



2013 ANNUAL REPORT



文化中國傳播集團有限公司
CHINA VISION MEDIA GROUP LIMITED

Stock Code: 1060

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Dong Ping (*Chairman*)
Mr. Ng Qing Hai
Mr. Zhao Chao

Non-Executive Director

Mr. Kong Muk Yin

Independent Non-Executive Directors

Mr. Chen Ching
Mr. Jin Hui Zhi
Mr. Li Chak Hung

EXECUTIVE COMMITTEE

Mr. Dong Ping (*Chairman*)
Mr. Ng Qing Hai
Mr. Zhao Chao

REMUNERATION COMMITTEE

Mr. Chen Ching (*Chairman*)
Mr. Jin Hui Zhi
Mr. Li Chak Hung

AUDIT COMMITTEE

Mr. Li Chak Hung (*Chairman*)
Mr. Chen Ching
Mr. Jin Hui Zhi

NOMINATION COMMITTEE

Mr. Dong Ping (*Chairman*)
Mr. Zhao Chao
Mr. Chen Ching
Mr. Jin Hui Zhi
Mr. Li Chak Hung

COMPANY SECRETARY

Ms. Fung Ching Man, Ada

SOLICITORS

Fred Kan & Co.
Robertsons

AUDITOR

Deloitte Touche Tohmatsu

WEBSITE

<http://www.chinavision.hk>

PRINCIPAL BANKERS

Bank of Beijing Co., Ltd.
Bank of China Limited
Bank of Communications Co., Ltd.
Bank of Gansu Co., Ltd.
China Construction Bank Corporation
China Everbright Bank Co., Ltd.
China CITIC Bank International Limited
Industrial and Commercial Bank of China Ltd.
Shanghai Pudong Development Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Chaoyang District, Beijing, China
Post Code : 100027
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01 Singapore Land Tower
Singapore 048623

STOCK CODE

Stock Code on The Stock Exchange of
Hong Kong Limited: 1060
Stock Code on The Singapore Exchange
Securities Trading Limited: S91



CHAIRMAN'S STATEMENT

To the Shareholders:

On behalf of the Board of Directors, I am pleased to present the business performance of ChinaVision Media Group Limited (the "Group") in the areas of television and film business, mobile new media, print media and television advertising businesses for the Year ended 31st December, 2013. I am also outlining the overall business plan and future development strategy for the Group.

In 2013, the cultural industry in China experienced a booming year of growth, which was mainly supported by the Central Government's favorable policies, as well as the increased living standard of the population. In 2009, the State Council approved the "Plan to Reinvigorate the Culture Industry" in promoting the cultural industry to become the national strategic industry. In 2012, the Ministry of Culture "Twelfth Five-Year" period of the cultural industry doubling plan ("Doubling Plan") was launched. It proposed that during the "Twelfth Five-Year" period, the annual growth of the cultural industry should be higher than 20% and up to 2015, should exceed RMB800 billion. Also in 2012, the report of the "Eighteenth National Congress of the Communist Party of China" clearly stated that cultural industry will be a new pillar industry, the GDP ratio will increase from the current 3% to 5%, exceeding RMB5,500 billion of incremental value in 2020, and the growth would maintain at about 20% in the next seven years. Under the guideline of the Doubling Plan, the cultural industry will maintain strong growth momentum, especially in the rapid development of films, television drama series, online entertainment and media and bring huge development opportunities for the Group.

The Group has since endeavored to build its brand and aimed to become a leading integrated platforms offering high quality contents production, online entertainment, media platform and multiple distribution channels in the Greater China region. To achieve this set of goals, the Group has already established a number of strategic partnerships with industry elites to enhance its production capability, consolidated its resources to develop the film and television drama series production and distribution business, and introduced strategic partner to explore online entertainment and media platform. Since 2012, the Group collaborated with a team of well-known directors, such as Mr. Yin Li and Mr. Ding Sheng, screenwriters Mr. Hai Yan, Ms. Yan Ge Ling and Mr. Dong Zhe, famous actors including Mr. Ge You, Mr. Chen Bao Guo, Mr. Huang Bo and the superstar Mr. Chiau Sing Chi (also known as Stephen Chow, "Mr. Chiau"). In the fourth quarter of 2013 and the first quarter of 2014, the Group further co-operated with Hong Kong's renowned director, Mr. Chan Ho Sun, Peter ("Mr. Chan") and Ms. Chai Zhi Ping Angie ("Ms. Chai") respectively under the motion pictures development co-operation agreements. Meanwhile, the Group worked with a Taiwanese institutional investor to build a co-production platform to jointly develop low-cost and fresh-style films targeting audiences across Mainland China, Hong Kong and Taiwan. In addition, the Group joined hands with China Film Group Corporation ("CFG") to launch entertainment that caters for Chinese audience. Through these collaborations, the Group has gathered resources across Mainland China, Hong Kong and Taiwan and laid a solid foundation for contents variety. On the other hand, the Company entered into a conditional share subscription agreement with Alibaba Investment Limited ("Alibaba"), (and its parent company, Alibaba Group, collectively referred to as "Alibaba Group") on 8th March, 2014. The Group plans to explore online entertainment and media related businesses with Alibaba Group. All these initiatives enhanced the Group's presence in the value chain of film and television drama series production and opened up a new arena of opportunities for the Group in the flourishing cultural industry.

CHAIRMAN'S STATEMENT

Film and Television Drama Series Business

Film production and distribution

In 2013, the number of movie screens in China grew by 38.7% year-on-year to 18,195 pieces. The substantial increase is a reflection of the increase of economic status of the national as well as the movie-viewing habit adopted by the population. China's box office surged by 27.5% to RMB21.77 billion in 2013, overtaking Japan as the world's second largest film market after the U.S. Such vigorous growth momentum of the box office continues in 2014. With the help of the Chinese New Year and the 'double' Valentine's Day in February, the box office hit a new record of RMB3 billion in a single month. The Group believes that the outlook of the film industry is prosperous with the supportive policies and the increasing expenditure in entertainment by the national Chinese. The EntGroup, an independent industry consultant, forecasts that China's overall box office will maintain at an annual growth of over 30% and will reach RMB28.8 billion by 2014.

In addition to the scalable growth, 2013 is a proud year for domestic films. During the year, domestic films' box office recorded revenue of RMB12.77 billion, representing a growth of 54.3% year-on-year and accounted for 58.7% of the overall box office for the year. It surpassed the RMB9 billion box office of the imported films, reclaimed the control over the Chinese films market. The Group is committed to the production and distribution of high-quality films, and to capture greater market share through exquisite works collaborated with industry elites. During the year, the film "Journey to the West: Conquering the Demons" invested by the Group has topped the national box office with revenue of approximately RMB1.25 billion. Leverage on the "Journey to the West" brand and the market momentum, the Group and Mr. Chiau have planned to start filming the "Journey to the West 2" in the second half of 2014. The preparation work is drawing to the end. The Group believes that this film will once again contribute considerable return to the Group.

In January 2013, China's State Press and Publication Administration of Radio announced administrative rules to promote cross-strait co-operation in the film industry, and to integrate resources of the two regions to develop co-production platform. In view of the trend and creativity of the Taiwanese film industry as well as its unique positioning in the Asian film development, the Group captured such opportunity and invested in a new Taiwanese film named "My Rival is Superman" (我的情敵是超人) with Mr. Giddens Ko (also known as "Jiubadao", "Mr. Ko") as a producer in the year. Mr. Ko is a famous Taiwanese director and recognised by the market for his movie "You Are the Apple of My Eye" (那些年·我們一起追的女孩). The production of "My Rival is Superman" was finished in 2013 and is expected to release during the summer holidays in 2014. The Group believes that the film would likely create another wave of popularity of fresh-style Taiwanese film in Asia. Apart from that, the Group also partnered with Taiwanese film investors, including CTBC Venture Capital Co., Ltd and Sunsino Ventures Group, for the investment in MandarinVision Inc. to bring Asian audience more quality films. Moreover, the romantic comedy, "The Faithful Meeting" (玩命邂逅), which was co-invested by the Group and CFGC in October 2013, is now undergoing post-production, and is expected to release in the second half of 2014.

CHAIRMAN'S STATEMENT

Film and Television Drama Series Business *(Continued)*

Film production and distribution *(Continued)*

To further strengthen the Group's capability in content production, the Group entered into a motion pictures development co-operation agreement (the "Agreement") with Mr. Chan and his film development company, We Pictures Limited, in November 2013. Pursuant to the Agreement, the Group would invest in the production of five motion pictures in which Mr. Chan would play significant roles as filmmaker, producer, director or script writer within the coming seven years. The first one "Home" (家) will start shooting in early April 2014 and is expected to release in the fourth quarter of 2014. With over 20 years' experience in the film industry, Mr. Chan has established himself firmly as a distinguished director and producer and was voted "the most valuable filmmaker". Combining the Group's advantages in resources and distribution network and Mr. Chan's unique perspective in film making, more touching films will be brought to the Chinese audience over the world.

On the other hand, the Group entered into a motion pictures development co-operation agreement with Ms. Chai in March 2014. Within the next five years, the Group plans to invest in the production of five motion pictures, in which Ms. Chai would play a role as producer while Mr. Ko would play a role as director or script writer; or Ms. Chai would play a significant role as producer or script writer. Ms. Chai is a renowned producer for numerous acclaimed idol-dramas and was awarded the "Best Producer Award" by Anhui Satellite Television Network at the "2012 Television Drama Awards – Made in China" in 2012. The Group believes that this cooperation will further improve its strength in contents production and enrich resources in its film and television drama series business.

A number of investment projects will be confirmed and rolled out progressively. Coupled with our innovation and commitment in film investment and diverse production, the Group is steadily entering into a golden era in the fast-growing film industry.

Television drama series production and distribution

Being one of the favorite entertainments of the Chinese audience, the potential for development of the television drama market is huge. In addition to traditional television broadcasting media, the emergence of online television and online video also becomes a new growth driver of the television drama market. According to Guosen Securities' research report (電視劇行業系列研究之一) in 2013, the transaction value of the entire television drama market is estimated to reach RMB16.5 billion by 2015.

During the year, the Group was dedicated to the production of high-quality films and television drama series and obtained encouraging results and market feedback. The "Heroic" series is one of the few television drama series that enjoyed both good viewership and public praise in recent years. The series highlighted the mainstream social value, emphasizing on patriotism and heroic deeds, and it successfully created the "Heroic" spy television series. The series' fifth story "Righteous Invincible" (義者無敵) was launched in the first half of 2013 and achieved satisfactory results. The sixth story "The Power of Faith" (信者無敵) was completed filming in 2013 and will commence sale in the first half of 2014. The Group believes this sixth story would continue the success of "Heroic" series in attracting market attention before launching and generating positive return to the Group. In 2013, riding on the trend of the contemporary dramas, the Group invested in the production of television drama series, such as "Left Hand Joins Right Hand" (左手親情右手愛) and "A Good Woman" (美麗的誘惑) and also sold several quality television drama series during the year. All of them contributed significant income to the Group.

CHAIRMAN'S STATEMENT

Film and Television Drama Series Business *(Continued)*

Television drama series production and distribution *(Continued)*

Looking into 2014, the Group will complete the sale and distribution of certain television drama series, including the "Bayonet Hero" (刺刀英雄) and two myth plays "Goddess Marriage after the transfer" (天仙配後傳) and "Ma Gu Xian Shou" (麻姑獻壽). The contemporary drama "Dying to fall in love with you" (好想好想愛上你), which was invested by the Group and played by famous artists Miss Zhang Xinyi and Mr. Kenji Wu Ke Qun, will commence production in early April and is expected to commence sale in the second half of 2014.

The Group possesses core advantages in content resources, capital and branding for television drama series production. The Group will continue to enhance the content quality with its excellent creative team, produce and distribute diverse and mainstream-market-driven dramas. The Group will also utilize multi-media channels for marketing and promotion to enlarge its market share and competitive edges.

Other Businesses

The Group optimized its internal resource allocation and restructured the television advertising and mobile new media businesses, to concentrate its resources on the high value-added businesses, namely film and television drama series production and distribution business as well as online entertainment and media platform. Following the Supplementary Provisions to the Administrative Measures for the Broadcasting of Radio and Television Advertisements (《廣播電視廣告播出管理辦法》的補充規定), which took effect in 2012, the State Administration of Radio Film and Television further issued the Notice on Further Strengthening the Management of Television Channels Broadcasting Television Shopping Advertisement Videos (關於進一步加強衛視頻道播出電視購物短片廣告管理工作的通知) on 30th October, 2013. The new policy limits the air time, content and frequency of shopping advertisement videos on satellite television channels from 1st January, 2014. Taking into consideration of the stricter policies, the Group terminated the long-term exclusive cooperation agreement on advertising with Gansu Provincial Film and TV Broadcast Group ("Gansu TV") at the end of 2013. The Group will remain its business relationships with Gansu TV and other television stations (e.g. Shenzhen Satellite Television Network) to provide television advertising sales services. Besides, the mobile new media business (including mobile value-added services, like SMS, digital reading and online games, and mobile television business) recorded stable revenue growth during the year, driven by the rising popularity of the mobile internet and the fast-growing mobile phone users. However, in order to maximize the use and economic return of its resources for the development of high-valued online entertainment and media related businesses, the Group disposed of the mobile television business to an independent third party at the end of 2013 at a satisfactory price of US\$18.8 million.

In view of the rising domestic paper costs and wages that caused great pressure on the newspaper advertising and distribution business, the Group announced on 20th June, 2013 the disposal of the 70% equity interest of Beijing Beida Cultural Development Company Limited ("Beida Culture"), a wholly-owned subsidiary, to a third party for a consideration of HK\$400 million. Beida Culture owns 50% equity interest of the newspaper advertising and distribution business of Jinghua Culture Broadcast Company Limited ("Jinghua Culture"). By keeping the remaining 15% effective interest in Jinghua Culture, the Group will continue to explore new marketing channels to broaden revenue sources, such as the Cloud Newspaper and Jinghua logistics business. Through this disposal, the Group will re-allocate resources to focus on the development of businesses with high-growth potentials.

CHAIRMAN'S STATEMENT

Other Businesses (Continued)

With its efforts over the last two years, the Group's magazine, FIGARO has been recognised as one of the premier fashion magazines in China and widely accepted by internationally renowned advertisers. Looking forward, the management of the Group has formulated a series of strategies to consolidate contents and advertisements, cut down costs with an aim to enhancing the profitability of FIGARO.

Prospects

After the integration and development of the past two years, the Group has successfully allied with industry elites, to enrich its resources for film and television drama series production and reinforce its core competitiveness. Looking ahead in 2014, the Group will penetrate the high quality films and television drama series into the Internet market. China's online video market is the largest in the world. As of December 2013, the number of China's online video users reached 428 million and is expected to further increase to 700 million in 2016, according to iResearch. With the increasing popularity of 4G mobile communication technology, more and more mobile users are expected to join the ranks of online video viewers. As of December 2013, the number of mobile users viewing/downloading online video amounted to 247 million, representing an 83.8% year-on-year growth of 112 million at the end of 2012. This huge group of Internet users creates enormous demand for quality films and television drama series. To seize this opportunity, the Group will expand into the online entertainment and media related business together with its strategic partner in 2014.

Therefore, on 8th March, 2014, the Group and Alibaba entered into a conditional share subscription agreement. Alibaba will subscribe for a total of 12,488,058,846 new shares of the Company at the subscription price of HK\$0.50 per share for a total consideration of HK\$6,244,000,000. The subscription shares represent approximately 60% of the Company's issued share capital as enlarged by the allotment and issue of the subscription shares.

Founded in 1999, Alibaba Group is the global leader in e-commerce. Its diverse Internet-based businesses include consumer e-commerce, online payment, B2B online trading, cloud computing, mobile applications, mobile operating systems and Internet television. Alibaba Group's Taobao (taobao.com) is one of the most popular online shopping retail platforms in China. It has nearly 500 million registered users and more than 60 million regular visitors daily. The number of goods traded online every day exceed 800 million units. Alibaba Group has built a comprehensive online payment platform and online trading model over years of e-commerce operation. Its massive user base, online payment platform as well as brand appeal will bring huge business opportunities for the Group's development of online entertainment and media related areas.

