b>	<b>7,565</b>

Note: These represent the estimated value of share options granted to the directors under the Group's share option schemes. The value of these share options is measured according to the Group's accounting policies for equity-settled share-based payment transactions as set out in note 2(t)(ii) to the financial statements. None of the directors have received any share based payments from the Company or any of its subsidiaries during the year ended 31 December 2013 (2012: HK\$1,837,000).

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for the year ended 31 December 2013

**8 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (CONTINUED)**

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 28(a)(i) to the financial statements.

**9 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with highest emoluments, two (2012: two) are directors whose emoluments are disclosed in note 8 to the financial statements. The aggregate of the emoluments in respect of the other three (2012: three) is as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other emoluments	4,062	4,349
Retirement scheme contributions	45	69
	4,107	4,418

The emoluments of the three (2012: three) individuals with the highest emoluments are within the following bands:

	2013 Number of individuals	2012 Number of individuals
HK\$Nil–HK\$1,499,999	2	2
HK\$1,500,000–HK\$2,000,000	1	1

**10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The consolidated profit attributable to equity holders of the Company includes a profit of HK\$98,347,000 (2012: HK\$88,781,000) which has been dealt with in the financial statements of the Company.

**11 EARNINGS PER SHARE**

**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$114,986,000 (2012: HK\$95,987,000) and the weighted average number of ordinary shares of 2,679,819,248 (2012: 2,680,372,144), in issue during the year, calculated as follows:

**Weighted average number of ordinary shares (basic and diluted)**

	2013	2012
Issued ordinary shares at 1 January	2,679,819,248	2,684,194,248
Effect of shares repurchased	–	(3,822,104)
	2,679,819,248	2,680,372,144
Weighted average number of ordinary shares (basic and diluted) at 31 December	2,679,819,248	2,680,372,144

**(b) Diluted earnings per share**

There were no diluted potential shares in existence during the years ended 31 December 2013 and 2012.

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 12 FIXED ASSETS

#### (a) The Group

	Property, plant and equipment								Total HK\$'000
	Investment properties HK\$'000	Leasehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment				
					Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000		
<b>Cost or valuation:</b>									
At 1 January 2013 (Restated)	-	-	18,878	674,152	351,019	48,027	4,058	224,542	1,320,676
Additions	96,953	127,998	7,021	175,249	55,687	7,292	381	9,788	480,369
Disposals	-	-	-	(70,470)	(9,098)	(5,234)	(256)	-	(85,058)
Transfers	-	-	-	65,153	2,531	610	-	(68,294)	-
Fair value adjustments	51,492	-	-	-	-	-	-	-	51,492
Exchange adjustments	819	-	568	17,041	9,240	1,122	4	6,246	35,040
At 31 December 2013	149,264	127,998	26,467	861,125	409,379	51,817	4,187	172,282	1,802,519
<b>Representing:</b>									
Cost	149,264	127,998	26,467	861,125	409,379	51,817	4,187	172,282	1,802,519
<b>Accumulated depreciation and amortisation:</b>									
At 1 January 2013 (Restated)	-	-	2,833	162,045	92,156	16,664	3,066	-	276,764
Charge for the year	-	850	1,971	53,969	46,386	4,319	453	-	107,948
Written back on disposals	-	-	-	(69,895)	(8,377)	(4,917)	(210)	-	(83,399)
Exchange adjustments	-	-	116	3,176	2,974	398	(2)	-	6,662
At 31 December 2013	-	850	4,920	149,295	133,139	16,464	3,307	-	307,975
<b>Net book value:</b>									
At 31 December 2013	149,264	127,148	21,547	711,830	276,240	35,353	880	172,282	1,494,544

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**12 FIXED ASSETS (CONTINUED)**

**(a) The Group (continued)**

	Property, plant and equipment						Total HK\$'000
	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	
<b>Cost or valuation:</b>							
At 1 January 2012 (Restated)	18,832	471,867	251,244	34,166	4,096	265,866	1,046,071
Additions (Restated)	–	107,336	89,830	10,725	–	66,051	273,942
Disposals (Restated)	–	(67)	(1,361)	(58)	–	–	(1,486)
Transfers (Restated)	–	94,089	10,789	3,137	–	(108,015)	–
Exchange adjustments (Restated)	46	927	517	57	(38)	640	2,149
At 31 December 2012 (Restated)	18,878	674,152	351,019	48,027	4,058	224,542	1,320,676
<b>Representing:</b>							
Cost (Restated)	18,878	674,152	351,019	48,027	4,058	224,542	1,320,676
<b>Accumulated depreciation and amortisation:</b>							
At 1 January 2012 (Restated)	941	124,151	57,382	12,543	2,426	–	197,443
Charge for the year (Restated)	1,884	37,716	35,755	4,092	676	–	80,123
Written back on disposals (Restated)	–	(24)	(1,333)	(58)	–	–	(1,415)
Exchange adjustments (Restated)	8	202	352	87	(36)	–	613
At 31 December 2012 (Restated)	2,833	162,045	92,156	16,664	3,066	–	276,764
<b>Net book value:</b>							
At 31 December 2012 (Restated)	16,045	512,107	258,863	31,363	992	224,542	1,043,912

During the year ended 31 December 2013, the Group acquired fixed assets in the aggregate amount of HK\$480,369,000, which mainly comprised payments for land and buildings, investment properties, construction in progress, leasehold improvements and machinery and equipment. Included in the Group's additions to fixed assets during the year is an acquisition of office premises located in Hong Kong, which amounted to HK\$171,881,000, in March 2013. Part of the office premises acquired with amounted to HK\$37,689,000, is held to earn rental income or for capital appreciation purposes and is classified and accounted for as investment property using the fair value model.

In September 2013, the Group also acquired a cinema area of a shopping mall located in Tangshan for HK\$59,264,000, which is held to earn rental income or for capital appreciations purpose and is classified and accounted for as investment property using the fair value model.

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## Notes to the Financial Statements

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### 12 FIXED ASSETS (CONTINUED)

#### (b) Fair value measurement of properties

##### (i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data is not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Fair value at 31 December 2013 HK\$'000	Fair value measurements as at 31 December 2013 categorised into		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000

#### Group

##### Recurring fair value measurement

Investment properties:

— Commercial — Mainland China	111,264	—	—	111,264
— Commercial — Hong Kong	38,000	—	38,000	—

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2013. The valuations were carried out by independent firms of surveyors, Savills Property Services (Shanghai) Co. Ltd and RHL Appraisal Ltd, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The Group's management has discussions with the surveyors about the valuation assumptions and valuation results when the valuations are performed at the end of the reporting period.