Looking ahead in 2014, the Group will further enhance its core competitive advantages in the industry with clear strategies, strong capital strength, regulated operations and modern management. In the meantime, the Group aims to build the future with innovative culture and highly-efficient media channels, in order to achieve its vision of becoming an influential global cultural group and creating long-term and high-value return for its shareholders.

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

Pursuant to the application of new Hong Kong Financial Reporting Standard 11 ("HKFRS 11"), the Group will no longer apply the proportionate consolidation accounting method but the equity method for its joint ventures. Therefore, the consolidated financial statements for the year ended 31st December, 2012 have been restated according to the adoption of HKFRS 11. Profit for the year attributable to owners of the Company was not affected by the restatement.

For the year ended 31st December, 2013 (the "Year"), the Group's business maintained a stable growth momentum. During the Year, the Group recorded a revenue of HK\$751,074,000 (2012: HK\$792,786,000). As a result of the stable growth of the Group's core businesses, the optimisation of the internal allocation of resources and the implementation of a number of cost control measures, profit attributable to owners of the Company surged by 16.3% to HK\$206,024,000 (2012: HK\$177,153,000).

For the year ended 31st December, 2013, earnings per share (basic and diluted) for the Group was 2.58 HK cents (2012: 2.36 HK cents), representing an increase of 9.3%. Net assets value attributable to the owners of the Company per share reached HK\$0.22 (2012: HK\$0.17).

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

For the year ended 31st December, 2013, the Group was principally engaged in media related businesses, principally including planning, production, publication, investment and distribution of television drama series and films and organising cultural and artistic exchange activities, mobile value-added services, sales and distribution of magazines, satellite television advertising, magazine advertising and TV programme packaging services. Majority of these businesses were conducted in the People's Republic of China (the "PRC").

Film, Television Drama Series Production and Distribution Business

For the year ended 31st December, 2013, the revenue contributed from the film and television drama series production and distribution business amounted to HK\$421,409,000 (2012: HK\$415,936,000), representing 56.1% of the Group's revenue. Segment profit before tax amounted to HK\$171,276,000 (2012: HK\$162,277,000). Television drama series production and distribution accounted for approximately 70% of the segment revenue. The sales of the "Heroic" series were the main profit attributor, which delivered a considerable amount of return for the Group. On the other hand, film production and distribution accounted for approximately 30% of segment revenue. Amongst all, the movie "Journey to the West: Conquering the Demon", which was directed by the Chinese movie guru and super star, Mr. Chiau recorded a worldwide box office of over HK\$1.6 billion. The Group was entitled to 30% of investment return of the movie, which brought significant income for the Group.

During the Year, the Group implemented stringent cost control measures and streamlined production to enhance the overall profitability.



CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Television Advertising Business

For the year ended 31st December, 2013, the revenue of the television advertising business reached HK\$264,535,000 (2012: HK\$287,134,000), accounting for 35.2% of the Group's revenue. Segment profit before tax saw a growth of 96.3% to HK\$50,913,000 (2012: HK\$25,930,000). Following the acquisition of the China Entertainment Media Group Limited in 2012, the Group acquired the exclusive right to operate television advertising and content programming for the Gansu Satellite Television Network. During the Year, the Group repositioned and improved the quality of television programmes, and implemented strict and effective cost control. These efforts successfully drove noticeable growth in the gross profit of satellite television advertising.

Mobile Value-Added Business

For the year ended 31st December, 2013, net revenue of the mobile value-added business registered at HK\$12,068,000 (2012: HK\$13,449,000), accounting for 1.6% of the Group's revenue. Segment profit before tax was HK\$6,030,000 (2012: HK\$7,144,000). The Group's mobile value-added services included SMS, digital reading and online games, bringing personalised information and entertainment services for Chinese mobile phone users.

Magazine Advertising and Magazine Distribution Business

For the year ended 31st December, 2013, the distribution and advertising business of high-end women's magazine FIGARO generated a revenue of HK\$35,637,000 (2012: HK\$38,424,000), accounting for 4.7% of the Group's revenue. Segment loss before tax was reduced by 28.3% to HK\$15,256,000 (2012: HK\$21,291,000). During the Year, the Group has implemented various cost control measures to minimise the loss of FIGARO.

Other Businesses

For the year ended 31st December, 2013, revenue from other segments (including trading of securities in Hong Kong, mobile games subscription, provision of other agency services, TV programme packaging services and other businesses in the PRC) amounted to HK\$17,425,000 (2012: HK\$37,843,000). Segment loss before tax was HK\$9,835,000 (2012: segment profit before tax of HK\$25,266,000).

In addition, for the year ended 31st December, 2013, the share of profits of joint ventures including newspaper advertising and newspaper distribution business and mobile TV subscription business attributable to the Group was HK\$2,322,000 (2012: HK\$28,417,000). The decrease in share of profits was mainly attributable to the share of loss of HK\$10,900,000 (2012: share of profit of HK\$22,950,000) recorded in the newspaper advertising and newspaper distribution business.

On 20th June, 2013, the Group announced to dispose 70% equity interest of Beida Culture (a wholly-owned subsidiary), which owns 50% equity interest of the newspaper advertising and newspaper distribution business of Jinghua Culture, at a consideration of HK\$400,000,000 to a third party. The transaction was completed during the Year and recorded a loss of HK\$50,128,000. Upon the completion of the transaction, Beida Culture became an associate of the Group, in which the Group holds 30% equity interest.

CHAIRMAN'S STATEMENT

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Other Businesses (Continued)

On 18th December, 2013, the Group signed an agreement with an independent third party to dispose 100% of its equity interest in Main City Limited (a wholly-owned subsidiary) and 49% equity interest of the mobile TV subscription business at a consideration of US\$18,800,000 (equivalent to HK\$145,888,000). The transaction was completed on 31st December, 2013 and recorded a gain of HK\$115,081,000.

For the year ended 31st December, 2013, the share of losses of associates attributable to the Group was HK\$4,936,000 (2012: HK\$1,069,000). This was mainly attributed to the share of loss of Beida Culture (operating the newspaper advertising and newspaper distribution business) which became an associate of the Group.

For the year ended 31st December, 2013, the gains on the disposal of art work registered at HK\$75,780,000 (2012: nil). The disposal of art work generated substantial cash flow for the Group, which in turn strengthened the Group's financial position. Leverage on that, the Group will focus its resources on developing businesses with greater market potential namely the film and television production and distribution business.

In February 2013, the Group signed a memorandum and a cooperative agreement with the People's Government of Tongxiang City, Zhejiang Province to acquire the land use right of a parcel of land with a total area of approximately 1,048.5 Mou in the PRC to develop the "Journey to the West" Film Art Center Project. Due to the change in national policy directions on film and theme park oriented projects, in November 2013, the Group signed a memorandum of understanding with the Municipal Government of Tongxiang City, Zhejiang province. Under the memorandum, the nature of the Project was modified from its original positioning as a theme park to a culture creative park, namely the "Wuzhen West Journey Cultural Park". To accelerate the development progress, the Municipal Government of Tongxiang agreed to add an additional land parcel to the project. Currently, the total area of the project amounted to approximately 1,005.6 Mou. As at the date of this report, there was no further development on the project.

The Group is currently structured through a series of contractual agreements, such that the Group's major businesses including the production and distribution of film rights, TV advertising and print media business are controlled through indirectly controlled entities domiciled in the PRC. The Company consolidates the financial statements of these indirectly controlled entities as consolidated affiliated entities. In order to strengthen the Company's control over these indirectly controlled entities and to mitigate potential regulatory and legal risks in association with those indirectly controlled entities, the Group is now undergoing a reorganisation enabling its wholly-owned subsidiaries to directly operate these businesses in the PRC, or to put in place commercial arrangements, in accordance with the Mainland and Hong Kong Closer Economic Partnership Arrangement or other relevant regulations. The Chinese Government's recent policies on revitalizing and promoting the development of China's cultural industries allow foreign investments in a number of permitted cultural domains, such as movies and TV drama series. The Company expects to complete the reorganisation by the end of 2014.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and equity financing. As at 31st December, 2013, the Group maintained cash reserves of HK\$199,001,000 (2012: HK\$107,753,000). As at 31st December, 2013, the equity attributable to owners of the Company amounting to HK\$1,825,990,000 (2012: HK\$1,316,740,000) with total borrowings of HK\$23,758,000 (2012: HK\$354,313,000). As at 31st December, 2013, the Group's gearing ratio (net borrowings including convertible notes over total equity) was nil (2012: 18.7%).

On 22nd May, 2013, the Company and a placing agent entered into a placing agreement, pursuant to which the Company had appointed the placing agent to place 60,000,000 warrants conferring the rights to subscribe up to HK\$30,000,000 in aggregate for one ordinary share of the Company of HK\$0.25 each at an initial subscription price of HK\$0.50 per share, at a placing price of HK\$0.01 per warrant. For the year ended 31st December, 2013, the net proceeds of HK\$500,000 from the issue of the warrants were used for general working capital of the Group. The Company will receive additional gross proceeds of approximately HK\$30,000,000 upon the exercise in full subscription rights attaching to the warrants. The Company intends to use such proceeds as general working capital of the Group. Such issuance of warrants was completed on 7th June, 2013. Subsequent to the end of 31st December, 2013, the Company issued 30,000,000 ordinary shares of the Company upon exercise of the subscription rights attaching to the warrants. The balance of the warrants will expire on 6th June, 2014.

On 25th July, 2013, the Company issued and allotted 582,630,000 ordinary shares of the Company of HK\$0.25 each at the subscription price of HK\$0.46 to investors, approximately 7% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares as at 25th July, 2013. The net proceeds of approximately HK\$260,000,000 from the subscription were used for general working capital of the Group and/or for investments when opportunities arise. The subscription was completed on 25th July, 2013.

On 8th March, 2014, the Company and an independent third party, Alibaba, entered into a subscription agreement, pursuant to which Alibaba conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue a total of 12,488,058,846 new shares of the Company at an issue price of HK\$0.50 per share. The newly allotted shares represent approximately 150% of the issued share capital of the Company as at 8th March, 2014 and approximately 60% of the issued share capital of the Company as enlarged by the allotment and issue of new shares. At the date of this report, the subscription has not yet been completed.

Foreign Exchange Fluctuation

The Group's operations are mainly located in the PRC and its transactions, related working capital and borrowings are primarily denominated in Renminbi and Hong Kong Dollars. The Group monitors its foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

CHAIRMAN'S STATEMENT

FINANCIAL REVIEW *(Continued)*

Charges on Assets

As at 31st December, 2013, the Group did not have any charge of assets (2012: The entire issued share capital of a wholly-owned subsidiary of the Group was pledged as a share charge for the convertible note of HK\$350,000,000 issued by the Group on 3rd June, 2010).

Contingent Liabilities

As at 31st December, 2013, the Group had no material contingent liabilities (2012: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2013, the Group, including its subsidiaries but excluding its joint ventures and associates, employed approximately 250 (2012: 270) employees. The remuneration policies of the Group are based on the prevailing market levels and the performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

RISK MANAGEMENT

During the year, the Group constantly reviewed the risk and credit control systems of its profit centres to improve the overall control system and mitigate the credit risk.

Dong Ping

Chairman

Hong Kong, 28th March, 2014

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Executive Director

Mr. Dong Ping, aged 52, appointed on 23rd April, 2009, is the Chairman of the Company. He is also appointed as acting Chief Executive Officer on 9th January, 2012. Mr. Dong graduated from Capital Normal University (首都師範大學), the People's Republic of China. He was the founder of Asian Union Film and Media (北京保利華億傳媒文化有限公司) ("Asian Union Film and Media"), which was among the first group of Chinese corporations that engage in film investment. Mr. Dong has been the producer and co-producer of various international renowned films, including Crouching Tiger Hidden Dragon《臥虎藏龍》, Devils on the Doorstep《鬼子來了》, Breaking the Silence《漂亮媽媽》, Jasmine Women《茉莉花開》, Keep Cool《有話好好說》, Peacock《孔雀》, Mei Wan Mei Liao《沒完沒了》 and The Emperor and The Assassin《荊軻刺秦王》. All these films have won numerous major awards in both domestic and overseas film festivals. From August 2003 to April 2005, he was the president of Asian Union Film and Media. In between 31st May, 2005 and 11th January, 2008, he was appointed as an executive director of China Jiu hao Health Industry Corporation Limited (formerly known as Media China Corporation Limited), and was named as the chairman of the board of directors from 12th May, 2006 to 11th January, 2008. Mr. Dong has extensive experience, knowledge and connection in investment and operation of Chinese media, advertisement, satellite TV, film productions and media fields. Mr. Dong is the brother-in-law of Mr. Zhao Chao.

Mr. Ng Qing Hai, aged 57, appointed on 15th May, 2001, is the President of the Company. He had been the Chief Executive Officer of the Company up to 20th April, 2010. Mr. Ng is also the executive director and the managing director of Allied Cement Holdings Limited. He was the executive director of Tian An China Investments Company Limited in April 2003 and subsequently re-designated as a non-executive director on 18th January, 2012 and resigned on 18th January, 2013. He graduated from the Accounting Department of Shanghai Institute of Building Materials in 1983. Mr. Ng was admitted as Management Consultant by GROUPE ESSEC of France in 1988. He became a member of the Association of Registered Accountants of the People's Republic of China in 1994, a fellow member of Asian Knowledge Management Association in 2006 and the vice chairman of Shanghai Cement Industry Association in 2008. Mr. Ng has been appointed as a member of the Shandong Provincial Committee of the Chinese People's Political Consultative Conference since January 2013. Mr. Ng has extensive experience in managing enterprises.

Mr. Zhao Chao, aged 49, appointed on 23rd April, 2009, is an Executive Director of the Company. He worked as a journalist at《環球企業資訊》and acted as the vice president of Asian Union Film and Media (北京保利華億傳媒文化有限公司). Mr. Zhao was involved in international trade, worldwide film distribution and promotion, legal affairs regulatory, finance and corporate restructuring prior to joining the Company and has extensive experience in corporate development, operations and auditing. Mr. Dong Ping is the brother-in-law of Mr. Zhao.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Non-Executive Director

Mr. Kong Muk Yin, aged 48, was appointed as an Executive Director of the Company on 4th July, 2007 and has been re-designated as a Non-Executive Director of the Company since 30th December, 2010. Mr. Kong was graduated from City University of Hong Kong with a Bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and has extensive experience in corporate finance, financial management, accounting and auditing. Mr. Kong is currently the executive director of COL Capital Limited and APAC Resources Limited (both listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) and a director of IRC Properties, Inc. and Mabuhay Holdings Corporation (both listed on The Philippine Stock Exchange, Inc.). He was an executive director of Landing International Development Limited (formerly known as Greenfield Chemical Holdings Limited) (listed on the Stock Exchange) from 13th October, 2009 to 21st January, 2010.

Independent Non-Executive Director

Mr. Chen Ching, aged 65, appointed on 27th September, 2004, is an Independent Non-Executive Director of the Company. Mr. Chen was a director of Genesis Energy Holdings Limited from 1999 to 2001 and a director of China Ocean Management Limited from 2007 to 2011. He served as a senior executive in various companies within the food sector and metal sector in the People's Republic of China. Mr. Chen has over twenty nine years of experience in financial management.

Mr. Jin Hui Zhi, aged 54, appointed on 14th December, 2004, is an Independent Non-Executive Director of the Company. Mr. Jin is currently an independent non-executive director of Tian An China Investments Company Limited, the chairman of Shanghai Horizon Investment Co. Ltd. ("Shanghai Horizon") and the honorary deputy president of the Youth Entrepreneur Association of Shanghai. Shanghai Horizon is a company principally engaged in the investment of energy saving and healthcare businesses. During the period from 1996 to 2000, he was the general manager and chairman of Shanghai Huaihai Commerce Group. Mr. Jin was formerly chief member of Youth Work Ministry, chief member and deputy director of Research Department, member of Standing Committee and minister of Youth Work Ministry of China Communist Youth League Shanghai Committee. He has extensive experience in the business market. Mr. Jin holds a MBA degree.

Mr. Li Chak Hung, aged 49, appointed on 27th September, 2004, is an Independent Non-Executive Director of the Company. He holds a Bachelor's Degree of Business Administration and is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants in the United Kingdom. He has over twenty four years of experience in auditing, accounting and financial management. Mr. Li is also an independent non-executive director of SkyOcean International Holdings Limited (formerly known as Allied Overseas Limited), a company listed on the Stock Exchange.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The board of directors of the Company (the “Board”) believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders’ value.