##### (ii) Valuation techniques and inputs used in Level 2 fair value measurements

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

##### (iii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment property Commercial — Mainland China	Market comparison approach	Location factor	-4.76% to 0.00%
		Building specific	-1.9% to 3.00%
	Floor level adjustment	45% to 50%	
	Level height adjustment	-20% to 20%	

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**12 FIXED ASSETS (CONTINUED)**

**(b) Fair value measurement of properties** *(continued)*

**(iii) Information about Level 3 fair value measurements** *(continued)*

The fair value of investment property located in Mainland China is determined using the market comparison approach by reference to recent sales price of comparable properties on a price per square metre basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to recent sales. A higher premium for higher quality buildings will result in a higher fair value measurement.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

Investment property — Commercial — Mainland China	HK\$'000
At 1 January 2013	—
Additions	<b>59,264</b>
Exchange adjustment	<b>819</b>
Fair value adjustment	<b>51,181</b>
At 31 December 2013	<b>111,264</b>

Fair value adjustments of investment properties are included in "valuation gains on investment properties" of the consolidated income statement.

All the gains recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

**(c) The analysis of net book value of properties is as follows:**

	2013		2012 (Restated)	
	Leasehold land HK\$'000	Buildings HK\$'000	Leasehold land HK\$'000	Buildings HK\$'000
In Hong Kong				
— long leases	<b>127,148</b>	<b>44,962</b>	—	—
Outside Hong Kong				
— medium-term leases	—	<b>125,849</b>	—	16,045
	<b>127,148</b>	<b>170,811</b>	—	16,045

**Representing:**

Land and buildings carried at fair value	—	<b>149,264</b>	—	—
Buildings carried at cost	—	<b>21,547</b>	—	16,045
	—	<b>170,811</b>	—	16,045
Interest in leasehold land held for own use under operating leases	<b>127,148</b>	—	—	—
	<b>127,148</b>	<b>170,811</b>	—	16,045



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for the year ended 31 December 2013

### 13 INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK\$'000	HK\$'000
Unlisted shares, at cost	<b>167,654</b>	167,654
Capital contribution in respect of equity-settled share-based payments	<b>11,744</b>	11,744
Amounts due from subsidiaries	<b>1,492,468</b>	1,493,290
	<b>1,671,866</b>	1,672,688
Less: Impairment losses	<b>(33,303)</b>	(132,372)
	<b>1,638,563</b>	1,540,316
	2013	2012
	HK\$'000	HK\$'000
Included in		
— Non-current	<b>1,637,003</b>	1,538,756
— Current	<b>1,560</b>	1,560
	<b>1,638,563</b>	1,540,316

Details of principal subsidiaries of the Group are set out in note 35 to the financial statements.

Amounts due from subsidiaries are unsecured, interest-free and are not expected to be recovered within one year, except for an amount due from a subsidiary of HK\$1,560,000 (2012: HK\$1,560,000) which is expected to be settled within one year and is included within current assets.

### 14 INTERESTS IN ASSOCIATES

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Share of net assets	<b>752</b>	759
Amount due from an associate	<b>12,961</b>	6,117
	<b>13,713</b>	6,876

Amount due from an associate is unsecured, interest-free, has no fixed terms of repayment and is expected to be recovered after more than one year.

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**14 INTERESTS IN ASSOCIATES (CONTINUED)**

The following list contains the particulars of the principal associate, which is an unlisted corporate entity, which affected the results and net assets of the Group:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
常州幸福藍海橙天嘉禾影城有限公司	Incorporated	PRC	Registered capital RMB2,000,000	49%	–	49%	Theatre operation

The associates of the Group are not material in aggregate or individually.

**15 INTERESTS IN JOINT VENTURES**

	The Group 2013 HK\$'000	2012 HK\$'000 (Restated)
Share of net assets	<b>344,619</b>	371,132

The following list contains the particulars of the principal joint ventures, all of which are unlisted corporate entities, which affected the results and net assets of the Group:

Name of joint venture	Form of business structure	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by Company	Held by subsidiaries	
Dartina Development Limited	Incorporated	Hong Kong	31,200,082 shares of HK\$1 each	50%	–	50%	Investment holding
Golden Village Entertainment (Singapore) Pte Ltd.	Incorporated	Singapore	1,100,000 shares of S\$1 each	50%	–	50%	Investment holding
Golden Village Pictures Pte Ltd.	Incorporated	Singapore	1,000,000 shares of S\$1 each	50%	–	50%	Distribution of motion pictures
Golden Village Holding Pte Ltd.	Incorporated	Singapore	15,504,688 shares of S\$1 each	50%	–	50%	Investment holding
Golden Village Multiplex Pte Ltd.	Incorporated	Singapore	8,000,000 shares of S\$1 each	50%	–	50%	Theatre operation
Vie Show Cinemas Co. Ltd.*	Incorporated	Taiwan	80,000,000 shares of NTD10 each	35.71%	–	35.71%	Theatre operation and investment holding

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### 15 INTERESTS IN JOINT VENTURES (CONTINUED)

All joint ventures in which the Group participates, which are accounted for using the equity method in the consolidated financial statements, are unlisted corporate entities whose quoted market prices are not available.

Summarised financial information of Dartina Development Limited and Vie Show Cinemas Co. Ltd., adjusted for any differences in accounting policies, and a reconciliation to the carrying amounts in the consolidated financial statements, are disclosed below:

	Dartina Development Limited		Vie Show Cinemas Co. Ltd.#	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Gross amounts of the joint ventures:</b>				
Current assets	<b>164,214</b>	227,796	<b>286,578</b>	245,777
Non-current assets	<b>418,476</b>	451,032	<b>534,808</b>	595,993
Current liabilities	<b>(225,166)</b>	(273,914)	<b>(293,481)</b>	(299,244)
Non-current liabilities	<b>(24,696)</b>	(29,552)	<b>(28,871)</b>	(29,180)
Equity	<b>332,828</b>	375,632	<b>499,034</b>	513,346
<b>Included in the above assets and liabilities:</b>				
Cash and cash equivalents	<b>115,702</b>	175,743	<b>240,418</b>	185,823
Current financial liabilities (excluding trade and other payables and provisions)	–	66,570	–	13,500
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–	<b>25,017</b>	24,726
Revenue	<b>801,232</b>	735,552	<b>1,271,291</b>	1,193,739
Profit from continuing operations	<b>106,260</b>	105,106	<b>110,106</b>	152,044
Other comprehensive income	–	–	–	–
Total comprehensive income	<b>106,260</b>	105,106	<b>110,106</b>	152,044
Dividends received from the joint ventures	<b>135,560</b>	63,400	<b>104,125</b>	52,610
<b>Included in the above profits:</b>				
Depreciation and amortisation	<b>50,124</b>	41,364	<b>74,297</b>	69,544
Interest income	<b>94</b>	134	<b>710</b>	638
Interest expense	<b>214</b>	3,603	<b>93</b>	495
Income tax expense	<b>22,610</b>	24	<b>22,551</b>	29,538
<b>Reconciled to the Group's interests in the joint ventures</b>				
Gross amounts of the joint ventures' net assets	<b>332,828</b>	375,632	<b>499,034</b>	513,346
Group's effective interest	<b>50%</b>	50%	<b>35.71%</b>	35.71%
Group's share of the joint ventures' net assets	<b>166,414</b>	187,816	<b>178,205</b>	183,316
Goodwill	–	–	–	–
Carrying amount in the consolidated financial statements	<b>166,414</b>	187,816	<b>178,205</b>	183,316

# The joint venture is not audited by KPMG.

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## Notes to the Financial Statements

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### 16 AVAILABLE-FOR-SALE EQUITY SECURITIES

At 31 December 2011, the Group held 10,000,000 shares in Overseas Chinese Town (Asian) Holdings Limited (“Overseas Chinese”), a company listed in Hong Kong. During the year ended 31 December 2012, the Group disposed of all its shares in Overseas Chinese and recorded a gain of HK\$7,911,000.