CORPORATE GOVERNANCE

In light of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), the Board reviewed the corporate governance practices of the Company with adoption and improvement of various procedures and documentation which are detailed in the report. Throughout the year ended 31st December, 2013, the Company applied and complied with the applicable code provisions of the CG Code except for certain deviation with considered reasons as explained below. The Board will review the current code at least annually and make appropriate changes if considered necessary.

THE BOARD

The Board currently comprises seven Directors in total, with three Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors (“INEDs”). The composition of the Board during the year and up to the date of this report is set out as follows:-

- (1) three Executive Directors, namely Mr. Dong Ping (Chairman), Mr. Ng Qing Hai and Mr. Zhao Chao;
- (2) one Non-Executive Director, Mr. Kong Muk Yin; and
- (3) three INEDs, namely Mr. Chen Ching, Mr. Jin Hui Zhi and Mr. Li Chak Hung, who possess appropriate academic and professional qualifications or related business and/or financial management expertise and have brought a wide range of business and financial experience to the Board.

The Board has adopted a policy setting out the approach to achieve diversity on the Board (the “Board Diversity Policy”) with the aims of enhancing the Board effectiveness and strengthening the corporate governance for contributing to the long term growth and sustainability of the Company. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and length of service. The current Board consists of the Board members with the appropriate balance and level of knowledge, skill, experience and perspectives required to support the implementation of business strategies. The Company also takes into consideration factors based on its business needs and availability of the suitable qualified individuals in determining the optimum composition of the Board.

An updated list of Board members identifying their roles and functions is maintained on the websites of the Company and the Stock Exchange. The brief biographical details of the Directors are set out in the “Biographical Details in Respect of Directors” section on pages 13 and 14. Other than that Mr. Dong Ping, the Chairman of the Company, is the brother-in-law of Mr. Zhao Chao, an Executive Director of the Company, there are no family or other material relationships among members of the Board.

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

During the year, the Non-Executive Directors (a majority of whom are independent) provided the Group with a wide range of qualification, expertise and experience through regular attendance and active participation. Their positive contribution brings independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders of the Company (the "Shareholders").

Throughout the year and up to the date of this report, the Company had three INEDs representing more than one-third of the Board. At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise under Rules 3.10(1) and 3.10(2) of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. The Board believes that there is sufficient independent element in the Board to safeguard the interest of Shareholders.

To ensure the Board has strong independent element to provide the objective views to the Company, any appointment of an INED who has served on the Board for more than nine years will be subject to a separate resolution to be approved by Shareholders. The Company will state in the notice of the annual general meeting (the "AGM") the reason why the Company considers the INED(s) is/are still independent with recommendation to Shareholders to vote in favour of the re-election of such INED(s).

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group and to review and approve the Group's annual and interim results. Directors may participate either in person or through electronic means of communications. During the year, four Board meetings were held. The attendance of each Director at the Board meetings and general meetings of the Company are set out as follows:-

Director	Number of meetings attended/eligible to attend	
	Board Meetings	General Meetings
Executive Directors		
Mr. Dong Ping (<i>Chairman</i>)	2/4	2/2
Mr. Ng Qing Hai	3/4	1/2
Mr. Zhao Chao	4/4	0/2
Non-Executive Director		
Mr. Kong Muk Yin	4/4	2/2
INEDs		
Mr. Chen Ching	4/4	1/2
Mr. Jin Hui Zhi	3/4	1/2
Mr. Li Chak Hung	4/4	2/2

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the day-to-day responsibility to the executive management under the instruction/supervision of the Executive Committee which has its specific written terms of reference. The Board will review the respective functions of the Board and management of the Company from time to time to ensure that they are consistent with the existing rules and regulations.

All Directors are required to disclose to the Company their offices held in the public companies or organizations and other significant commitments in order to ensure that their sufficient time and attention can be given to the Company's affairs.

Board meetings each year are scheduled to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before the same will be tabled at the following Board meeting for approval. All minutes are kept in the Company Secretarial Department of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

According to current Board practice, any transaction which involves a conflict of interests for a substantial shareholder or a Director and which is considered by the Board to be material will be dealt with by the Board at a duly convened Board meeting. The Bye-laws of the Company (the "Bye-laws") also stipulate that a Director should abstain from voting and not be counted in the quorum at meetings or approving transactions in which such Director or any of his associates has a materially interest therein.

Each Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's management. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company arranged in-house training for all Directors on an update on the New Companies Ordinance with emphasis on the roles and duties of directors of the Company. The Company Secretary regularly circulates details of training materials which may be of useful and interest to Directors. Directors are continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance code. In addition, a written procedure was established in June 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

The Company has arranged the liability insurance for Directors and officers with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:-

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
- (v) to review the Company's compliance with the CG Code and its disclosure requirements in the Corporate Governance Report.

During the year under review and up to the date of this report, the Board (i) reviewed and approved the Company's policies on corporate governance and compliance with legal and regulatory requirements; (ii) monitored the training and continuous professional development of Directors; and (iii) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. There has been no separation of the roles of the chairman and the chief executive since the appointment of Mr. Dong Ping, the Chairman of the Company, as the acting Chief Executive Officer of the Company with effect from 9th January, 2012. In view of Mr. Dong Ping's extensive experience in the industry and in-depth knowledge of the Group's operation and business, the Board considers that the current management structure works effectively in enabling it to discharge the responsibilities and thus, there is no imminent need to separate the roles into two individuals. However, the Board will identify an appropriate person to take up the role of chief executive when necessary.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

In August 2013, the Board adopted the revised written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company which was reviewed by the Nomination Committee. The Nomination Committee shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment), identify and recommend the proposed candidate to the Board for approval of an appointment.



CORPORATE GOVERNANCE REPORT

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS *(Continued)*

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a Director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance code adopted by the Board. The management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's businesses and activities.

Each of the Executive Directors and INEDs has entered into a service contract or a letter of appointment with the Company for a specific term, subject to the relevant provisions of the Bye-laws or any other applicable laws whereby the Directors shall vacate or retire from their office but is eligible for re-election. The Bye-laws provide that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

The code provision A.4.2 of the CG Code requires all Directors, including all Non-Executive Directors, to be subject to retirement by rotation at least once every three years. The Company has fully complied with code provision A.4.2 of the CG Code.

The Shareholders may, at any general meeting convened and held in accordance with the Bye-laws, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything contrary in the Bye-laws or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee, a Nomination Committee and an Executive Committee, to perform their distinct roles in accordance with their respective terms of reference. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in accordance with the Company's policy in appropriate circumstances. Copies of minutes of all meetings and resolutions of the committees, which are kept in the Company Secretarial Department of the Company, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section headed "The Board" of this report, have been adopted for the committee meetings so far as practicable.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Remuneration Committee

The Remuneration Committee has been established since June 2005 and currently consists of three members, including Messrs. Chen Ching (Chairman), Jin Hui Zhi and Li Chak Hung, all of whom are INEDs.

The major roles and functions of the Remuneration Committee are:-

- (i) to review and recommend to the Board the remuneration policy and packages of the Directors and, where appropriate, to consult the Chairman (if any) and/or Chief Executive about the committee's proposals relating to the remuneration of other Executive Directors;
- (ii) to consider salaries or fees paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (iii) to review and recommend the compensation payable to Executive Directors for any loss or termination of office or appointment;
- (iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- (v) to ensure that no Director is involved in deciding his own remuneration.

In March 2012, the Board adopted a set of the revised written terms of reference of the Remuneration Committee, which are in line with the CG Code, but with a deviation from the code provision of the remuneration committee's responsibilities to determine the specific remuneration packages of all executive directors and senior management of a listed company. The Board considers that the Remuneration Committee of the Company should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of Executive Directors only and not senior management for the following reasons:-

- (i) the Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors;
- (ii) the Remuneration Committee members only consist of INEDs who may not be industry skilled and come from different professions and backgrounds and they are not involved in the daily operation of the Company. They may have little direct knowledge of industry practice and standard compensation packages. The Remuneration Committee is thus not in a position to properly determine the remuneration of the Executive Directors;
- (iii) the Executive Directors must be in a position to supervise and control senior management and thus must be able to control their compensation; and

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

- (iv) there is no reason for Executive Directors to pay senior management more than industry standards and thus Shareholders will benefit by reducing costs in the fixing of such compensation packages.

The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee shall meet at least once a year. One committee meeting was held in 2013 and the attendance of each member is set out as follows:-

Committee member	Number of Committee meeting attended/eligible to attend
Mr. Chen Ching (<i>Chairman</i>)	1/1
Mr. Jin Hui Zhi	0/1
Mr. Li Chak Hung	1/1

Apart from the Committee meeting, the Remuneration Committee also dealt with matters by way of circulation during 2013. In 2013 and up to the date of this report, the Remuneration Committee (i) reviewed the existing remuneration packages of all the Executive Directors and Non-Executive Directors (including INEDs) for the year ended 31st December, 2013, including the existing policy and structure for the remuneration of Directors; and (ii) reviewed and recommended for the Board's approval the bonus for the year ended 31st December, 2013.

Each Director will be entitled to a Director's fee which is to be proposed for the Shareholders' approval at the AGM each year. Further remuneration payable to Directors including any service fees to the INEDs for their additional responsibilities and services will depend on their respective contractual terms under their service contracts or letters of appointment as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Employees and Remuneration Policies" section in the Chairman's Statement on page 12.

The Company's share option scheme (which was adopted by the Company pursuant to a resolution passed by the Shareholders on 23rd May, 2002) expired on 22nd May, 2012. At the AGM held on 11th June, 2012, the Shareholders approved the adoption of a new share option scheme. Details of the share option schemes of the Company and the outstanding share options as at 31st December, 2013 are set out in the Directors' Report on page 32 and note 30 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Audit Committee

The Audit Committee has been established since August 2001 with a set of the revised written terms of reference adopted in March 2012, which are in line with the CG Code. The Audit Committee currently consists of three INEDs. To retain independence and objectivity, the Audit Committee is chaired by an INED (with appropriate professional qualifications or accounting or related financial management expertise). The current members of the Audit Committee are Messrs. Li Chak Hung (Chairman), Chen Ching and Jin Hui Zhi.

The major roles and functions of the Audit Committee are:-

- (i) to consider and recommend to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of those auditors;
- (ii) to consider and discuss with the external auditor the nature and scope of each year's audit;
- (iii) to review and monitor the external auditor's independence and objectivity;
- (iv) to review the interim and annual consolidated financial statements before submission to the Board;
- (v) to discuss any problems and reservation arising from the interim review and final audit, and any matters the external auditor may wish to discuss;
- (vi) to review the external auditor's management letters and management's response;
- (vii) to review the Group's financial controls, internal control and risk management systems;
- (viii) to discuss the internal control system with the management; and
- (ix) to consider major investigations findings on internal control matters as delegated by the Board and management's response.

The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee shall meet at least twice a year. Two committee meetings were held in 2013 and the attendance of each member is set out as follows:-

Committee member	Number of Committee meetings attended/eligible to attend
Mr. Li Chak Hung (<i>Chairman</i>)	2/2
Mr. Chen Ching	2/2
Mr. Jin Hui Zhi	1/2



CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

Apart from the Committee meetings, the Audit Committee also dealt with matters by way of circulation during 2013. In 2013 and up to the date of this report, the Audit Committee had performed the work summarised as below:-

- (i) reviewed and recommended for the Board's approval the audit scope and fees proposed by the external auditor in respect of the final audit for the year ended 31st December, 2012 (the "2012 Final Audit"), the interim results review for the six months ended 30th June, 2013 (the "2013 Interim Review") and the final audit for the year ended 31st December, 2013 (the "2013 Final Audit") of the Group;
- (ii) reviewed the external auditor's report of findings, independent review report and audit completion report in relation to the 2012 Final Audit, the 2013 Interim Review and the 2013 Final Audit; and
- (iii) reviewed and recommended for the Board's approval the financial reports for the year ended 31st December, 2012, for the six months ended 30th June, 2013 and for the year ended 31st December, 2013.

Nomination Committee

The Nomination Committee has been established since March 2012 with a set of the revised written terms of reference adopted in August 2013 which are in line with the CG Code. The Nomination Committee currently consists of five members, including Messrs. Dong Ping (Chairman), Zhao Chao, Chen Ching, Jin Hui Zhi and Li Chak Hung. Among the five members of the Nomination Committee, three members are INEDs.

The major roles and function of the Nomination Committee are:-

- (i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (ii) to make recommendations to the Board on the selection of individual(s) nominated for directorship(s);
- (iii) to assess the independence of INEDs;
- (iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and
- (v) to review a policy concerning diversity of Board members and its implementation and make recommendations on any proposed changes to the Board.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nomination Committee shall meet at least once a year. Two committee meetings were held in 2013 and the attendance of each member is set out as follows:-

Committee member	Number of Committee meetings attended/eligible to attend
Mr. Dong Ping (<i>Chairman</i>)	1/2
Mr. Zhao Chao	2/2
Mr. Chen Ching	2/2
Mr. Jin Hui Zhi	1/2
Mr. Li Chak Hung	2/2

Apart from the Committee meeting, the Nomination Committee also dealt with matters by way of circulation during 2013. In 2013 and up to the date of this report, the Nomination Committee (i) reviewed the Board Diversity Policy and its implementation, the terms of reference of the Committee as well as the Nomination Procedure; (ii) reviewed the structure, size and composition of the Board; (iii) assessed the independence of all the INEDs; and (iv) reviewed and recommended for the Board's approval on the re-election of the retiring Directors at the AGM.

Executive Committee

The Executive Committee has been established since December 2004 and currently consists of three Executive Directors, namely Messrs. Dong Ping (Chairman), Ng Qing Hai and Zhao Chao. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and also deals with matters by way of circulation. The Executive Committee is mainly responsible for undertaking and supervising the day-to-day management and is empowered:-

- (i) to formulate and implement policies for the business activities, internal control and administration of the Group; and
- (ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code to regulate dealings in the securities of the Company by certain officers and employees of the Company or its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing, with the support from the finance department, the consolidated financial statements of the Group. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner. In preparing the consolidated financial statements for the year ended 31st December, 2013, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. Appropriate accounting policies have also been applied consistently.

The reporting responsibilities of the Company’s external auditor, Deloitte Touche Tohmatsu, are set out in the Independent Auditor’s Report on pages 38 and 39.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

Internal Control

The purpose of the internal control systems is to keep the Group on course towards achieving its performance and profitability goals and its overall mission. The immediate aim of internal control is to help to provide a reasonable level of assurance that the Group will meet the agreed objectives and goals. It has a key role in the management of risks that are significant to the fulfilment of business objectives. It is the Board’s responsibility to review the effectiveness of the Group’s internal control systems and ensure that the controls are sound and effective to safeguard the Shareholders’ investment and the Group’s assets at all times. In 2013, the Board, through the Audit Committee, had conducted internal control reviews of the Group. Executive Director(s) and/or the management is/are present at the Audit Committee Meetings to answer enquiries from the Audit Committee and to report to the Board on matters arising.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT (Continued)

Internal Control (Continued)

The Company has adopted a policy on disclosure of inside information in handling and dissemination of inside information which is restricted to a need-to-know basis. All Directors and senior executives together with the related officers who are responsible for handling the inside information issues are regularly reminded of the compliance requirements of the policy.

External Auditor's Remuneration

During the year, the remuneration paid/payable to the Company's external auditor, Deloitte Touche Tohmatsu, is set out as follows:-

Services rendered for the Group	Fee paid/payable
	HK\$'000
Audit services	
Non-audit services	2,600
	660
Total	3,260

COMPANY SECRETARY

The Company has appointed Ms. Fung Ching Man, Ada, an external named company secretary, as its Company Secretary. Ms. Fung has confirmed that she has taken no less than 15 hours of relevant professional training in 2013. Ms. Fung is not an employee of the Group and Mr. Dong Ping, the Chairman of the Company, is the person whom Ms. Fung can contact for the purpose of code provision F.1.1 of the CG Code.

SHAREHOLDERS' RIGHTS

Pursuant to the Bye-laws, shareholders holding in aggregate not less than 10% of the paid-up capital of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition.