### 17 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments as at 31 December 2013 was an amount of RMB80,000,000 (equivalent to approximately of HK\$101,600,000) (2012: RMB40,000,000 (equivalent to approximately of HK\$49,320,000)) in respect of the lease of a property in the PRC with a related company for the purpose of theatre operation. Further details are discussed in note 32(vii) to the financial statements.

### 18 TRADEMARK

	The Group 2013	2012
	HK\$'000	HK\$'000

#### Cost and carrying amount

At 1 January and 31 December	<b>79,785</b>	79,785
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Trademark represents a perpetual license for the use of the brand name “Golden Harvest” which takes the form of sign, symbol, name, logo, design or any combination thereof.

The directors are of the opinion that the Group’s trademark has an indefinite useful life due to the following reasons:

- (i) the trademark, which was acquired by the Group in 2001, has been in use for a considerable number of years and will continue to be used for the long term; and
- (ii) the Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to profit or loss when incurred, to maintain and increase the market value of its trademark.

Vigers Appraisal & Consulting Limited, a firm of independent professional qualified valuers, has confirmed, in their valuation of the Group’s trademark, that the fair value of the trademark exceeded its carrying value as at 31 December 2013. Accordingly, no impairment loss was recorded at 31 December 2013.

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### 19 GOODWILL

	The Group	
	2013	2012
	HK\$'000	HK\$'000
<b>Cost and carrying amount</b>		
At 1 January and 31 December	<b>73,658</b>	73,658

#### Impairment tests for cash-generating units containing goodwill

In accordance with the Group's accounting policies, the Group has assessed the recoverable amount of goodwill for the cash-generating units ("CGU") and determined that such goodwill has not been impaired at 31 December 2013 and 31 December 2012.

Goodwill is allocated to the Group's CGU identified according to country of operation and business segment as follows:

	2013	2012
	HK\$'000	HK\$'000
Distribution and production — Mainland China	<b>73,658</b>	73,658

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of five years and a pre-tax discount rate at 20% based on the Group's weighted average cost of capital.

The assumptions used are based on management's past experience of the specific market, with reference to external sources of information. The discount rate used is pre-tax and reflects specific risks relating to the segment.

### 20 INVENTORIES

Inventories are carried at cost of HK\$4,977,000 at 31 December 2013 (2012: HK\$3,626,000 (restated)) and comprise largely goods held for resale.

The carrying amount of inventories sold and recognised as an expense to the consolidated income statement of the Group was HK\$27,566,000 (2012: HK\$18,535,000 (restated)).

### 21 FILM RIGHTS

	The Group	
	2013	2012
	HK\$'000	HK\$'000 (Restated)
Film rights — completed	<b>41,428</b>	46,812
Investment in film production	<b>2,106</b>	6,471
	<b>43,534</b>	53,283
Film production in progress, at cost	<b>3,207</b>	4,788
	<b>46,741</b>	58,071

Film rights represent films and television drama series and self-produced programmes.

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**21 FILM RIGHTS (CONTINUED)**

Investments in film/drama production represent funds advanced to licensed production houses for co-financing of the production of films and/or television programmes, which are free to be exploited by the production houses. The investments are governed by the relevant investment agreements entered into between the Group and the production houses whereby the Group is entitled to benefits generated from the distribution of the related films and/or television programmes. The amounts will be recoverable by the Group from a pre-determined share of the sales proceeds of the respective co-financed films or television programmes, resulting from the distribution to be confirmed by the relevant production houses.

Film production in progress represents films under production.

In accordance with note 2(o) of the Group's accounting policies, the Group performed impairment tests at 31 December 2013 and 2012 by comparing the attributable carrying amounts of the film rights/self produced programmes with the recoverable amounts.

The Group assessed the recoverable amounts of the film production in progress based on the present value of estimated discounted future cash flows from the film production in progress. No impairment loss has been recognised in this respect for the years ended 31 December 2013 and 31 December 2012.

The amount of production in progress expected to be recovered after one year is HK\$472,000 (2012: HK\$2,413,000).

**22 RECEIVABLES, DEPOSITS AND PREPAYMENTS**

**(a) Trade receivables**

	The Group	
	2013	2012
	HK\$'000	HK\$'000 (Restated)
Trade receivables	<b>126,703</b>	83,173
Less: Allowance for doubtful debts	<b>(117)</b>	(117)
	<b>126,586</b>	83,056

**(i) Ageing analysis**

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group	
	2013	2012
	HK\$'000	HK\$'000 (Restated)
Within 1 month	<b>107,178</b>	27,751
1 to 2 months	<b>4,405</b>	45,545
2 to 3 months	<b>3,559</b>	1,817
Over 3 months	<b>11,444</b>	7,943
	<b>126,586</b>	83,056

The Group usually grants credit periods ranging from one to three months. Each customer has a credit limit and overdue balances are regularly reviewed by management.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, the concentration of credit risk is not considered significant. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate their fair value. Further details on the Group's credit policy are set out in note 29(a) to the financial statements.

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## Notes to the Financial Statements

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### 22 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

**(a) Trade receivables** *(continued)*

**(ii) Impairment losses of trade receivables**

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

There were no movements in the allowance for doubtful debts during the years ended 31 December 2013 and 31 December 2012.

As at 31 December 2013, the allowance for doubtful debts are HK\$117,000 (2012: HK\$117,000).

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group 2013 HK\$'000	2012 HK\$'000 (Restated)
Neither past due nor impaired	115,142	75,113
Less than three months past due	4,991	2,836
Past due over three months	6,453	5,107
	11,444	7,943
	126,586	83,056

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there were no recent history of default.

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

**(iii)** At 31 December 2013, trade receivables of the Group included amounts totalling HK\$25,464,000 (2012: HK\$5,137,000) due from related companies and amounts totalling of HK\$1,243,000 (2012: HK\$1,090,000) due from a joint venture, which are unsecured, interest-free and recoverable within one year.

**(b)** All of the other receivables, deposits and prepayments (including amounts due from related companies and joint ventures) are expected to be recoverable within one year.

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**23 DEPOSITS AND CASH**

	The Group		The Company	
	2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000
Deposits at banks	<b>312,420</b>	356,764	–	–
Cash at bank and in hand	<b>269,021</b>	265,117	<b>93</b>	20
	<b>581,441</b>	621,881	<b>93</b>	20
Less: Pledged deposits for bank loans	<b>(46,905)</b>	(46,850)	–	–
Cash and cash equivalents	<b>534,536</b>	575,031	<b>93</b>	20

Cash at bank earns interest at floating rates based on daily bank deposit rates. Deposits at banks are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate their fair values.

Deposits and cash as at 31 December 2013 include HK\$312,614,000 (2012: HK\$332,840,000) equivalent placed with banks in Mainland China, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the government of Mainland China.

**24 BANK LOANS**

(a) At 31 December 2013, the bank loans were repayable as follows:

	The Group	
	2013 HK\$'000	2012 HK\$'000 (Restated)
Within 1 year or on demand	<b>323,581</b>	285,098
After 1 year but within 2 years	<b>172,890</b>	130,409
After 2 years but within 5 years	<b>356,856</b>	169,074
After 5 years	<b>81,830</b>	25,871
	<b>611,576</b>	325,354
	<b>935,157</b>	610,452
Bank loans		
— secured	<b>935,157</b>	610,452
— unsecured	–	–
	<b>935,157</b>	610,452

All of the non-current interest-bearing borrowings are carried at amortised cost.

All bank loans bear interest at floating interest rates which approximate to market rates of interest.



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### 24 BANK LOANS (CONTINUED)

- (b) At 31 December 2013, the bank loans were secured by:
- (i) an office property of a subsidiary located in Hong Kong;
  - (ii) deposits of subsidiaries of HK\$46,905,000 (2012: HK\$46,850,000); and
  - (iii) corporate guarantees from the Company and two subsidiaries.
- (c) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 29(b) to the financial statements. As at 31 December 2012 and 2013, none of the covenants relating to drawn down facilities had been breached.

- (d) The bank loans of the Group were denominated in the following original currencies:

	The Group 2013 '000	2012 '000 (Restated)
Renminbi	<b>339,749</b>	225,750
Hong Kong dollars	<b>503,676</b>	332,103

### 25 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2013, the Group had obligations under finance leases repayable as follows:

	The Group		The Group	
	2013	2012	2013	2012
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	<b>8,988</b>	<b>10,697</b>	4,905	6,636
After 1 year but within 2 years	<b>10,389</b>	<b>11,575</b>	7,162	8,317
After 2 years but within 5 years	<b>7,656</b>	<b>8,503</b>	5,194	5,565
	<b>18,045</b>	<b>20,078</b>	12,356	13,882
	<b>27,033</b>	<b>30,775</b>	17,261	20,518
Less: Total future interest expenses		<b>(3,742)</b>		(3,257)
Present value of lease obligations		<b>27,033</b>		17,261

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**26 TRADE AND OTHER PAYABLES, ACCRUED CHARGES AND DEFERRED REVENUE**

**(a) Trade payables**

The ageing analysis of trade payables as of the end of the reporting period:

	The Group	
	2013 HK\$'000	2012 HK\$'000 (Restated)
Current to 3 months	75,545	64,029
Within 4 to 6 months	7,599	14,185
Within 7 to 12 months	1,591	1,760
Over 1 year	16,402	15,301
	<b>101,137</b>	<b>95,275</b>

At 31 December 2013, trade payables of the Group included the amounts totalling HK\$16,679,000 (2012: HK\$233,000) due to related companies which were unsecured, interest-free and repayable on demand.

- (b)** All of the other payables and accrued charges (including amounts due to related companies) are expected to be settled within one year or are repayable on demand.
- (c)** All of the deferred revenue are expected to be settled within one year.

**27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**(a) Current taxation in the consolidated statement of financial position represents:**

	The Group	
	2013 HK\$'000	2012 HK\$'000 (Restated)
Provision for taxation for the year	13,564	3,392
Tax paid for the year	(6,030)	(8,142)
Tax refunded for the year	159	–
Balance of tax provision relating to prior years	2,178	12,649
	<b>9,871</b>	<b>7,899</b>

**(b) Deferred tax assets and liabilities recognised:**

	The Group	
	2013 HK\$'000	2012 HK\$'000 (Restated)
Net deferred tax asset recognised in the consolidated statement of financial position	29,512	22,235
Net deferred tax liability recognised in the consolidated statement of financial position	(12,338)	(12,112)
	<b>17,174</b>	<b>10,123</b>

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### 27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

**(b) Deferred tax assets and liabilities recognised:** *(continued)*

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the years are as follows:

	Tax losses recognised HK\$'000	The Group Withholding tax on unremitted earnings HK\$'000	Total HK\$'000
<b>Deferred tax arising from:</b>			
At 1 January 2012 (Restated)	(6,947)	8,002	1,055
Exchange adjustments (Restated)	(55)	–	(55)
(Credited)/charged to profit or loss ( <i>note 7(a)</i> ) (Restated)	(15,233)	4,110	(11,123)
At 31 December 2012 (Restated)	(22,235)	12,112	(10,123)
At 1 January 2013	<b>(22,235)</b>	<b>12,112</b>	<b>(10,123)</b>
Exchange adjustments	<b>(783)</b>	–	<b>(783)</b>
(Credited)/charged to profit or loss ( <i>note 7(a)</i> )	<b>(6,494)</b>	<b>226</b>	<b>(6,268)</b>
At 31 December 2013	<b>(29,512)</b>	<b>12,338</b>	<b>(17,174)</b>

**(c) Deferred tax assets not recognised**

At 31 December 2013, the Group has not recognised deferred tax assets in respect of accumulated tax losses of approximately HK\$566,840,000 (2012: HK\$564,843,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except for the balances of HK\$2,298,000 (2012: HK\$11,546,000) which can be only carried forward for five years under the relevant jurisdiction.

**(d) Deferred tax liabilities not recognised**

At 31 December 2013, there was no significant unrecognised deferred tax liabilities (2012: HK\$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures as the Group has no significant liability to additional tax should such amounts be remitted.

At 31 December 2013, the Company does not have any material deferred taxation assets and liabilities (2012: HK\$Nil).

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**28 SHARE CAPITAL AND RESERVES**

**(a) Share capital**

	Note	2013		2012	
		No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
<b>Authorised:</b>					
Ordinary shares of HK\$0.10 each		<b>6,000,000,000</b>	<b>600,000</b>	6,000,000,000	600,000
<b>Ordinary shares, issued and fully paid:</b>					
At 1 January		<b>2,679,819,248</b>	<b>267,982</b>	2,684,194,248	268,419
Shares repurchased	(ii)	–	–	(4,375,000)	(437)
At 31 December		<b>2,679,819,248</b>	<b>267,982</b>	2,679,819,248	267,982

Notes:

**(i) Share option scheme**

*Equity-settled share-based transactions*

Pursuant to an ordinary resolution of the Company passed on 11 November 2009, the Company terminated the old share option scheme (the "Old Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme"). The Old Share Option Scheme was initially valid and effective for the period from 28 November 2001 to 11 November 2009, but the outstanding share options granted under the Old Share Option Scheme remain in full force and effect. The purpose of the Old Share Option Scheme was to provide incentives and rewards to eligible participants who contribute to the success of the Group's operation. The purpose of the New Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants. Eligible participants of the share option scheme include the Company's directors, including independent non-executive directors, and other employees of the Group, and shareholders of the Company.