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS (Continued)

Any number of Shareholders representing not less than 5% of the total voting rights of the Company on the date of the requisition or not less than 100 Shareholders are entitled to put forward a proposal for consideration at a general meeting of the Company. The Company shall on the requisition of such number of Shareholders and at the expense of those requisitionists give to the Shareholders notice of any intended resolution and any statement with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. Shareholders should follow the requirements and procedures as set out in Section 79 of the Bermuda Companies Act for putting forward such proposal at a general meeting.

Pursuant to the Bye-Laws, if a shareholder, who is qualified to attend and vote at the general meeting, wish to propose a person other than a retiring Director for election as a Director at any general meeting, he/she should deposit a written notice of intention to propose such person for election as a Director together with a notice signed by the person of his/her willingness to be elected and lodge the same at the head office of the Company in Hong Kong no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Detailed procedures for Shareholders to propose for election as a Director are available on the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board recognises the importance of effective communication with the Shareholders and investors. The Board has established a shareholders communication policy setting out strategies that the Company has in place to promote effective communication with its Shareholders with the aim of ensuring Shareholders are provided with information about the Company and enabling them to engage actively with the Company and to exercise their rights as Shareholders in an informed manner.

The Company communicates with the Shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and/or the Company.

The Company's general meetings are valuable forum for the Board to communicate directly with the Shareholders. The Company encourages the participation of the Shareholders through AGMs and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their rights to vote at meetings. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to the independent Shareholders' approval. In 2013, the AGM ("2013 AGM") and a special general meeting of the Company ("SGM") were held on 19th June, 2013 and 8th October, 2013 respectively. At the 2013 AGM, the Chairman of the Board (also being the Chairman of the Nomination Committee) as well as the Chairmen of the Audit Committee and the Remuneration Committee were present thereat and answered any questions raised by the Shareholders. Due to other commitment, Mr. Chen Ching and Mr. Jin Hui Zhi, both being INEDs, were unable to attend the SGM. However, there were the Chairman of the Board, a Non-Executive Director and an INED present at the SGM to enable the Board to develop a balanced understanding of the views of the Shareholders. A separate resolution is proposed by the Chairman of the Board on each substantial issue, including the election of individual Directors, to be considered at the general meetings.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (Continued)

The notice to Shareholders is to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures for conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers any questions from Shareholders regarding voting by way of a poll. The poll results are published in accordance with the requirements of the Listing Rules.

Shareholders may at any time send their enquiries to the Board in writing through the Company Secretary to the Company's principal place of business in Hong Kong at 33rd Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

The Company adopted in June 2012 a new set of Bye-laws which is available on the websites of the Stock Exchange and the Company. During the year under review, there were no changes in the constitutional documents of the Company.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

On behalf of the Board

Dong Ping

Chairman

Hong Kong, 28th March, 2014

DIRECTORS' REPORT

The directors of the Company (the "Directors") present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31st December, 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, joint ventures and associates are set out in notes 40, 17 and 16 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated statement of profit and loss on page 40.

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

CONVERTIBLE NOTES

Details of the convertible notes of the Company are set out in note 28 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on page 44 and in note 39(c) to the consolidated financial statements respectively.

DONATIONS

The Group made charitable donations of approximately HK\$70,000 for the year ended 31st December, 2013.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 160.

DIRECTORS

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

Executive Directors

Mr. Dong Ping (*Chairman*)

Mr. Ng Qing Hai

Mr. Zhao Chao

Non-Executive Director

Mr. Kong Muk Yin

Independent Non-Executive Directors

Mr. Chen Ching

Mr. Jin Hui Zhi

Mr. Li Chak Hung

According to the Bye-laws of the Company, at each annual general meeting at least one-third of the Directors for the time being shall retire from office by rotation. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

As announced by the Company on 11th March, 2014, the Company had entered into a subscription agreement dated 8th March, 2014 with Alibaba Investment Limited (the "Subscriber") in relation to the subscription by the Subscriber of new shares and the Subscriber's application for a whitewash waiver (the "Subscription"). Completion of the Subscription is subject to the approval of the shareholders of the Company. Upon completion of the Subscription, the Subscriber may nominate four directors to the board of directors of the Company in place of four existing Directors. Further information will be provided to shareholders of the Company on the Directors retiring from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, offering themselves for re-election in accordance with the Bye-laws of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as and when appropriate.

The Directors' biographical details are set out on pages 13 and 14.



INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31st December, 2013, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

Long positions in the shares and underlying shares of the Company

Name of Director	Number of ordinary shares/underlying shares held			Approximate percentage of issued shares ¹
	Interests in shares	Interests in underlying shares ²	Total interests	
Dong Ping	1,916,182,500 ³	14,100,000	1,930,282,500	23.19%
Zhao Chao	331,288,020 ⁴	8,910,000	340,198,020	4.09%
Kong Muk Yin	500,000 ³	3,000,000	3,500,000	0.04%
Chen Ching	–	1,050,000	1,050,000	0.01%
Jin Hui Zhi	–	1,050,000	1,050,000	0.01%
Li Chak Hung	–	1,050,000	1,050,000	0.01%

Notes:

1. The percentage of shareholding has been compiled based on the total number of issued ordinary shares of the Company of 8,325,372,564 as at 31st December, 2013.
2. The relevant interests are share options (the "Share Options") granted pursuant to the Company's share option scheme adopted on 23rd May, 2002 (the "2002 Share Option Scheme"). Upon exercise of the Share Options in accordance with the 2002 Share Option Scheme, the shares in the capital of the Company are issuable.
3. This represents the interests held by the relevant Director as beneficial owner.
4. As at 31st December, 2013, Basic Charm Investment Limited, a wholly-owned subsidiary of Rainstone International Limited ("Rainstone"), held 331,288,020 ordinary shares of the Company. Mr. Zhao Chao maintained 100% beneficial interest in Rainstone. Accordingly, Mr. Zhao Chao was deemed to have corporate interest in 331,288,020 ordinary shares of the Company.

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE (Continued)

Details of the Share Options, duly granted to the Directors pursuant to the 2002 Share Option Scheme, which constitute interests in underlying ordinary shares of equity derivatives of the Company under the SFO are set out in the section headed "Share Options" of this report.

Save as disclosed above, as at 31st December, 2013, none of the Directors, chief executive of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

At the annual general meeting of the Company held on 11th June, 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Share Option Scheme"). No Share Options has been granted under the 2012 Share Option Scheme since its adoption. Details of the 2012 Share Option Scheme are set out in note 30 to the consolidated financial statements.

The 2002 Share Option Scheme expired on 23rd May, 2012. The Share Options granted under the 2002 Share Option Scheme prior to its expiry shall continue to be valid and exercisable in accordance with the provisions of the 2002 Share Option Scheme. Movement of the Share Options granted by the Company pursuant to the 2002 Share Option Scheme during the year ended 31st December, 2013 are as follows:-

Category	Date of grant	Exercise price per share HK\$	Number of Share Options		
			Outstanding as at 1st January, 2013	Exercised during the year	Outstanding as at 31st December, 2013
1. Directors					
Dong Ping	04/05/2010	0.560	14,100,000	–	14,100,000
Zhao Chao	04/05/2010	0.560	8,910,000	–	8,910,000
Kong Muk Yin	04/05/2010	0.560	3,000,000	–	3,000,000
Chen Ching	04/05/2010	0.560	1,050,000	–	1,050,000
Jin Hui Zhi	04/05/2010	0.560	1,050,000	–	1,050,000
Li Chak Hung	04/05/2010	0.560	1,050,000	–	1,050,000
2. Employees	18/03/2010 04/05/2010	0.475 0.560	82,250,000 7,200,000	– –	82,250,000 7,200,000
3. Consultants	18/03/2010	0.475	29,300,000	–	29,300,000
Total:			<u>147,910,000</u>	<u>–</u>	<u>147,910,000</u>

SHARE OPTIONS (Continued)

Notes:

1. The Share Options are exercisable as follows:-

Exercise criteria	Amount of Share Options that can be exercised
(i) On completion of the continuous employment/ service of the grantee with the Group for 1 year commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to one-third of the Share Options granted
(ii) On completion of the continuous employment/ service of the grantee with the Group for 2 years commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to two-thirds of the Share Options granted
(iii) On completion of the continuous employment/ service of the grantee with the Group for 3 years commencing from 23rd April, 2009 or the date of the relevant grantee's commencement of employment/service (whichever is the later)	Up to all of the Share Options granted

2. The period within which the Share Options must be exercised shall not be more than 10 years from the date of grant.
3. Employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
4. During the year, no Share Options were granted, exercised, cancelled or lapsed.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" above, at no time during the year was the Company, any of its holding companies, its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, any of its holding companies, its subsidiaries or its fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

No Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for approximately 66% and the largest customer accounted for approximately 16% of the Group's total turnover during the year.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 73% and the largest supplier accounted for approximately 44% of the Group's total purchases during the year.

None of the Directors, their associates, or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest customers and five largest suppliers.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2013, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:—

Long positions in the shares and underlying shares of the Company

Name of Shareholder	Capacity in which interests are held	Number of ordinary shares/underlying shares held	Approximate percentage of issued shares ¹
Dong Ping	Beneficial owner ^{2&3}	1,930,282,500	23.19%
Shen Nanpeng	Held by controlled corporation ⁴	1,008,150,000	12.11%
SNP China Enterprises Limited ("SNP China")	Held by controlled corporation ⁴	1,008,150,000	12.11%
SC China Holding Limited ("SC China Holding")	Held by controlled corporation ⁴	1,008,150,000	12.11%
SC China Growth 2010 Management, L.P. ("SC China Growth")	Held by controlled corporation ⁴	1,008,150,000	12.11%

DIRECTORS' REPORT

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (Continued)

Long positions in the shares and underlying shares of the Company (Continued)

Name of Shareholder	Capacity in which interests are held	Number of ordinary shares/underlying shares held	Approximate percentage of issued shares ¹
Sequoia Capital China Growth 2010, L.P. ("SCCG")	Held by controlled corporation ⁴	1,008,150,000	12.11%
Sequoia Capital 2010 CGF Holdco, Ltd. ("Sequoia")	Beneficial owner ⁴	1,008,150,000	12.11%
Sequoia Capital China Advisors Limited ("SCCAL")	Investment Manager ⁴	1,008,150,000	12.11%
Tencent Holdings Limited ("Tencent")	Held by controlled corporation ⁵	666,010,000	8.00%
Wu Jiao	Held by controlled corporation ⁶ and beneficial owner ⁷	444,697,500	5.34%
Time Zone Investments Limited ("Time Zone")	Beneficial owner ⁶	439,587,500	5.28%

Notes:

1. The percentage of shareholding has been compiled based on the total number of issued ordinary shares of the Company of 8,325,372,564 as at 31st December, 2013.
2. This represents the interest in 1,916,182,500 ordinary shares of the Company held by Mr. Dong as beneficial owner.
3. This represents the interest in 14,100,000 Share Options granted to Mr. Dong pursuant to the 2002 Share Option Scheme.

DIRECTORS' REPORT

INTERESTS OF SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in the shares and underlying shares of the Company *(Continued)*

4. This represents the interest in 1,008,150,000 ordinary shares of the Company held by Sequoia as beneficial owner. Sequoia was a non wholly-owned subsidiary of SCCG, whose general partner was SC China Growth. SC China Holding was the general partner of SC China Growth and SCCAL was the investment manager of SC China Growth. Both SC China Holding and SCCAL were wholly-owned by SNP China in which Mr. Shen Nanpeng maintained 100% beneficial interest. Accordingly, Mr. Shen Nanpeng, SNP China, SC China Holding, SC China Growth, SCCAL and SCCG were deemed to have the same interest held by Sequoia.
5. This represents the interest in 666,010,000 ordinary shares of the Company held by THL F Limited ("THL") as beneficial owner. THL was a wholly-owned subsidiary of Tencent which was 33.85% owned by MIH TC Holdings Limited ("MIH TC"). MIH TC was controlled by Naspers Limited ("Naspers") through its wholly-owned intermediary companies, MIH Holdings (Proprietary) Limited ("MIHHP"), MIH Ming He Holdings Limited ("MIHMHH") and MIH (Mauritius) Limited ("MIHM"). As such, Naspers, MIHHP, MIHMHH, MIHM, MIH TC and Tencent were deemed to have the same interest held by THL.
6. This represents the interests held by Time Zone as beneficial owner in 409,587,500 ordinary shares of the Company and HK\$30,000,000 convertible note of the Company giving rise to an interest in 30,000,000 underlying shares of the Company. Ms. Wu Jiao maintained 100% beneficial interest in Time Zone and was therefore deemed to have the same interest held by Time Zone.
7. This represents the interest in 5,110,000 ordinary shares of the Company held by Ms. Wu Jiao as beneficial owner.

Save as disclosed above, as at 31st December, 2013, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

None of the Directors or their respective associates is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance code. Information on the corporate governance code adopted by the Company is set out in the Corporate Governance Report on pages 15 to 28.

PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 38 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31st December, 2013 were audited by Deloitte Touche Tohmatsu. A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Dong Ping

Chairman

Hong Kong, 28th March, 2014

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF CHINAVISION MEDIA GROUP LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of ChinaVision Media Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 159, which comprise the consolidated statement of financial position as at 31st December, 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28th March, 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

	NOTES	2013 HK\$'000	2012 HK\$'000 (restated)
Revenue	7	751,074	792,786
Cost of sales and services		(437,105)	(496,536)
Gross profit		313,969	296,250
Other income	8	20,634	29,998
Other gains and losses, net	9	77,193	35,677
Gains on disposal of subsidiaries	33	64,953	30,034
Distribution and selling expenses		(60,137)	(63,760)
Administrative expenses			
– share-based payment expenses		–	(1,604)
– other administrative expenses		(157,292)	(144,554)
		(157,292)	(146,158)
Finance costs			
– effective interest expenses on convertible notes		(19,627)	(25,983)
– other finance costs		–	(385)
	10	(19,627)	(26,368)
Share of losses of associates		(4,936)	(1,069)
Share of profits of joint ventures		2,322	28,417
Profit before taxation		237,079	183,021
Taxation charge	12	(22,964)	(2,774)
Profit for the year	13	214,115	180,247
Profit for the year attributable to:			
Owners of the Company		206,024	177,153
Non-controlling interests		8,091	3,094
		214,115	180,247
Earnings per share	14	HK cents	HK cents
Basic		2.58	2.36
Diluted		2.58	2.36

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2013

	2013 HK\$'000	2012 HK\$'000 (restated)
Profit for the year	214,115	180,247
Other comprehensive income for the year:		
Items that will not be reclassified subsequently to profit or loss:		
Exchange difference arising on translation to presentation currency	41,985	7,808
Share of exchange differences of associates and joint ventures	1,695	6,259
Other comprehensive income for the year	43,680	14,067
Total comprehensive income for the year	257,795	194,314
Total comprehensive income for the year attributable to:		
Owners of the Company	249,346	190,882
Non-controlling interests	8,449	3,432
	257,795	194,314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2013

	NOTES	2013 HK\$'000	2012 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment	15	35,288	15,514
Goodwill	18	175,986	171,160
Intangible assets	19	11,550	12,003
Interests in associates	16	193,463	–
Interests in joint ventures	17	–	636,248
Club debenture	20	2,916	2,836
Art work	21	162,764	164,307
Deposits and prepayments	24	131,501	67,468
Deferred tax assets	29	1,219	1,319
		714,687	1,070,855
Current assets			
Film rights	22	364,892	169,296
Investments held for trading	23	3,249	21,569
Trade receivables	24	464,153	345,796
Other receivables, deposits and prepayments	24	305,987	222,731
Amounts due from non-controlling interests	37	9,642	4,538
Bank balances and cash	25	199,001	107,753
		1,346,924	871,683
Current liabilities			
Trade and other payables and accrued charges	26	148,036	143,296
Receipts in advance from customers		46	59,885
Amounts due to non-controlling interests	37	163	760
Amounts due to related companies	37	–	1,105
Derivative financial instruments		1,630	–
Tax liabilities		44,528	32,402
Convertible notes	28	–	333,069
		194,403	570,517
Net current assets		1,152,521	301,166
Total assets less current liabilities		1,867,208	1,372,021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2013

	NOTES	2013 HK\$'000	2012 HK\$'000 (restated)
Capital and reserves			
Issued share capital	27	2,081,343	1,935,686
Reserves		(255,353)	(618,946)
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,825,990	1,316,740
Non-controlling interests		17,460	34,037
		<hr/>	<hr/>
Total equity		1,843,450	1,350,777
		<hr/>	<hr/>
Non-current liabilities			
Convertible notes	28	23,758	21,244
		<hr/>	<hr/>
		1,867,208	1,372,021
		<hr/>	<hr/>