The New Share Option Scheme became effective on 11 November 2009 and will remain in force for 10 years from that date.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option).

The offer of a grant of share options must be accepted within 30 days inclusive of, and from the day of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The vesting period, the exercise period and the number of shares subject to each option are determinable by the directors. The exercise period may not exceed 10 years commencing on such date on or after the date of grant as the directors of the Company may determine in granting the share options and ending on such date as the directors of the Company may determine in granting the share options. Save as determined by the directors of the Company and provided in the offer of the grant of the relevant share option, there is no general requirement that a share option must be held for any minimum period before it can be exercised.

The exercise price of the share options is determinable by the directors, provided always that it shall be at least the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of offer of grant of the share options; (ii) the average Stock Exchange's closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

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### 28 SHARE CAPITAL AND RESERVES (CONTINUED)

**(a) Share capital** *(continued)*

*Notes: (continued)*

**(i) Share option scheme** *(continued)*

*Equity-settled share-based transactions (continued)*

The maximum number of shares of the Company issuable upon exercise of all share options granted and to be granted under the New Share Option Scheme and any other share option schemes of the Company (if any) is an amount equivalent to 10% of the shares of the Company in issue as at 11 November 2009. This limit can be refreshed by the shareholders of the Company in a general meeting in accordance with the provisions of the Listing Rules. The maximum number of shares issuable under share options granted to each eligible participant under the New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

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

*Adjustments to share options and exercise prices*

As a result of the subdivision of shares in November 2009, the number of shares issuable under the share options granted under the Old Share Option Scheme and the exercise prices were adjusted as stated in the table below. All share options under the New Share Option Scheme were granted subsequent to the subdivision of shares in November 2009.

The movements of share options during the year ended 31 December 2013 and the outstanding share options held by the Directors, chief executive and other employees of the Group as at 31 December 2013 are set out in the following table:

Name or category of participant	Date of grant of share options	Exercise price per share HK\$	Exercise period	Number of		Closing price	Number of
				share options outstanding as at 1 January 2013	Lapsed during the year ended 31 December 2013	per Share immediately before the date of grant of share options HK\$	share options outstanding as at 31 December 2013
<b>Director</b>							
Huang Shao-Hua George	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	–	0.451	200,000
Wu Kebo	23 September 2009	0.453	23 September 2009 to 22 September 2014	60,000,000	–	0.451	60,000,000
Wu Keyan	23 September 2009	0.453	23 September 2009 to 22 September 2014	700,000	–	0.451	700,000
Li Pei Sen	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	–	0.451	200,000
Leung Man Kit	23 September 2009	0.453	23 September 2009 to 22 September 2014	200,000	–	0.451	200,000
Tan Boon Pin Simon	23 September 2009	0.453	23 September 2009 to 22 September 2014	1,200,000	–	0.451	1,200,000
<b>Other participants</b>							
In aggregate	23 September 2009	0.453	23 September 2009 to 22 September 2014	1,050,000	(450,000)		600,000
				63,550,000	(450,000)		63,100,000

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for the year ended 31 December 2013

**28 SHARE CAPITAL AND RESERVES (CONTINUED)**

**(a) Share capital (continued)**

*Notes: (continued)*

**(i) Share option scheme (continued)**

*Adjustments to share options and exercise prices (continued)*

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

*Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes model. The contractual life of the share option is used as an input into this model. The following table lists the inputs to the model used for the year ended 31 December 2009.

	Date of grant	
	23 September 2009 (to directors and chief executive officer)	23 September 2009 (to other participants)
Fair value at measurement date*	HK\$0.123	HK\$0.116
Share price*	HK\$0.453	HK\$0.453
Exercise price*	HK\$0.453	HK\$0.453
Expected volatility	50%	50%
Option life	5 years	5 years
Expected life	2.3 years	2.0 years
Expected dividends	2.8%	2.8%
Risk-free interest rate (based on Exchange Fund Notes)	1.766%	1.766%

\* adjusted for subdivision of shares.

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The share options granted to Mr. Wu Kebo (director) was under a service condition of three years. This condition has not been taken into account in the grant date fair value measurement of the services received. No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 63,100,000 share options outstanding under the Old Share Option Scheme and the New Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 63,100,000 additional ordinary shares of the Company, representing approximately 2.35% of the Company's shares in issue as at the end of the reporting period, and additional share capital of HK\$6,310,000 and share premium account of HK\$22,274,000 (before issue expenses).

**(ii) Shares repurchased**

During the year, the Company did not acquire any shares (2012: 4,375,000 shares) through purchases on the open market. The total amount paid to acquire the shares during the year was HK\$Nil (2012: HK\$1,227,000).

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for the year ended 31 December 2013

### 28 SHARE CAPITAL AND RESERVES (CONTINUED)

#### (b) Reserves

##### (i) The Group

Details of the movements in reserves of the Group during the year ended 31 December 2013 and 2012 are set out in the consolidated statement of changes in equity.

##### (ii) The Company

	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2012	665,625	5,934	8,396	271,644	230,939	1,182,538
Profit for the year	–	–	–	–	88,781	88,781
Equity-settled share-based transactions	–	1,837	–	–	–	1,837
Shares repurchased	(790)	–	–	–	–	(790)
Transfer from retained profits on capital redemption	–	–	437	–	(437)	–
<b>At 31 December 2012</b>	<b>664,835</b>	<b>7,771</b>	<b>8,833</b>	<b>271,644</b>	<b>319,283</b>	<b>1,272,366</b>
	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2013	664,835	7,771	8,833	271,644	319,283	1,272,366
Profit for the year	–	–	–	–	98,347	98,347
Transfer to retained profits on lapse of share options	–	(52)	–	–	52	–
<b>At 31 December 2013</b>	<b>664,835</b>	<b>7,719</b>	<b>8,833</b>	<b>271,644</b>	<b>417,682</b>	<b>1,370,713</b>

#### (c) Nature and purpose of reserves

##### (i) Share premium and capital redemption reserve

The application of the share premium account is governed by Sections 40 and 54 of the Companies Act 1981 of Bermuda.

##### (ii) Share option reserve

The share option reserve represents the fair value of the number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 2(t)(ii) to the financial statements.

##### (iii) Capital redemption reserve

The capital redemption reserve represents the nominal value of the share capital of the Company repurchased and cancelled.

##### (iv) Contributed surplus

The contributed surplus represents (i) the difference between the nominal value of the Company's shares in issue, in exchange for the issued share capital of the subsidiaries, and the aggregate net asset value of the subsidiaries acquired at the date of acquisition; and (ii) the net transfer of HK\$80,000,000 after setting off the accumulated losses from the share premium account pursuant to the Company's capital reorganisation in May 2007. Under the Bermuda Companies Act 1981 (as amended), the contributed surplus of the Company is distributable to shareholders of the Company.

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**28 SHARE CAPITAL AND RESERVES (CONTINUED)**

**(c) Nature and purpose of reserves** *(continued)*

**(v) Reserve funds**

In accordance with the relevant regulations in the PRC, the companies' established therein are required to transfer a certain percentage of their profits after tax to the reserve funds until the balance reaches 50% the registered capital. Subject to certain restrictions set out in the relevant PRC regulations, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

**(vi) Exchange reserve**

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries, associates and joint ventures. The reserve is dealt with in accordance with the accounting policy set out in note 2(x) to the financial statements.

**(d) Distributability of reserves**

At 31 December 2013, the aggregate amount of reserves available for distribution to equity holders of the Company representing the retained profits, amounted to HK\$417,682,000 (2012: HK\$319,283,000). In addition, the Company's share premium account, contributed surplus and capital redemption reserve in an aggregate amount of HK\$945,312,000 (2012: HK\$945,312,000), as at 31 December 2013 may be distributed to shareholders in certain circumstance as prescribed by Section 54 of the Companies Act 1981 of Bermuda.

**(e) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its gearing structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the gearing structure in light of changes in economic conditions.

The Group monitors its gearing structure calculated on the basis of external borrowings, which includes bank loans and obligations under finance lease over total assets.

The Group's strategy is to maintain the gearing ratio below 35%. In order to maintain or adjust the ratio, the Group may raise new equity financing or sell assets to reduce debt. The gearing ratios at 31 December 2013 and 2012 are as follows:

	2013 HK\$'000	2012 HK\$'000 (Restated)
Bank loans and total external borrowings	<b>935,157</b>	610,452
Obligations under finance leases	<b>27,033</b>	17,261
	<b>962,190</b>	627,713
<b>Total assets</b>	<b>3,169,260</b>	2,653,202
<b>Gearing ratio</b>	<b>30.4%</b>	23.7%



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## Notes to the Financial Statements

for the year ended 31 December 2013

### 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, currency and interest rate risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

#### (a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has established credit control policies of which credit limits, credit approvals and other monitoring procedures for debts recovery are in place to minimise the credit risk. In addition, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment allowances are made for irrecoverable amounts. With such policies in place, the Group has been able to maintain its bad debts at minimal level.

The Group's trade receivables relate to a large number of diversified customers, the concentration of credit risk is not significant.

#### (b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay. In addition, as the deposits received does not have fixed repayment terms, the carrying amount has not been included in the table.

For a term loan subject to repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflows based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lender was to invoke the unconditional right to call the loan with immediate effect.

#### The Group

	As at 31 December 2013					
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
Trade payables	101,137	101,137	101,137	-	-	-
Other payables and accrued charges	155,634	155,634	155,634	-	-	-
Bank loans	935,157	1,076,914	361,794	225,875	396,721	92,524
Obligations under finance leases	27,033	30,775	10,697	11,575	8,503	-
	<b>1,218,961</b>	<b>1,364,460</b>	<b>629,262</b>	<b>237,450</b>	<b>405,224</b>	<b>92,524</b>

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for the year ended 31 December 2013

**29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Liquidity risk** *(continued)*  
**The Group** *(continued)*

	As at 31 December 2012 (Restated)					
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
Trade payables	95,275	95,275	95,275	–	–	–
Other payables and accrued charges	162,246	162,246	162,246	–	–	–
Bank loans	610,452	715,859	248,745	212,082	227,790	27,242
Obligations under finance lease	17,261	20,518	6,636	8,317	5,565	–
	885,234	993,898	512,902	220,399	233,355	27,242

**The Company**

The earliest settlement dates of the Company's financial liabilities at the end of the reporting period are all within one year or on demand and the contractual amounts of the financial liabilities are all equal to their carrying amounts.

**(c) Currency risk**

The Group has foreign currency monetary assets and liabilities that are denominated in a currency other than the functional currency of the entity to which they relate. Exchange differences arising on settling or translating these foreign currency monetary items at rates different from those at dates of transactions giving rise to these monetary items are recognised in profit or loss.

The Group enters into transactions denominated in currencies other than the functional currency of the entity to which they relate. Consequently, the Group is exposed to risks that the exchange rate of the relevant functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets or liabilities denominated in currencies other than the relevant functional currency. As the Hong Kong dollar is pegged to the United States dollar, the Group does not expect any significant movements in the HKD/USD exchange rate. The currency giving rise to foreign currency risk is primarily Renminbi and Singapore dollars. Management of the Group continuously monitors the Group's exposure to such foreign currency risks to ensure they are at manageable levels.

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for the year ended 31 December 2013

### 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) **Currency risk** *(continued)*

(i) **Exposure to currency risk**

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency to which they relate.

**The Group**

	Exposure to foreign currencies					
	2013			2012		
	Hong Kong dollars '000	2013 Renminbi '000	Singapore dollars '000	Hong Kong dollars '000	2012 Renminbi '000	Singapore dollars '000
Other receivables, deposits and prepayments	–	<b>10,879</b>	<b>1,570</b>	–	10,835	14
Deposits and cash	–	<b>98,808</b>	<b>173</b>	–	186,533	1,867
Other payables and accrued charges	–	<b>(17,181)</b>	–	–	(4,009)	(35)
Deferred revenue	–	–	–	–	(988)	–
Intercompany borrowings*	<b>(304,370)</b>	<b>109,661</b>	–	(290,228)	104,461	–
<b>Net exposure to currency risk</b>	<b>(304,370)</b>	<b>202,167</b>	<b>1,743</b>	<b>(290,228)</b>	<b>296,832</b>	<b>1,846</b>

\* An intercompany loan denominated in Hong Kong dollars was made to a subsidiary located in the PRC, of which the functional currency is RMB. Thus, the loan recorded by the subsidiary is subject to foreign currency risk.

(ii) **Sensitivity analysis**

The following table indicates the approximate change in the Group's profit after taxation and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group had significant exposure at the end of the reporting period. Other components of equity would not be affected by changes in the foreign exchange rates:

	2013		2012	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained earnings HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained earnings HK\$'000
Renminbi	5% (5)%	12,838 (12,838)	5% (5)%	18,300 (18,300)
Singapore dollars	5% (5)%	533 (533)	5% (5)%	585 (585)
Hong Kong dollars	5% (5)%	(15,219) 15,219	5% (5)%	(14,511) 14,511

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**29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Currency risk** *(continued)*

**(ii) Sensitivity analysis** *(continued)*

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. The analysis has been performed on the same basis as for 2012.

Currency risk as defined by HKFRS 7 arises from financial instruments denominated in a currency that is not the functional currency and which are of a monetary nature. Differences resulting from the translation of financial statements of overseas subsidiaries, associates and joint ventures into the Group's presentation currency are therefore not taken into consideration for the purpose of the sensitivity analysis for currency risk.

**(d) Interest rate risk**

The Group's exposure to interest rate risk arises primarily to the Group's short and long-term loans. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group manages its interest rate risk exposures in accordance with defined policies through regular review with a focus on reducing the Group's overall cost of funding as well as having regard to the floating/fixed rate mix appropriate to its current business portfolio.