The consolidated financial statements on pages 40 to 159 were approved and authorised for issue by the Board of Directors on 28th March, 2014 and are signed on its behalf by:

Dong Ping
DIRECTOR

Zhao Chao
DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2013

Attributable to owners of the Company

	Issued share capital HK\$'000 (Note a)	Share premium HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Shareholder's contribution reserve HK\$'000	Translation reserve HK\$'000	Convertible notes equity reserve HK\$'000	Share option reserve HK\$'000	(Accumulated losses) retained profits HK\$'000 (Note c)	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1st January, 2012	520,648	245,223	(570,793)	60,267	341	-	-	(93,675)	162,011	4,712	166,723
Profit for the year	-	-	-	-	-	-	-	177,153	177,153	3,094	180,247
Other comprehensive income for the year	-	-	-	-	13,729	-	-	-	13,729	338	14,067
Total comprehensive income for the year	-	-	-	-	13,729	-	-	177,153	190,882	3,432	194,314
Amounts arising from the reverse acquisition:											
- deemed consideration (note 32)	1,260,188	403,260	(976,192)	-	-	3,971	23,280	-	714,507	-	714,507
- recognition of non-controlling interests (note 32)	-	-	-	-	-	-	-	-	-	25,893	25,893
Issue of subscription shares (note 27)	154,850	92,910	-	-	-	-	-	-	247,760	-	247,760
Transaction costs attributable to issue of shares	-	(24)	-	-	-	-	-	-	(24)	-	(24)
Recognition of equity-settled share-based payments (note 30)	-	-	-	-	-	-	1,604	-	1,604	-	1,604
At 31st December, 2012 (restated)	1,935,686	741,369	(1,546,985)	60,267	14,070	3,971	24,884	83,478	1,316,740	34,037	1,350,777
Profit for the year	-	-	-	-	-	-	-	206,024	206,024	8,091	214,115
Other comprehensive income for the year	-	-	-	-	43,322	-	-	-	43,322	358	43,680
Total comprehensive income for the year	-	-	-	-	43,322	-	-	206,024	249,346	8,449	257,795
Issue of subscription shares (note 27)	145,657	122,352	-	-	-	-	-	-	268,009	-	268,009
Transaction costs attributable to issue of shares	-	(8,105)	-	-	-	-	-	-	(8,105)	-	(8,105)
Transfer to retained profits upon disposal of subsidiaries	-	-	-	-	(19,838)	-	-	19,838	-	-	-
Reclassified to retained profits upon maturity of convertible note	-	-	-	-	-	(401)	-	401	-	-	-
Dividend paid by a subsidiary to a non-controlling interest	-	-	-	-	-	-	-	-	-	(25,026)	(25,026)
At 31st December, 2013	2,081,343	855,616	(1,546,985)	60,267	37,554	3,570	24,884	309,741	1,825,990	17,460	1,843,450



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2013

Notes:

- (a) Issued share capital and share premium represents the issued ordinary shares and share premium of the Company respectively.
- (b) Other reserve at 1st January, 2012 represents the difference between (i) the aggregate of issued share capital and share premium of the Company, and (ii) the aggregate of ordinary shares, Preferred shares (as defined in note 27) and share premium of China Entertainment Media Group Limited (“CEMG”). The amount of HK\$976,192,000 arising during the year ended 31st December, 2012 represented the difference between the fair value of 5,040,750,000 ordinary shares of the Company issued for the Acquisition (as defined in note 32) and the fair value of 2,082,592,564 ordinary shares of the Company in issue immediately prior to the Acquisition (as defined in note 32).
- (c) Remittance outside the People’s Republic of China (the “PRC”) of retained profits of the subsidiaries established in the PRC, including Zhong Lian Jinghua and Beijing Shi Tong (as defined in note 2), is subject to approval of the local authorities and the availability of foreign currencies generated and retained by these subsidiaries.

Unless otherwise defined, capitalised terms used herein shall have the same meanings when used in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

	2013 HK\$'000	2012 HK\$'000 (restated)
OPERATING ACTIVITIES		
Profit before taxation	237,079	183,021
Adjustments for:		
Amortisation and depreciation	7,413	12,296
Impairment losses on intangible assets	1,572	–
Impairment losses on film rights	4,045	–
Other payables waived	(2,525)	(8,365)
Finance costs	19,627	26,368
Unrealised loss (gain) on change in fair value of investments held for trading	1,045	(9,546)
Change in fair value of derivative financial instruments	1,130	–
Interest income	(409)	(273)
Gains on disposal of art work	(75,780)	–
Gains on disposal of subsidiaries	(64,953)	(30,034)
Share of losses of associates	4,936	1,069
Share of profits of joint ventures	(2,322)	(28,417)
Share-based payment expenses	–	1,604
	<hr/>	<hr/>
Operating cash inflow before movements in working capital	130,858	147,723
Change in film rights	(193,367)	(17,502)
Change in trade and other receivables, deposits and prepayments	(159,982)	(264,479)
Change in investments held for trading	17,275	1,563
Change in trade and other payables and accrued charges	7,745	(6,852)
Change in receipts in advance from customers	(60,747)	(6,302)
Change in amounts due from non-controlling interests	(5,120)	8,632
	<hr/>	<hr/>
Cash used in operations	(263,338)	(137,217)
Income tax paid	(4,411)	(154)
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(267,749)	(137,371)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

	NOTES	2013 HK\$'000	2012 HK\$'000 (restated)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(24,921)	(4,429)
Additions to intangible assets		(1,908)	(3,358)
Purchase of art work		(51,173)	(102,916)
Deposits paid for acquisition of art work		–	(20,157)
Repayment from a former subsidiary		41,798	38,075
Repayment from a third party		–	22,167
Repayment from a joint venture partner		–	27,297
Advance to a joint venture partner		–	(26,855)
Advances to non-controlling interests		–	(10,529)
Proceeds from disposal of property, plant and equipment		159	–
Proceeds from disposal of art work		76,564	–
Capital injection into an associate		(25,221)	–
Acquisition of subsidiaries, net of cash and cash equivalent acquired	32	–	8,540
Proceeds from disposal of subsidiaries	33	106,990	77,560
Interest received		409	273
NET CASH FROM INVESTING ACTIVITIES		122,697	5,668
FINANCING ACTIVITIES			
Proceeds from issue of shares		268,009	247,760
Expenses on issue of shares		(8,105)	(24)
Proceeds from issue of warrants		500	–
Repayments of borrowings		–	(23,297)
Interest paid		–	(385)
Repayment to a joint venture partner		–	(7,938)
Advance from a non-controlling interest		146	–
Repayment to a non-controlling interest		(758)	–
Advances from related companies		(284,504)	(123,042)
Repayments to related companies		283,392	116,864
Repayment to a shareholder		–	(31,803)
Dividend paid by a subsidiary to a non-controlling interest		(25,026)	–
NET CASH FROM FINANCING ACTIVITIES		233,654	178,135



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

	2013 HK\$'000	2012 HK\$'000 (restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS	88,602	46,432
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	107,753	59,212
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,646	2,109
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	199,001	107,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

1. GENERAL

ChinaVision Media Group Limited (the “Company”) is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as primary listing and The Singapore Exchange Securities Trading Limited as secondary listing. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries, joint ventures and associates are set out in notes 40, 17 and 16 respectively.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is different from the functional currency of the Company, Renminbi (“RMB”), as the directors of the Company consider that Hong Kong dollars is the most appropriate presentation currency in view of its place of first listing, which is Hong Kong.

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

In the current year, the Group has applied, for the first time, the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 “Consolidated financial statements”, HKFRS 11 “Joint arrangements”, HKFRS 12 “Disclosure of interests in other entities”, HKAS 27 (as revised in 2011) “Separate financial statements” and HKAS 28 (as revised in 2011) “Investments in associates and joint ventures”, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance.

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

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

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK(SIC) – Int 12 “Consolidation – Special purpose entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

Impact of the application of HKFRS 10 (Continued)

The Group does not have any equity interest in the registered capital of 中聯京華文化傳播(北京)有限公司 (“Zhong Lian Jinghua”) and 北京世通寰亞廣告有限公司 (“Beijing Shi Tong”) as they are established and owned by an employee of the Group. Pursuant to certain agreements among Zhong Lian Jinghua, the registered shareholder of Zhong Lian Jinghua and the Group, the registered shareholder of Zhong Lian Jinghua agreed to assign all the shareholder’s rights of Zhong Lian Jinghua and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of Zhong Lian Jinghua to the Group. The directors of the Company considered such agreements give the Group the current ability to direct the relevant activities of Zhong Lian Jinghua. Pursuant to certain agreements among Beijing Shi Tong, the registered shareholder of Beijing Shi Tong and the Group, the registered shareholder of Beijing Shi Tong agreed to assign all the shareholder’s rights of Beijing Shi Tong and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of Beijing Shi Tong to the Group. The directors of the Company considered such agreements give the Group the current ability to direct the relevant activities of Beijing Shi Tong. In the opinion of the directors of the Company, all the terms of these agreements are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. With the power over Zhong Lian Jinghua and Beijing Shi Tong and the ability to use the power over Zhong Lian Jinghua and Beijing Shi Tong to affect the amount of the Group’s return, they continue to be treated as wholly-owned subsidiaries of the Company under HKFRS 10 and their results, assets and liabilities continue to be consolidated with those of the Group.

Zhong Lian Jinghua holds (i) 51% equity interests of 天津唐圖科技有限公司 (“Tianjin Tang Tu”), 北京中聯同達文化有限公司 (“Zhong Lian Tong Da”) and 甘肅飛視天成文化傳播有限公司 (“Gansu Fei Shi”), and 60% equity interest of 北京思廬雲拍科技有限公司 (“Si Lu Yun Pai”) (collectively referred to as the “Non Wholly-owned Subsidiaries”), and (ii) 100% equity interests of 北京永聯信通科技有限責任公司 (“Youline Technology”), 中聯華盟(上海)文化傳媒有限公司 (“Hua Meng Shanghai”), 北京中聯華盟文化傳媒投資有限公司 (“Asian Union”), 北京鵬安盛世廣告有限公司 (“Peng An Sheng Shi”), 華盟(天津)文化投資有限公司 (“Tianjin Culture”), 中聯華盟(天津)廣告有限公司 (“Tianjin Advertising”), 北京人和人文化有限公司 (“Beijing Ren He Ren”), 人和人(天津)廣告有限公司 (“Ren He Ren Tianjin”) and 北京北大文化發展有限公司 (“Beida Culture”) before disposal of 70% equity interest in Beida Culture as disclosed in note 33(i) (collectively referred to as the “Wholly-owned Subsidiaries”). Pursuant to the respective Memorandum and Articles of Association of Non Wholly-owned Subsidiaries and Wholly-owned Subsidiaries, all major decisions and decisions on relevant activities of these entities, except for those which confer a protective right to non-controlling shareholders which require a 2/3 majority, are decided by the board of directors with simple majority of votes. Zhong Lian Jinghua controls over 50% of the voting powers in the board of directors of the Non Wholly-owned Subsidiaries as it has the right to appoint and/or remove the majority of the directors and 100% voting powers in the board of directors of the Wholly-owned Subsidiaries which give the Group the current ability to direct the relevant activities. Accordingly, they continue to be treated as the subsidiaries of the Company under HKFRS 10 and their results, assets and liabilities continue to be consolidated with those of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

Impact of the application of HKFRS 11

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

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

Impact of the application of HKFRS 11 (Continued)

The directors of the Company reviewed and assessed the classification of the Group’s investments in joint arrangements in accordance with the requirements of HKFRS 11. Before the disposal of 70% equity interest of Beida Culture as disclosed in note 33(i), Zhong Lian Jinghua indirectly held 50% equity interests of 京華文化傳播有限公司 (“Jinghua Culture”). Zhong Lian Jinghua also held 49% equity interests of 人民視訊文化有限公司 (“RenMinShiXun”) before its disposal as disclosed in note 33(ii). Each of Jinghua Culture and RenMinShiXun has 2 shareholders. Pursuant to the Memorandum and Articles of Association of Jinghua Culture and RenMinShiXun, all major decisions and the decisions on relevant activities of these entities have to be approved by both shareholders. In other words, decisions in Jinghua Culture and RenMinShiXun require the unanimous consent of the parties sharing control. Accordingly, the directors concluded that the Group’s investments in Jinghua Culture and RenMinShiXun, which were classified as jointly controlled entities under HKAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method. The changes in accounting of the Group’s investments in Jinghua Culture and RenMinShiXun have been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investments as at 1st January, 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors performed an impairment assessment on the initial investment as at 1st January, 2012 and concluded that no impairment loss is required. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group’s investments in Jinghua Culture and RenMinShiXun. The Group does not have any interests in joint ventures prior to the Acquisition (as defined in note 32) on 31st January, 2012. Accordingly, no consolidated statement of financial position of the Group as at 1st January, 2012 is presented.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 16, 17 and 40 for details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

HKFRS 13 “Fair value measurement”

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

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

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

Amendments to HKAS 1 “Presentation of items of other comprehensive income”

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

Summary of the effect of the above changes in accounting policy

The effect of the changes in the Group’s accounting policy described above on the results for the prior year by line item is as follows:

Impact on profit for the year of the application of HKFRS 11

	Year ended 31st December, 2012 HK\$’000
Decrease in revenue	(223,700)
Decrease in costs of sales and services	96,659
Decrease in other income	(1,791)
Decrease in other gains and losses, net	(130)
Decrease in distribution and selling expenses	68,407
Decrease in other administrative expenses	24,142
Increase in share of profits of joint ventures	28,417
Decrease in taxation charge	8,163
	<hr/>
Net increase in profit for the year	167
Impact on other comprehensive income for the year	
Decrease in exchange difference arising on translation to presentation currency	(4)
	<hr/>
Net increase in total comprehensive income for the year	163
	<hr/>
Increase in profit for the year attributable to:	
Owners of the Company	–
Non-controlling interests	167
	<hr/>
	167
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Increase in total comprehensive income for the year attributable to:	
Owners of the Company	–
Non-controlling interests	163
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	163
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

Summary of the effect of the above changes in accounting policy (Continued)

Impact on assets, liabilities and equity as at 31st December, 2012 of the application of HKFRS 11:

	At 31st December, 2012 (originally stated) HK\$'000	Adjustments HK\$'000	At 31st December, 2012 (restated) HK\$'000
Property, plant and equipment	24,196	(8,682)	15,514
Goodwill	333,369	(162,209)	171,160
Intangible assets	456,416	(444,413)	12,003
Interests in joint ventures	–	636,248	636,248
Deferred tax assets	1,588	(269)	1,319
Inventories	2,816	(2,816)	–
Trade receivables	406,032	(60,236)	345,796
Other receivables, deposits and prepayments	325,837	(35,638)	290,199
Bank balances and cash	192,838	(85,085)	107,753
Trade and other payables and accrued charges	(171,216)	27,920	(143,296)
Receipts in advance from customers	(84,504)	24,619	(59,885)
Tax liabilities	(38,153)	5,751	(32,402)
Deferred tax liabilities	(104,040)	104,040	–
	<hr/>	<hr/>	<hr/>
Total effects on net assets	1,345,179	(770)	1,344,409
	<hr/>	<hr/>	<hr/>
Non-controlling interests and total effects on equity	34,807	(770)	34,037
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

Summary of the effect of the above changes in accounting policy (Continued)

Impact on cash flows for the year ended 31st December, 2012 on the application of HKFRS 11:

	HK\$'000
Net cash outflow from operating activities	(19,114)
Net cash outflow from investing activities	(63,273)
Net cash outflow from financing activities	(2,531)
Effect of foreign exchange rate changes	(167)
	<hr/>
	(85,085)
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There is no significant impact on basic and diluted earnings per share due to the above changes in accounting policy for the year ended 31st December, 2012.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ³
Amendments to HKAS 19	Defined benefit plans: Employee contributions ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ⁴
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ³
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ³
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ³
HKFRS 9	Financial instruments ⁴
HK(IFRIC) – Int 21	Levies ³

¹ Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

² Effective for annual periods beginning on or after 1st July, 2014.

³ Effective for annual periods beginning on or after 1st January, 2014.

⁴ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

Annual improvements to HKFRSs 2010-2012 cycle

The annual improvements to HKFRSs 2010-2012 cycle include a number of amendments to various HKFRSs. The relevant ones are summarised below.

The amendments to HKFRS 2 (i) change the definitions of “vesting condition” and “market condition”; and (ii) add definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1st July, 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1st July, 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The directors do not anticipate that the application of the amendments included in the annual improvements to HKFRSs 2010-2012 cycle will have a material effect on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

Annual improvements to HKFRSs 2011-2013 cycle

The annual improvements to HKFRSs 2011-2013 cycle include a number of amendments to various HKFRSs. The relevant ones are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The directors do not anticipate that the application of the amendments included in the annual improvements to HKFRSs 2011-2013 cycle will have a material effect on the Group’s consolidated financial statements.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

HKFRS 9 Financial instruments (Continued)

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors are still in the process of reviewing the impact on the amounts reported in respect of the Group’s financial assets upon the adoption of HKFRS 9. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

The principal accounting policies are set out below.

(A) Basis of consolidation

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

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(A) Basis of consolidation *(Continued)*

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

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

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

(B) Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(B) Business combinations *(Continued)*

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income taxes” and HKAS 19 “Employee benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based payment” at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations” are measured in accordance with that standard.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(B) Business combinations *(Continued)*

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

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

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

(C) Goodwill

Goodwill arising on an acquisition of a business is carried at cost at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(C) Goodwill *(Continued)*

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

(D) Investments in associates and joint ventures

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(D) Investments in associates and joint ventures *(Continued)*

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

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

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

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

(F) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the production and distribution of film rights is recognised when (i) the production of films, television programmes and television drama series are completed; (ii) the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers, and; (iii) the collectability of proceeds is reasonably assured.

Revenue from box office takings is recognised when the services have been rendered to the cinema audience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(F) Revenue recognition *(Continued)*

Revenue from sales of television advertising (“TV advertising”) air-times is recognised when the advertisements are broadcasted.

Revenue from publication of advertisements on magazines is recognised when the advertisements are published.

Revenue from mobile value-added services is recognised upon the provision of personalised information to application suppliers and provision of entertainment services to mobile handset users in the PRC.

Revenue from magazines distribution is recognised on the date of delivery, net of an estimated allowance for unsold copies which may be returned.

Revenue from television (“TV”) technology services is recognised upon the provision of TV programmes packaging services.

Dividend income from investments is recognised when the Group’s rights to receive payment have been established.

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

(G) Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

(H) Club debenture

Club debenture is stated at cost less any identified impairment loss.

(I) Art work

Art work is stated at cost less any identified impairment loss.

(J) Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(J) Impairment on tangible and intangible assets other than goodwill *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(K) Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(L) Film rights

Film rights represent films, television programmes and television drama series ("films" or singularly, "film") produced by the Group or acquired by the Group.

Prepayment under film cooperation agreements are transferred to film rights upon commencement of production of the related films.

Film rights are stated at cost less any identified impairment loss. The costs of film rights are recognised as an expense in the consolidated statement of profit or loss based on the proportion of actual income earned from a film during the year to the total estimated income from the distribution of film rights for that film.

(M) Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(M) Taxation *(Continued)*

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

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

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

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

(N) Borrowing costs

All borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

(O) Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(O) Foreign currencies *(Continued)*

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

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

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

(P) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to subsidy income from government and refund of business tax from tax authorities that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the profit or loss in the period in which they become receivable.

(Q) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(R) Financial instruments

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

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

(i) Financial assets

The Group's financial assets are classified into one of the two categories, including investments held for trading and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(R) Financial instruments (Continued)

(i) Financial assets (Continued)

Investments held for trading

A financial asset is classified as held for trading if:

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

Financial assets classified as investments held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets and is included in the 'other gains and losses, net' line item in the consolidated statement of profit or loss.

Loans and receivables

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

(ii) Impairment of financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(R) Financial instruments (Continued)

(ii) Impairment of financial assets (Continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(R) Financial instruments *(Continued)*

(iii) Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade and other payables and accrued charges and amounts due to non-controlling interests and related companies are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible notes which contain liability and equity components, and early redemption option

Convertible notes issued by the Company that contain liability (together with the early redemption option which is closely related to the host liability component) and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(R) Financial instruments *(Continued)*

(iii) Financial liabilities and equity instruments (Continued)

Convertible notes which contain liability and equity components, and early redemption option (Continued)

On the date of the Acquisition (as defined in note 32), the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts and the fair value of the conversion option for the note holders to convert the bonds into equity which is included in equity (convertible notes equity reserve) is determined using the Binomial Model.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to (accumulated losses) retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the relative fair value. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Derivative financial instruments

Warrant that will be settled by the exchange of a variable amount of cash for a variable number of the Company's own equity instruments is classified as derivative financial instrument. Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(R) Financial instruments *(Continued)*

(iv) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

(S) Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the date of the Acquisition (as defined in note 32) is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options and shares granted to consultants

Share options and shares issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted and the shares of the shareholders of CEMG granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve or shareholder's contribution reserve), when the Group and the CEMG Group (as defined in note 32) obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

Key sources of estimation uncertainty

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

Cost of film rights recognised as an expense

The cost of film rights are recognised as an expense in the consolidated statement of profit or loss based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights. The estimated income is budgeted by the management of the Group with reference to the genre, film directors and actors of the Group's production and income from previous film rights sold in the past. The basis of estimation remains unchanged for both years.

During the year ended 31st December, 2013, the cost of film rights recognised as an expense included in cost of sales and services is approximately HK\$181,972,000 (2012: HK\$197,010,000).

Estimated impairment of film rights

At the end of the reporting period, the management of the Group assesses the impairment on film rights with reference to its recoverable amount. The assessment was made on a film-by-film basis. The recoverable amount of the film rights was determined based on the present value of the expected future revenue generated from the film less future cost of sales. The cash flow forecast calculation requires the management to estimate the future revenue expected to arise. If the recoverable amount is lower than the carrying amount, the carrying amount of the film rights will be written down to its recoverable amount. Based on the management assessment's on the recoverability of film rights, the directors determined that an impairment loss of HK\$4,045,000 (2012: nil) was recognised. As at 31st December, 2013, the carrying amount of the film rights was approximately HK\$364,892,000 (2012: HK\$169,296,000). Details of the film rights are disclosed in note 22.

Allowances for bad and doubtful debts

The policy of allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aged analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. No allowance for bad and doubtful debts has been provided for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

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

Key sources of estimation uncertainty *(Continued)*

Deferred taxation

As at 31st December 2013, the Group had unused tax losses of approximately HK\$223,274,000 (2012: HK\$186,989,000) available for offset against future profits. No deferred tax asset in relation to these tax losses has been recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December, 2013, the carrying amount of goodwill was HK\$175,986,000 (2012: HK\$171,160,000). Details of the recoverable amount calculation are disclosed in note 18.

Estimated useful life of intangible assets and impairment of intangible assets

The estimated useful life of intangible assets, being mobile game and eBook publication, is based on the management's best estimate of the expected useful life of these intangible assets according to its understanding of media related businesses. If there is any change on the management's estimation, indication of impairment of intangible assets may arise. Based on the management's estimation, an impairment loss of HK\$1,572,000 (2012: nil) was recognised for mobile game.

The Group determines whether intangible assets with indefinite life, being film and television programme production and distribution licenses, are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31st December, 2013, the carrying amount of these intangible assets was approximately HK\$9,986,000 (2012: HK\$9,712,000). Details of the recoverable amount calculation are disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes convertible notes disclosed in note 28 and equity attributable to owners of the Company, comprising issued share capital and reserves. The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 HK\$'000	2012 HK\$'000 (restated)
Financial assets		
Investments held for trading	3,249	21,569
Loans and receivables (including cash and cash equivalents)	931,425	606,313
Financial liabilities		
Derivative financial instruments	1,630	–
Amortised cost	108,051	449,939

Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, trade and other receivables and deposits, amounts due from non-controlling interests, bank balances and cash, trade and other payables and accrued charges, amounts due to non-controlling interests and related companies, convertible notes and derivative financial instruments. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risks

Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances (see note 25 for details). The management considers the Group's exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate for bank balances. Accordingly, no sensitivity analysis is presented.

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB, while the Group still have certain foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at end of the reporting period, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	HK\$		US\$	
	2013 HK\$'000	2012 HK\$'000 (restated)	2013 HK\$'000	2012 HK\$'000 (restated)
Other receivables	–	–	116,400	77,560
Bank balances	37,287	10,603	26,668	159
Other payables	417	3,369	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risks (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in the functional currency of the respective group entities against the relevant foreign currencies and all other variables were held constant as at 31st December, 2013 and 2012. 5% (2012: 5%) is the sensitivity rate used which represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2012: 5%) change in foreign currency rates. The negative numbers below indicate decrease in post-tax profit for the year ended 31st December, 2013 where the functional currency of the respective group entities strengthens 5% against the relevant foreign currencies. For a 5% (2012: 5%) weakening of the functional currency of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the result for the year.

	HK\$		US\$	
	2013 HK\$'000	2012 HK\$'000 (restated)	2013 HK\$'000	2012 HK\$'000 (restated)
Profit or loss	<u>(1,539)</u>	<u>(302)</u>	<u>(5,973)</u>	<u>(3,245)</u>

Equity price risk on investments held for trading

The Group is exposed to equity price risk through its investments held for trading as at 31st December, 2013. The Group's investments held for trading has concentration of price risk on certain equity stock traded in Hong Kong stock market. Management manage this exposure by regularly reviewing the performance of these investments and market conditions. Management will consider diversifying the portfolio of equity investments as they consider appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

Equity price risk on investments held for trading *(Continued)*

Sensitivity analysis

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

If the prices of the respective equity instruments had been 10% higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2013 would have increased/decreased by approximately HK\$271,000 (2012: HK\$1,801,000) as a result of the changes in fair value of investments held for trading.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations as at 31st December, 2013 and 2012 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual debt receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

As at 31st December, 2013, the Group had significant concentration of credit risk on several long-aged debtors from production and distribution of film rights segment, refundable deposit in relation to acquisition of an investee, prepayment for film production, deferred considerations for disposal of art work and deferred consideration for disposal of subsidiaries amounted to HK\$99,990,000, HK\$30,691,000, HK\$114,042,000, HK\$76,074,000 and HK\$166,400,000 respectively. As at 31st December, 2012, the Group had significant concentration of credit risk on several long-aged debtors from production and distribution of film rights segment, refundable deposit in relation to acquisition of an investee, prepayment for film production, amount receivable from a former subsidiary and deferred consideration for disposal of subsidiaries amounted to HK\$13,910,000, HK\$29,851,000, HK\$39,073,000, HK\$41,659,000 and HK\$77,560,000 respectively. The Group has taken the following procedures to minimise the credit risks described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group exercises continuous monitoring procedures and ensures that follow-up actions are taken to ensure settlement of the debtors. For trade debtors from production and distribution of film rights segment aged over 365 days, around 29% (2012: 50%) of such balances due had been settled subsequently. The remaining of these trade debtors are film distributors and large PRC television stations which were set up by the local government in each of the respective provinces in the PRC. Based on the settlement history of these debtors, it usually takes approximately 1 to 2 years to settle the receivables due from PRC television stations, which is the practice for them, and there was no default on settlement from film distributors in the past.

For the refundable deposit in relation to the acquisition of an investee, the directors of the Group closely monitor the refund process of Shanghai United Assets and Equity Exchange (“SUAEE”) and review the financial position of the third party, which is a company listed in Hong Kong, to whom the deposit was entrusted to ensure the refundable deposit is recoverable.

In respect of the prepayment for film production, as the film production is in progress and the films are directed by famous film directors in Hong Kong and the PRC, the management considered there was no recoverability problem.

For the deferred considerations for disposal of art work as at 31st December, 2013, amounts had been fully settled subsequently.

For the deferred considerations for disposal of subsidiaries as at 31st December, 2013, amounts due from the purchaser of Beida Culture had been fully settled subsequently. The management considered that the credit risk of the amount due from the purchaser of Main City Limited (“Main City”) and RenMinShiXun is insignificant after considering the financial strength of this entity.

For the amount receivable from a former subsidiary and deferred consideration for disposal of subsidiaries as at 31st December, 2012, amounts had been fully settled subsequently.

The Group has concentration of credit risk as 25% (2012: 30%) and 77% (2012: 66%) of the total trade receivables was due from the Group’s largest customer and the five largest customers respectively within the production and distribution of film rights segment. These customers are PRC film distributors which have been established and engaged in film production and distributions for a number of years and management has performed certain background checking on these customers. The Group’s concentration of credit risk by geographical location is in the PRC, which accounts for all of the trade receivables as at 31st December, 2013 and 2012.

The Group’s bank balances are balances deposited in those banks with good reputation in Hong Kong and the PRC. Accordingly, the credit risk on liquid funds is limited.

Other than the above, there is no significant concentration of credit risk on trade and other receivables as the exposure spread over a number of counterparties and customers in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition to issuance of new shares, the Group also relies on convertible notes as a significant source of liquidity for the year ended 31st December, 2013.

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2013 HK\$'000
2013								
Non-derivative financial liabilities								
Trade and other payables and accrued charges	-	39	60,792	12,754	10,545	-	84,130	84,130
Amounts due to non-controlling interests	-	163	-	-	-	-	163	163
Convertible notes	10.09	-	-	-	-	30,000	30,000	23,758
		202	60,792	12,754	10,545	30,000	114,293	108,051
2012 (restated)								
Non-derivative financial liabilities								
Trade and other payables and accrued charges	-	5,264	62,842	173	25,482	-	93,761	93,761
Amounts due to non-controlling interests	-	760	-	-	-	-	760	760
Amounts due to related companies	-	1,105	-	-	-	-	1,105	1,105
Convertible notes	10.09	-	-	-	350,000	30,000	380,000	354,313
		7,129	62,842	173	375,482	30,000	475,626	449,939



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

6. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used)

Financial assets/ financial liabilities	Fair value as at 31st December, 2013	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Held for trading non-derivative financial assets classified as "investments held for trading" in the consolidated statement of financial position	Listed equity securities in Hong Kong – HK\$3,249,000	Level 1	Quoted bid prices in an active market	N/A	N/A
Unlisted warrants classified as "derivative financial instruments" in the consolidated statement of financial position	Liabilities: 60,000,000 warrants issued by the Company – HK\$1,630,000	Level 3	Binomial model The fair value is estimated based on risk free rate and share price (from observable market data), volatility of the share price of the Company and dividend yield and exercise price	Volatility of the share price of the Company of 56%, determined by reference to the historical share price of the Company	The higher the volatility of the share price of the Company, the higher the fair value

There is no transfer between different levels of the fair value hierarchy for the year ended 31st December, 2013 and 2012.

Fair values

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

6. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments(Continued)

Fair values (Continued)

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

Reconciliation of Level 3 fair value measurements of derivative financial instruments

31st December, 2013

	Derivative financial instruments HK\$'000
At 1st January, 2013	–
Issue of warrants	500
Fair value recognised in profit or loss	1,130
	<hr/>
At 31st December, 2013	1,630
	<hr/>

Of the total loss for the period included in profit or loss, HK\$1,130,000 relates to derivative financial instruments held at the end of the current reporting period. Fair value loss on derivative financial instruments is included in "other gains and losses, net".

Fair value measurements and valuation processes

The executive directors of the Company, who are supported by the Chief Financial Officer of the Company, is the party responsible for determination of the appropriate valuation techniques and inputs for fair value measurements ("Valuation Team").

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Valuation Team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the Valuation Team's findings to the board of directors of the Company every half year to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold or services rendered by the Group to outside customers, less discount and related taxes for the year, and is analysed as follows:

	2013	2012
	HK\$'000	HK\$'000
		(restated)
Production and distribution of film rights	421,409	415,936
TV advertising income	264,535	287,134
Income from mobile value-added services	12,068	13,449
Income from magazine distribution	2,675	3,368
Income from sales of advertisement spaces on magazine	32,962	35,056
Others (Note)	17,425	37,843
	751,074	792,786

Note: Amount included revenue from TV programme packaging services of HK\$14,824,000 (2012: HK\$32,902,000), mobile games subscription of HK\$566,000 (2012: HK\$1,482,000), other agency services income of HK\$2,035,000 (2012: HK\$2,637,000) and revenue from other business divisions of nil (2012: HK\$822,000) for the year ended 31st December, 2013.