**(i) Interest rate profile**

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2013		2012	
	Effective rate %	HK\$'000	Effective rate % (Restated)	HK\$'000 (Restated)
<b>Net fixed rate borrowings:</b>				
Obligations under finance leases <i>(note 25)</i>	<b>4.33%–10.5%</b>	<b>27,033</b>	10.5%	17,261
<b>Variable rate borrowings:</b>				
Bank loans <i>(note 24)</i>	<b>2.25%–7.86%</b>	<b>935,157</b>	3.44%–7.6%	610,452

**(ii) Sensitivity analysis**

At 31 December 2013, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and total equity by approximately HK\$7,645,000 (2012: HK\$4,990,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 1% increase/decrease represents management's assessment of a reasonable possible change in interest rates over the period until the next annual end of the reporting period. The analysis has been performed on the same basis as for 2012.

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### 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (e) Fair values measurement

- (i) The fair values of receivables, bank balances and other current assets, payables and accrued charges and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012 and 2013. Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair value.

#### (ii) Financial assets and liabilities measured at fair value

##### *Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

During the years ended 31 December 2012 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### (f) Offsetting financial assets and financial liabilities

The Group offsets certain recognised financial assets and financial liabilities when they have a right to set-off these amounts against the same counterparty and they intend to settle these on a net basis. A summary of the financial assets and financial liabilities set-off is as follows:

	Gross amount of recognised financial assets/ (financial liabilities) HK\$'000	Amounts set off HK\$'000	Net amounts of financial assets/ (financial liabilities) presented in the consolidated statement of financial position HK\$'000
<b>2013</b>			
Other receivables, deposits and prepayments	205,727	(45,195)	160,532
Other payables and accrued charges	(200,829)	45,195	(155,634)

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**30 COMMITMENTS**

- (a) Capital commitments outstanding at 31 December 2013 not provided for in the financial statements in respect of the acquisition of fixed assets are as follows:

	2013 HK\$'000	2012 HK\$'000 (Restated)
<b>Contracted for:</b>		
Mainland China	93,244	78,215
<hr style="border-top: 1px dashed black;"/>		
<b>Authorised but not contracted for:</b>		
Hong Kong	1,791	–
Mainland China	613,387	1,167,863
<hr/>		
	615,178	1,167,863
<hr style="border-top: 1px dashed black;"/>		
	708,422	1,246,078
<hr style="border-top: 3px double black;"/>		

(b) **Operating lease commitments**

(i) **As lessor**

At 31 December 2013, the Group's total future minimum lease payments under non-cancellable operating lease are receivable as follows:

	2013 HK\$'000	2012 HK\$'000 (Restated)
Lease on premise expiring		
— within one year	2,500	–
— after one year but within five years	10,882	–
— after five year	28,804	–
<hr/>		
	42,186	–
<hr style="border-top: 3px double black;"/>		

The Group leases its building under operating lease. The lease runs for twelve years. The lease is subject to contingent rentals which are charged at 12%–15%.

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## Notes to the Financial Statements

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### 30 COMMITMENTS (CONTINUED)

#### (b) Operating lease commitments (CONTINUED)

##### (ii) As lessee

At 31 December 2013, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013 HK\$'000	2012 HK\$'000 (Restated)
Leases on premises expiring		
— within one year	<b>229,940</b>	217,311
— after one year but within five years	<b>845,867</b>	663,134
— after five years	<b>1,673,526</b>	1,468,723
	<b>2,749,333</b>	2,349,168

The Group is the lessee in respect of a number of office premises and cinemas held under operating leases. The leases typically run for one to twenty years.

Certain non-cancellable operating leases are subject to contingent rent payments, which are charged at 7% to 28% (2012: 7% to 28%) of their monthly or annual gross box office takings in excess of the base rents as set out in the respective lease agreements. In addition, 10%–12% of the theatre confectionary sales and advertising income are also charged as payments under certain leases.

### 31 CONTINGENT LIABILITIES

At 31 December 2013, the Company has issued guarantees to banks in respect of banking facilities granted to certain subsidiaries and a joint venture amounting to HK\$1,315,060,000 (2012: HK\$1,012,254,000) and HK\$30,600,000 (2012: HK\$31,700,000) respectively. At 31 December 2013, banking facilities of HK\$942,160,000 (2012: HK\$614,920,000) and HK\$Nil (2012: HK\$31,700,000) had been utilised by the subsidiaries and a joint venture respectively.

At 31 December 2013, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of bank guarantees as their fair values cannot be reliably measured and no transaction price was incurred.

Certain subsidiaries of the Group are involved in litigation arising in the ordinary course of their respective business. Having reviewed outstanding claims and taking into account legal advice received, the directors are of the opinion that even if the claims are found to be valid, there will be no material adverse effect on the financial position of the Group.

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**32 MATERIAL RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

	Note	2013 HK\$'000	2012 HK\$'000
Office rental paid	(i)	4,236	4,728
Service fee income from a joint venture	(ii)	477	975
Income from leasing of cinema facilities	(iii)	2,100	2,066
Cinema in-foyer advertising income	(iv)	7,452	1,056
Cinema screen advertising fee income	(v)	23,723	13,889
Cinema marketing service fee expense	(vi)	–	1,026
Rental deposit and prepayment for leasing of property	(vii)	50,800	51,170
Cinema circuit management service fee income	(viii)	2,150	–

Notes:

- (i) This represents office rental expenses for three office areas paid to related companies, which wholly-owned by Mr. Wu Kebo, a director and a substantial shareholder of the Group. The rental expenses were charged on nominal commercial terms.
- (ii) This represents service fees for ticketing system maintenance and enhancement received from a joint venture of the Group. The fees were charged on normal commercial terms.
- (iii) This represents the income received from a related company for leasing certain cinema facilities at Beijing Sanlitun cinema. The fees were charged on normal commercial terms.
- (iv) This represents PRC cinemas in-foyer advertising income received from a subsidiary of Orange Sky charged on normal commercial terms.
- (v) This represents cinema screen advertising income received from two subsidiaries of Orange Sky for granting exclusive rights of screen advertising air-time in the Group's Hong Kong and PRC cinemas. The fees were charged on normal commercial terms.
- (vi) This represents marketing service fees paid to two related companies for providing promotional services for PRC cinemas. The fees were charged on normal commercial terms.
- (vii) This represents rental deposit and rental prepayment paid to a related company, which is indirectly held by Mr. Wu Kebo. As at 31 December 2013, the Group had paid rental deposit and rental prepayment of HK\$Nil and HK\$50,800,000 (2012: HK\$1,849,500 and HK\$49,320,000) respectively.  
  
The terms of the rental agreement were negotiated on normal commercial terms.
- (viii) This represents management service fees paid to a related company for introducing top-class cinema circuit to PRC cinemas. The fees were charged at 1.2% of net box office receipts.