The Group's operating segments, determined based on information reported to the chief operating decision maker ("CODM"), being the executive and non-executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, are as follows:

- | | |
|---|--|
| (i) Production and distribution of film rights | – production and distribution of film rights over films, television programmes and television drama series |
| (ii) TV advertising | – sale of TV advertising air-times in the PRC |
| (iii) Mobile value-added services | – provision of personalised information and entertainment services to mobile handset users in the PRC |
| (iv) Magazine advertising and magazine distribution | – distribution of fashion magazine, FIGARO, and sale of advertisements spaces in FIGARO in the PRC |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

7. REVENUE AND SEGMENT INFORMATION (Continued)

In addition to the operating segments described above, each of which constitutes a reportable segment, the Group has other operating segments which include securities trading and investment in Hong Kong, mobile games subscription, provision of other agency services, TV programme packaging services and others in the PRC. None of these segments meet any of the quantitative thresholds for determining reportable segments. Accordingly, all of the above operating segments are grouped as "all other segments".

Segment of mobile TV subscription and newspaper advertising and newspaper distribution as presented in prior period are operated through the joint ventures, which were accounted for using the proportionate consolidation method in prior periods. Under HKFRS 11, such joint arrangements should be classified as joint venture and accounted for using the equity method (details are set out in note 2). The CODM assesses their performance based on the share of net assets and results of these joint ventures upon the application of HKFRS 11 and no longer constitute separate operating segment. Accordingly, no separate segment information on mobile TV subscription and newspaper advertising and newspaper distribution are presented. Revenue and segment information for the year ended 31st December, 2012 is restated.

(1) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Production and distribution of film rights HK\$'000	TV advertising HK\$'000	Mobile value-added services HK\$'000	Magazine advertising and magazine distribution HK\$'000	Reportable segments' total HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
For the year ended 31st, December, 2013							
Segment revenue	421,409	264,535	12,068	35,637	733,649	17,425	751,074
Segment results	171,276	50,913	6,030	(15,256)	212,963	(9,835)	203,128
Unallocated interest income, other income and other gains and losses, net							75,361
Gains on disposal of subsidiaries							64,953
Corporate administrative expenses							(84,122)
Finance costs							(19,627)
Share of losses of associates							(4,936)
Share of profits of joint ventures							2,322
Profit before taxation							237,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

7. REVENUE AND SEGMENT INFORMATION (Continued)

(1) Segment revenue and results (Continued)

	Production and distribution of film rights HK\$'000	TV advertising HK\$'000	Mobile value-added services HK\$'000	Magazine advertising and magazine distribution HK\$'000	Reportable segments' total HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
For the year ended 31st, December, 2012 (restated)							
Segment revenue	415,936	287,134	13,449	38,424	754,943	37,843	792,786
Segment results	162,277	25,930	7,144	(21,291)	174,060	25,266	199,326
Unallocated interest income, other income and other gains and losses, net							8,366
Gains on disposal of subsidiaries							30,034
Corporate administrative expenses							(54,081)
Share-based payment expenses							(1,604)
Finance costs							(26,368)
Share of losses of an associate							(1,069)
Share of profits of joint ventures							28,417
Profit before taxation							183,021

All of the segment revenue reported above is from external customers and there were no inter-segment sales for both years.

Segment results represent the profit generated or loss incurred by each segment without allocation of interest income from banks, other payables waived, net foreign exchange losses, change in fair value of derivative financial instruments, gains on disposal of art work, gains on disposal of subsidiaries, corporate administrative expenses, share-based payment expenses, finance costs on borrowings, effective interest expenses on convertible notes, share of losses of associates and share of profits of joint ventures. This is the measure reported to the board of directors for the purpose of resource allocation and performance assessments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

7. REVENUE AND SEGMENT INFORMATION (Continued)

(2) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

	Production and distribution of film rights HK\$'000	TV advertising HK\$'000	Mobile value-added services HK\$'000	Magazine advertising and magazine distribution HK\$'000	Reportable segments' total HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
At 31st December, 2013							
Segment assets	1,176,935	12,596	13,498	27,603	1,230,632	14,270	1,244,902
Property, plant and equipment – corporate							5,361
Art work							162,764
Interests in associates							193,463
Other receivables, deposits and prepayments							245,259
Amounts due from non-controlling interests							9,642
Bank balances and cash							199,001
Deferred tax assets							1,219
Consolidated assets							<u>2,061,611</u>
Segment liabilities	97,608	9,883	3,723	11,430	122,644	12,256	134,900
Other payables and accrued charges							13,182
Amounts due to non-controlling interests							163
Tax liabilities							44,528
Convertible notes							23,758
Derivative financial instruments							1,630
Consolidated liabilities							<u>218,161</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

7. REVENUE AND SEGMENT INFORMATION (Continued)

(2) Segment assets and liabilities (Continued)

	Production and distribution of film rights HK\$'000	TV advertising HK\$'000	Mobile value-added services HK\$'000	Magazine advertising and magazine distribution HK\$'000	Reportable segments' total HK\$'000	All other segments HK\$'000	Consolidated HK\$'000
At 31st December, 2012 (restated)							
Segment assets	779,958	22,905	10,469	28,341	841,673	49,769	891,442
Property, plant and equipment – corporate							4,031
Art work							164,307
Interests in joint ventures							636,248
Other receivables, deposits and prepayments							132,900
Amounts due from non-controlling interests							4,538
Bank balances and cash							107,753
Deferred tax assets							1,319
Consolidated assets							1,942,538
Segment liabilities	68,266	71,047	3,509	18,408	161,230	10,302	171,532
Other payables and accrued charges							31,649
Amounts due to non-controlling interests							760
Amounts due to related companies							1,105
Tax liabilities							32,402
Convertible notes							354,313
Consolidated liabilities							591,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

7. REVENUE AND SEGMENT INFORMATION (Continued)

(2) Segment assets and liabilities (Continued)

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

- all assets are allocated to operating segments other than property, plant and equipment for corporate use, art work, interests in associates, interests in joint ventures, amounts due from non-controlling interests, certain other receivables, deposits and prepayments, bank balances and cash and deferred tax assets, for which the Group's management monitored and managed all these assets on a group basis; and
- all liabilities are allocated to operating segments other than certain other payables and accrued charges, amounts due to non-controlling interests and related companies, tax liabilities, convertible notes and derivative financial instruments and for which the Group's management monitored and managed all these liabilities on a group basis.

(3) Other segment information

	Production and distribution of film rights HK\$'000	TV advertising HK\$'000	Mobile value-added services HK\$'000	Magazine advertising and magazine distribution HK\$'000	Reportable segments' total HK\$'000	All other segments HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
2013								
Amount included in the measure of segment profit or loss or segment assets:								
Additions to intangible assets	-	-	1,176	-	1,176	732	-	1,908
Additions to property, plant and equipment	22,300	41	-	22	22,363	236	3,822	26,421
Depreciation of property, plant and equipment	2,692	471	304	107	3,574	604	2,118	6,296
Amortisation of intangible assets	-	-	218	-	218	899	-	1,117
Impairment of intangible assets	-	-	-	-	-	-	1,572	1,572
Bad and doubtful debts recovered	(539)	-	-	-	(539)	-	-	(539)
Change in fair value of investments held for trading	-	-	-	-	-	(4,227)	-	(4,227)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

7. REVENUE AND SEGMENT INFORMATION (Continued)

(3) Other segment information (Continued)

	Production and distribution of film rights HK\$'000	TV advertising HK\$'000	Mobile value-added services HK\$'000	Magazine advertising and magazine distribution HK\$'000	Reportable segments' total HK\$'000	All other segments HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
2012 (restated)								
Amount included in the measure of segment profit or loss or segment assets:								
Additions to intangible assets arising from the Acquisition (as defined in note 32)	-	-	-	-	-	22,984	-	22,984
Additions to intangible assets	-	-	1,247	-	1,247	2,111	-	3,358
Additions to property, plant and equipment arising from the Acquisition (as defined in note 32)	9,830	-	227	491	10,548	3,403	3,953	17,904
Additions to property, plant and equipment	2,234	905	1,032	-	4,171	176	82	4,429
Depreciation of property, plant and equipment	5,653	264	325	96	6,338	669	1,646	8,653
Amortisation of intangible assets	-	-	676	-	676	2,967	-	3,643
Bad and doubtful debts recovered	(6,621)	-	-	-	(6,621)	-	-	(6,621)
Change in fair value of investments held for trading	-	-	-	-	-	(29,328)	-	(29,328)

Information separately reported to the CODM but not included in the measure of segment profit:

Gross proceeds from sale of investments held for trading is HK\$22,492,000 (2012: HK\$30,612,000) for the year ended 31st December, 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

7. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's securities trading and investments are carried out in Hong Kong. All other segment revenues are derived from the PRC.

Information about the Group's revenue from external customers presented based on the locations of customers and distributors, and information about the Group's non-current assets presented based on the geographical location of the assets are summarised below.

	Revenue from external customers		Non-current assets	
	2013 HK\$'000	2012 HK\$'000 (restated)	2013 HK\$'000	2012 HK\$'000 (restated)
Hong Kong	–	–	13,882	24,188
The PRC	751,074	792,786	582,789	878,204
Taiwan	–	–	24,937	–
	<u>751,074</u>	<u>792,786</u>	<u>621,608</u>	<u>902,392</u>

Note: Non-current assets excluded financial assets and deferred tax assets.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2013 HK\$'000	2012 HK\$'000 (restated)
Production and distribution of film rights over films	119,978	37,897
Production and distribution of film rights over television programmes and television drama series	301,431	378,039
TV advertising	264,535	287,134
Mobile value-added services	12,068	13,449
Magazine distribution – FIGARO	2,675	3,368
Magazine advertising – FIGARO	32,962	35,056
Others	17,425	37,843
	<u>751,074</u>	<u>792,786</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

7. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue are as follows:

	2013 HK\$'000	2012 HK\$'000
Customer A ¹	95,801	134,877
Customer B ²	119,592	N/A ³
Customer C ²	113,875	N/A ³
Customer D ²	87,513	N/A ³
Customer E ¹	78,969	N/A ³

¹ Revenue from TV advertising.

² Revenue from production and distribution of film rights.

³ The corresponding revenue does not contribute over 10% of the total revenue for the year.

8. OTHER INCOME

	2013 HK\$'000	2012 HK\$'000 (restated)
Interest income from banks	409	273
Government subsidies (Note a)	2,102	985
Refund of business tax (Note b)	10,690	16,759
Refund of PRC Enterprise Income Tax (Note b)	2,709	3,062
Other payables waived	2,525	8,365
Sundry income	2,199	554
	20,634	29,998

Notes:

(a) During the year ended 31st December, 2013, the Group received subsidies of HK\$2,102,000 (2012: HK\$985,000) from the relevant PRC government authorities for promoting the cultural industry development. There were no conditions attached to the subsidies granted to the Group.

(b) The PRC government authorities have granted tax incentives to several subsidiaries in the PRC by way of business tax and PRC Enterprise Income Tax ("EIT") refund for the production and distribution of film rights, TV and magazine advertising, magazine distributions and provision of TV programme packaging services by the Group in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

9. OTHER GAINS AND LOSSES, NET

	2013 HK\$'000	2012 HK\$'000 (restated)
Gains on disposal of art work	75,780	–
Net foreign exchange losses	(2,223)	(272)
Bad and doubtful debts recovered	539	6,621
Change in fair value of investments held for trading (Note)	4,227	29,328
Change in fair value of derivative financial instruments	(1,130)	–
	<u>77,193</u>	<u>35,677</u>

Note: The amount includes net realised gain of approximately HK\$5,272,000 (2012: HK\$19,782,000) on disposal of investments held for trading during the current year and unrealised loss of approximately HK\$1,045,000 (2012: unrealised gain of approximately HK\$9,546,000) on change in fair value of investments held for trading held by the Group as at 31st December, 2013.

10. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interests on amount due to a shareholder	–	385
Effective interest expenses on convertible notes (note 28)	19,627	25,983
	<u>19,627</u>	<u>26,368</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 7 directors of the Company were as follows:

	2013					2012				
	Other emoluments				Total	Other emoluments				Total
	Directors' fees	Salaries and other benefits	Retirement benefits scheme contributions	Performance related incentive		Directors' fees	Salaries and other benefits	Retirement benefits scheme contributions	Share-based payments	
					HK\$'000					HK\$'000
Dong Ping	600	3,003	15	1,000	4,618	550	3,600	13	73	4,236
Ng Qing Hai	-	-	-	500	500	-	-	-	-	-
Zhao Chao	600	-	15	1,000	1,615	550	106	13	46	715
Kong Muk Yin	240	-	-	400	640	220	-	-	16	236
Chen Ching	10	110	-	-	120	9	101	-	5	115
Jin Hui Zhi	10	110	-	-	120	9	101	-	5	115
Li Chak Hung	10	140	-	-	150	9	128	-	5	142
Total	1,470	3,363	30	2,900	7,763	1,347	4,036	26	150	5,559

Notes:

- The directors' emoluments for the period from 1st January, 2012 to the date of the Acquisition (as defined in note 32) amounting to HK\$566,000 (including share-based payments of HK\$141,000) was not reflected in the consolidated statement of profit or loss for the year ended 31st December, 2012 due to the reverse acquisition accounting adopted for the Acquisition (details are set out in note 32).
- The performance related incentive payments are determined by reference to the performance of the respective group companies, the individual performance of the directors and approved by the Remuneration Committee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

In addition, the following are the emoluments paid or payable to each of the 3 directors of CEMG prior to the Acquisition (as defined in note 32) for January 2012 which were recognised in profit or loss:

	1st January, 2012 to 31st January, 2012				Total HK\$'000
	Directors' fees HK\$'000	Salaries, bonus and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Other emoluments Share-based payments HK\$'000	
Dong Ping	–	61	–	–	61
Zhao Chao	–	–	–	–	–
Liu Xing	–	–	–	–	–
Total	–	61	–	–	61

Mr. Dong is also the acting chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the acting chief executive. Mr. Dong is also a substantial shareholder of the Company holding more than 20% interest in the share capital.

No directors waived any emoluments in both years.

Employees' emoluments

Of the five individuals with the highest emoluments, two (2012: one) were directors of the Company whose emoluments are disclosed above. The emoluments of the remaining three (2012: four) highest paid individuals for the year ended 31st December, 2013 were as follows:

	2013 HK\$'000	2012 HK\$'000 (Note)
Salaries, bonus and other benefits	8,484	7,507
Contributions to retirement benefit schemes	232	287
Share-based payments	–	23
	8,716	7,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' emoluments (Continued)

Their emoluments were within the following bands:

	2013	2012 (Note)
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$5,500,001 to HK\$6,000,000	1	–
	3	4

Note: The four highest paid employees' emoluments for the period from 1st January, 2012 to the date of the Acquisition amounting to HK\$326,000 (including share-based payments of HK\$44,000) were not reflected in the consolidated statement of profit or loss for the year ended 31st December, 2012 due to the reverse acquisition accounting adopted for the Acquisition (details are set out in note 32).

During both years, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group.

12. TAXATION CHARGE

	2013 HK\$'000	2012 HK\$'000 (restated)
Current tax		
– PRC EIT	(22,829)	(15,923)
– Reversal of tax payable (Note)	–	14,924
	(22,829)	(999)
Deferred tax (note 29)		
– current year	(135)	(1,775)
	(22,964)	(2,774)

Note: On 2nd April, 2012, a subsidiary reallocated certain film rights contracts which were completed in previous years to another subsidiary of the Group. This reallocation had resulted in a reduction in the tax exposure of the Group, which had made tax provisions in previous years without assuming the successful outcome of the reallocation, due to different tax rates applied by tax bureau in different provinces. Accordingly, a reversal of tax payable was made upon the transfer of film rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

12. TAXATION CHARGE (Continued)

No provision for Hong Kong Profits Tax has been made as the group companies operating in Hong Kong did not have any assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries, joint ventures and associates is 25% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Hua Meng Shanghai is chargeable for EIT at the EIT rate of 25% on ten percent of its gross revenue ("Tax Incentive").