The transactions shown in notes (i), (iii), (iv), (v), (vii) and (viii) above with related companies constitute continuing connected transactions as defined in chapter 14A of the Listing Rules. The continuing connected transactions were either properly reviewed by the independent non-executive directors or constituted de minimis transactions as defined in the Listing Rules.

None of the other related party transactions set out above constituted connected transactions as defined in the Listing Rules.



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# FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

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## Notes to the Financial Statements

for the year ended 31 December 2013

### 33 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 29 contains information about the assumptions and their risk factors relating to financial risk management. Other key sources of estimation uncertainty are as follows:

#### Key sources of estimation uncertainty

**(i) Assessment of the useful economic lives of fixed assets**

The Group estimates the useful economic lives of fixed assets based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of fixed assets would increase depreciation charges and decrease non-current assets.

**(ii) Assessment of impairment of assets**

The Group reviews internal and external sources of information at the end of each reporting period to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The Group estimates the asset's recoverable amount when any such indication exists. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. The preparation of projected future cash flows involves the estimation of future revenue and operating costs which are based on reasonable assumptions supported by information available to the Group. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future years.

**(iii) Assessment of impairment of available-for-sale securities**

The Group reviews available-for-sale securities at the end of each reporting period to determine whether there is objective evidence of impairment. Judgement is required to determine whether a decline in the fair value of an investment is significant or prolonged. In making this judgement, the Group considers a number of factors including the historical data on market volatility, the price of the specific investment, industry and sector performance, and financial information regarding the issuers of the investment.

**(iv) Assessment of impairment of film rights**

The Group reviews film rights ageing analysis at the end of each reporting period. The recoverable amount of film rights is assessed with reference to a value-in-use calculation as at the end of the reporting period. The key assumptions include the discount rate, budgeted gross margin and estimated turnover based on past practices, experience and expectations in the film distribution and production industry. Changes in these estimates and assumptions would result in additional impairment provision or reversal of impairment in future years.

**(v) Assessment of impairment of goodwill**

The Group has performed an impairment test for goodwill in accordance with the accounting policy stated in note 2(m) (ii) to the financial statements. For the purposes of impairment testing, goodwill acquired has been allocated to individual cash-generating units which are reviewed for impairment based on forecast operating performance and cash flows. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. Cash flow projections are prepared on the basis of reasonable assumptions reflective of prevailing and future market conditions, and are discounted appropriately.

**(vi) Deferred tax assets**

The Group reviews the carrying amounts of deferred taxes at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilised.

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**FINANCIAL STATEMENTS OF THE GROUP  
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## **Notes to the Financial Statements**

for the year ended 31 December 2013

### **33 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**

#### **Key sources of estimation uncertainty** *(continued)*

##### **(vii) Estimation of fair value of investment properties**

Investment properties are stated at market value based on the valuation performed by an independent firm of professional valuers at 31 December 2013. The fair value of investment properties is assessed annually by independent qualified valuers, by reference to market evidence of recent transaction and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs. The assumptions adopted in the property valuations are based on the market conditions existing at 31 December 2013, with reference to current market transactions and the appropriate capitalisation rate.

##### **(viii) Impairment of interest in subsidiaries**

In considering the impairment losses that may be required for the Company's interest in subsidiaries, the recoverable amounts of the assets need to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate the selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs of the subsidiaries. The Company uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs of subsidiaries.

### **34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013**

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
HKFRS 9, <i>Financial instruments</i>	Undetermined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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**FINANCIAL STATEMENTS OF THE GROUP  
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## Notes to the Financial Statements

for the year ended 31 December 2013

### 35 SUBSIDIARIES

The following list contains only the particulars of principal subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 2(d) and have been consolidated into the Group financial statements.

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	Group's effective interest	Principal activities
北京橙天嘉禾影視製作有限公司 <sup>^</sup>	PRC	Registered capital RMB3,000,000	100%	Investment, production and distribution of motion pictures and acts as an advertising agent
City Entertainment Corporation Limited	Hong Kong	300,000,000 shares of HK\$1 each	100%	Investment Holding
Gala Film Distribution Limited	Hong Kong	49,990,000 shares of HK\$1 each and 10,000 non-voting deferred shares <sup>#</sup> of HK\$1 each	100%	Distribution of motion pictures
Golden Harvest Cinemas Holding Limited	British Virgin Islands	1 share of US\$1	100%	Investment holding
Golden Harvest Entertainment International Limited	British Virgin Islands	1,000 shares of US\$1 each	100%	Investment holding
Golden Harvest Films Distribution Holding Limited	British Virgin Islands	1 share of US\$1	100%	Investment holding
Golden Harvest (Marks) Limited	British Virgin Islands	1 share of US\$1	100%	Holding of trademark
Orange Sky Golden Harvest Cinemas (China) Company Limited <sup>^^</sup>	PRC	Registered capital RMB450,000,000	100%	Theatre operation and investment holding
Golden Harvest Treasury Limited	British Virgin Islands	1 share of US\$1	100%	Provision of finance to group companies
Golden Screen Limited	Hong Kong	8,750,000 shares of HK\$1 each	100%	Investment holding
Golden Sky Pacific Limited	Hong Kong	2 shares of HK\$1 each	100%	Investment holding
M Cinemas Company Limited	Hong Kong	7,000,000 shares of HK\$10 each	100%	Theatre operation
Orange Sky Golden Harvest Entertainment Company Limited	Hong Kong	100 shares of HK\$1 each and 114,000,000 non-voting deferred shares <sup>#</sup> of HK\$1 each	100%	Investment holding

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**Notes to the Financial Statements**

for the year ended 31 December 2013

**35 SUBSIDIARIES (CONTINUED)**

Name of company	Place of incorporation/ operation	Issued equity capital	Group's effective interest	Principal activities
Orange Sky Golden Harvest Motion Pictures Company Limited	Hong Kong	94,000,000 shares of HK\$1 each	100%	Film production and investment holding
Panasia Films Limited	Hong Kong	23,000 shares of HK\$1,000 each	100%	Distribution of motion pictures and its related audio visual products and acts as an advertising agent
Shanghai Golden Harvest Media Management Company Limited <sup>***</sup>	PRC	Registered capital US\$500,000	100%	Distribution of motion pictures

Except Golden Harvest Entertainment International Limited, all of the above subsidiaries are indirectly held by the Company.

# For Orange Sky Golden Harvest Entertainment Company Limited, the deferred shares carry no rights to dividends and carry the right to receive half of the surplus on a return of capital exceeding HK\$1,000,000,000,000,000. Apart from the above, all other deferred shares carry rights to dividends for any given financial year of the respective companies when the net profit available for distribution exceeds HK\$1,000,000,000. They also carry rights to receive one half of the surplus on a return of capital of the respective companies exceeding HK\$500,000,000,000. None of the deferred shares carry any rights to vote at general meetings.

^ The equity interest of the entity is held by the PRC nationals on behalf of the Group.

^^ The Company is a wholly-foreign owned enterprise under the PRC Law.

\*\*\* Shanghai Golden Harvest Media Management Company Limited is a Sino-foreign equity joint venture enterprise under the PRC Law.