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2013 HK\$'000	2012 HK\$'000 (restated)
Profit before taxation	237,079	183,021
Taxation at the domestic income tax rate of 25% (2012: 25%)	(59,270)	(45,755)
Tax effect of expenses not deductible for tax purpose	(19,136)	(8,792)
Tax effect of income not taxable for tax purpose	21,308	6,712
Tax effect of tax loss not recognised	(8,506)	(15,112)
Utilisation of tax losses previously not recognised	–	10,463
Tax effect of share of losses of associates	(1,234)	(267)
Tax effect of share of profits of joint ventures	581	7,104
Effect of different tax rates of subsidiaries operating in other jurisdictions	7,493	(2,144)
Effect of income taxed based on Tax Incentive	35,985	30,058
Reversal of tax payable	–	14,924
Others	(185)	35
Taxation charge for the year	(22,964)	(2,774)

Note: The domestic tax rate represents the statutory tax rate of the major group companies operating in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

13. PROFIT FOR THE YEAR

	2013 HK\$'000	2012 HK\$'000 (restated)
Profit for the year has been arrived at after charging:		
Auditor's remuneration	2,722	3,022
Film rights recognised as an expense included in cost of sales and services		
– films	49,755	33,093
– television programmes and television drama series	132,217	163,917
	181,972	197,010
Amortisation of intangible assets (included in cost of sales and services)	1,117	3,643
Depreciation of property, plant and equipment	6,296	8,653
Total amortisation and depreciation	7,413	12,296
Written down of film rights (included in cost of sales and services)	4,045	–
Impairment of intangible assets (included in cost of sales and services)	1,572	–
Rental payments for premises under operating leases	19,728	14,215
Staff costs inclusive of directors' emoluments		
– salaries, bonuses and other benefits	87,002	72,136
– share-based payments	–	1,604
	87,002	73,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following information:

	2013 HK\$'000	2012 HK\$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>206,024</u>	<u>177,153</u>
	2013	2012
Number of shares		
Weighted average number of ordinary shares in issue or deemed to be in issue during the year for the purposes of basic and diluted earnings per share	<u>7,998,144,251</u>	<u>7,521,260,234</u>

The weighted average number of shares used for the purpose of calculating earnings per share for the years ended 31st December, 2012 reflected the weighted average number of 5,040,750,000 ordinary shares deemed to be outstanding for the period from 1st January, 2012 to the date of the Acquisition (as defined in note 32) and the total actual number of shares of the Company in issue after the date of the Acquisition.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes as their assumed conversion would increase the earnings per share for the years ended 31st December, 2013 and 2012. In addition, the computation of diluted earnings per share does not assume the exercise of the share options and warrants because the exercise prices of these options and warrants were higher than the average market price of the Company's shares for the year ended 31st December, 2013 (for both options and warrants) and 2012 (for options only as warrants were issued in year 2013).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1st January, 2012	-	-	-	2,026	683	2,709
Exchange adjustments	-	13	5	61	123	202
Additions	-	-	273	555	3,601	4,429
Acquired on the Acquisition (note 32)	192	2,704	321	4,241	10,446	17,904
At 31st December, 2012 (restated)	192	2,717	599	6,883	14,853	25,244
Exchange adjustments	-	317	20	186	346	869
Additions	-	25,102	204	1,115	-	26,421
Disposals	-	-	-	-	(173)	(173)
Disposal of subsidiaries (note 33)	-	-	-	(94)	(1,563)	(1,657)
At 31st December, 2013	192	28,136	823	8,090	13,463	50,704
DEPRECIATION						
At 1st January, 2012	-	-	-	906	92	998
Exchange adjustments	-	13	2	26	38	79
Provided for the year	9	1,726	252	2,194	4,472	8,653
At 31st December, 2012 (restated)	9	1,739	254	3,126	4,602	9,730
Exchange adjustments	-	41	11	104	141	297
Provided for the year	10	918	297	1,651	3,420	6,296
Eliminated on disposals	-	-	-	-	(14)	(14)
Eliminated on disposal of subsidiaries (note 33)	-	-	-	(52)	(841)	(893)
At 31st December, 2013	19	2,698	562	4,829	7,308	15,416
CARRYING VALUES						
At 31st December, 2013	173	25,438	261	3,261	6,155	35,288
At 31st December, 2012 (restated)	183	978	345	3,757	10,251	15,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold land and buildings	2.7% – 10% or over the lease term, if shorter
Leasehold improvements	10% – 33%
Plant and machinery	4% – 8%
Furniture, fixtures and equipment	10% – 23%
Motor vehicles	15% – 25%

There was no pledged property, plant and equipment for both years.

The leasehold land and buildings are located on land held under medium-term leases in Hong Kong.

16. INTERESTS IN ASSOCIATES

	2013 HK\$'000	2012 HK\$'000
Cost of investments in associates, unlisted	196,705	–
Share of post-acquisition loss and other comprehensive expense	(3,242)	–
	193,463	–

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of establishment/ registration	Principal place of operation	Class of capital	Proportion of nominal value of registered/paid-up capital attributable to the Group		Proportion of voting rights held by the Group		Principal activity
					2013 %	2012 %	2013 %	2012 %	
Beida Culture	Limited liability company	PRC	PRC	Registered	30.0 (Notes a, b)	N/A	30.0	N/A	Investment holding (see note 17(c))
華文創股份有限公司 MandarinVision Inc. ("MandarinVision")	Limited liability company	Taiwan	Taiwan	Registered	37.3 (Note c)	–	37.3 (Note c)	–	Production and distribution of film rights over films and TV programmes
Super Sports Media Inc. ("Super Sports")	Limited liability company	Cayman Islands	PRC	Preferred shares	–	– (Note d)	–	– (Note d)	Distribution of regional broadcasting right in the PRC and Macau regions and related advertising



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

16. INTERESTS IN ASSOCIATES (Continued)

Notes:

- (a) During the year ended 31st December, 2013, Beida Culture ceased to be a subsidiary of the Group and became an associate as a result of the partial disposal of interest in Beida Culture as set out in note 33(i).
- (b) Beida Culture is held by Zhong Lian Jinghua. Zhong Lian Jinghua is treated as a wholly-owned subsidiary of the Company as detailed in note 2.
- (c) During the year ended 31st December, 2013, the Group subscribed for 9,700,000 shares of MandarinVision, a private company established in Taiwan, at a consideration of Taiwan New Dollar 97,000,000, which is equivalent to approximately HK\$25,221,000. Upon completion, the Group had 37.3% equity interest of MandarinVision and two out of the five directors of the board of directors of MandarinVision were appointed by the Group.
- (d) During the year ended 31st December, 2012, Super Sports was sold through the disposal of subsidiaries, details were set out in note 33(iii).

Summarised consolidated financial information of a material associate

Summarised consolidated financial information in respect of the Group's material associate is set out below. The summarised consolidated financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. During the year ended 31st December, 2012, and during the period from 1st January, 2013 to the date of the Disposal (as defined in note 33(i)), Beida Culture was a subsidiary of the Group and was not an associate of the Group. In order to put the performance and financial position of Beida Culture into perspective, its results for the full year of 2013 have been disclosed in the table below and the 2012 figures have been provided as comparative figures.

The associates are accounted for using the equity method in these consolidated financial statements.

Beida Culture

	2013 HK\$'000	2012 HK\$'000
Current assets	<u>15,993</u>	<u>96,604</u>
Non-current assets	<u>604,798</u>	<u>614,079</u>
Current liabilities	<u>(9,038)</u>	<u>(8,793)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

16. INTERESTS IN ASSOCIATES (Continued)

Summarised consolidated financial information of a material associate (Continued)

Beida Culture (Continued)

	2013 HK\$'000	2012 HK\$'000
Non-current assets include the following:		
Interest in a joint venture (note 17)	<u>604,798</u>	<u>614,079</u>
Revenue	<u>–</u>	<u>–</u>
(Loss) profit for the year	<u>(119,518)</u>	<u>20,607</u>
Other comprehensive income for the year	<u>4,433</u>	<u>2,782</u>
Total comprehensive (expense) income for the year	<u>(115,085)</u>	<u>23,389</u>
The above (loss) profit for the year include the following:		
Amount due from a group company written off	<u>(81,398)</u>	<u>–</u>
Share of (loss) profit of a joint venture	<u>(26,476)</u>	<u>20,836</u>

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Beida Culture recognised in the consolidated financial statements.

	2013 HK\$'000	2012 HK\$'000
Net assets of Beida Culture	611,753	701,890
Proportion of the Group's ownership interest in Beida Culture	30%	N/A
Effect of fair value adjustment on acquisition	<u>(15,000)</u>	<u>N/A</u>
Carrying amount of the Group's interest in Beida Culture as an associate	<u>168,526</u>	<u>N/A</u>

Information of associates that are not individually material

	Year ended 31.12.2013 HK\$'000	Year ended 31.12.2012 HK\$'000
The Group's share of loss and total comprehensive expense for the year	<u>(284)</u>	<u>(1,069)</u>
Carrying amount of the Group's interests in these associates	<u>24,937</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

17. INTERESTS IN JOINT VENTURES

	2013 HK\$'000	2012 HK\$'000 (restated)
Cost of investments in joint ventures, unlisted	–	601,572
Share of post-acquisition profit and other comprehensive income	–	34,676
	<u>–</u>	<u>636,248</u>

The joint ventures were disposed of during the year ended 31st December, 2013. Please refer to notes 33(i) and 33(ii) for details.

Details of each of the Group's joint ventures at 31st December, 2012 are as follows:

Name of entity	Form of business structure	Place of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered/paid-up capital attributable to the Group %	Proportion of voting rights attributable to the Group %	Principal activity
RenMinShiXun	Limited liability company	PRC	PRC	Registered	49 (Notes a, b)	49	Operating in mobile TV
人民視訊(上海)文化有限公司 ("RenMinShiXun (Shanghai)")	Limited liability company	PRC	PRC	Registered	49 (Notes a, b)	49	Operating in mobile TV
Jinghua Culture	Limited liability company	PRC	PRC	Registered	50 (Note c)	50	Advertising agency and distribution of a newspaper – Beijing Times
北京神州京華廣告有限公司 ("Shenzhou JingHua")	Limited liability company	PRC	PRC	Registered	50 (Note c)	50	Sales of advertisement spaces on newspaper
北京京之華物流有限公司 ("Jing Zhi Hua")	Limited liability company	PRC	PRC	Registered	50 (Note c)	50	Logistic services to group companies
北京盛世鴻宇科貿有限公司 ("Beijing Hong Yu")	Limited liability company	PRC	PRC	Registered	50 (Note c)	50	Sales of advertisement spaces on newspaper
北京京華鴻越圖書發行 有限責任公司 ("Beijing Books")	Limited liability company	PRC	PRC	Registered	30 (Note c, d)	30	Sales and distribution of books and electronic publications
北京京華新視覺文化傳播 有限公司 ("Beijing Vision")	Limited liability company	PRC	PRC	Registered	30 (Note c, d)	30	Cultural events organization
北京京華文化藝術發展 有限公司 ("Beijing Arts")	Limited liability company	PRC	PRC	Registered	30 (Note c, d)	30	Cultural events organization

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

17. INTERESTS IN JOINT VENTURES (Continued)

Notes:

- (a) RenMinShiXun was owned as to 49% by Zhong Lian Jinghua in which Zhong Lian Jinghua is treated as a wholly-owned subsidiary of the Company as detailed in note 2. Zhong Lian Jinghua contributed the capital of RenMinShiXun in cash of RMB14,700,000 (equivalent to approximately HK\$17,138,000) and the joint venture partner contributed capital in cash of RMB15,300,000 (equivalent to approximately HK\$17,838,000). RenMinShiXun (Shanghai), a wholly-owned subsidiary of RenMinShiXun, was set up on 9th August, 2010 with registered and paid up capital of RMB20,000,000.
- (b) Zhong Lian Jinghua held 49% of the registered capital of RenMinShiXun and two out of the five directors of RenMinShiXun were appointed by Zhong Lian Jinghua, hence the Group controlled 40% of the voting power in the board of directors meeting. As all the decisions made in the board of directors meeting require at least one vote from the directors from each of the two joint venture partners, RenMinShiXun and hence its wholly-owned subsidiary, RenMinShiXun (Shanghai) were accounted for as joint ventures of the Group. During the year ended 31st December, 2013, RenMinShiXun ceased to be a joint venture of the Group, details are set out in note 33(ii).
- (c) In prior year, Zhong Lian Jinghua acquired the entire issued share capital of Beida Culture from 上海經略廣告有限公司, which in turn, held 50% equity interest in Jinghua Culture. As detailed in note 2, Zhong Lian Jinghua is treated as a wholly-owned subsidiary of the Company and its results, assets and liabilities are consolidated with those of the Group. Beijing Books, Beijing Vision, Beijing Arts, Jing Zhi Hua and Beijing Hong Yu were directly owned by Jinghua Culture with equity interest of 60%, 60%, 60%, 80% and 90% respectively. 20% of the equity interest in Jing Zhi Hua was directly owned by Shenzhou JingHua. Shenzhou JingHua was 100% owned by Jinghua Culture. 10% of the equity interest in Beijing Hong Yu was directly owned by Jing Zhi Hua. Jinghua Culture holds exclusive advertising and distribution rights which entitle it to operate the advertising agency business and newspaper distribution business for Beijing Times together with other businesses as permitted under its business certificate. The other joint venture partner is responsible for the editorial part of Beijing Times. Jinghua Culture was principally engaged in the businesses of newspaper advertising and newspaper distribution of Beijing Times, distribution of other newspapers, sales of bottled water and operating the newspaper website (namely JingHua Website) in the PRC.
- (d) According to the Articles of Association of Beijing Books, Beijing Vision, Beijing Arts, all the major financial and operating decisions require simple majority of votes. Two out of three directors of Beijing Vision and Beijing Arts and three out of five directors of Beijing Books are appointed by Jinghua Culture. Accordingly, Beijing Books, Beijing Vision and Beijing Arts are subsidiaries of Jinghua Culture. The Group has 30% indirect interest in Beijing Books, Beijing Vision and Beijing Arts through Jinghua Culture. Therefore, they are considered as joint ventures of the Group. During the year ended 31st December, 2013, Jinghua Culture ceased to be a joint venture of the Group, details are set out in note 33(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

17. INTERESTS IN JOINT VENTURES (Continued)

Summarised consolidated financial information of material joint ventures

Summarised consolidated financial information in respect of each of the Group's material joint ventures is set out below. The summarised consolidated financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

RenMinShiXun

As disclosed in note (b) above, RenMinShiXun ceased to be a joint venture of the Group on 31st December, 2013. The results disclosed below represent the full year consolidated results of RenMinShiXun for 2013 and 2012.

	2013 HK\$'000	2012 HK\$'000
Current assets	N/A	59,924
Non-current assets	N/A	1,866
Current liabilities	N/A	(16,547)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	N/A	5,957
Current financial liabilities (excluding trade and other payables and provisions)	N/A	3,553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

17. INTERESTS IN JOINT VENTURES (Continued)

Summarised consolidated financial information of material joint ventures (Continued)

RenMinShiXun (Continued)

	2013 HK\$'000	2012 HK\$'000
Revenue	<u>48,624</u>	<u>30,344</u>
Profit for the year	<u>26,984</u>	<u>11,029</u>
Other comprehensive income for the year	<u>2,060</u>	<u>442</u>
Total comprehensive income for the year	<u>29,044</u>	<u>11,471</u>
The above profit for the year include the following:		
Depreciation	<u>1,308</u>	<u>1,622</u>
Interest income	<u>14</u>	<u>31</u>
Income tax expense	<u>–</u>	<u>(4,365)</u>

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in RenMinShiXun recognised in the consolidated financial statements.

	2013 HK\$'000	2012 HK\$'000
Net assets of RenMinShiXun	N/A	45,243
Proportion of the Group's ownership interest in RenMinShiXun	N/A	49%
Carrying amount of the Group's interest in RenMinShiXun	<u>N/A</u>	<u>22,169</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

17. INTERESTS IN JOINT VENTURES (Continued)

Summarised consolidated financial information of material joint ventures (Continued)

Jinghua Culture

As disclosed in note (c) above, Beida Culture holds 50% of the equity interests in Jinghua Culture. Beida Culture ceased to be a subsidiary of the Group on the date of the Disposal (as defined in note 33(i)), and became an associate of the Group from that date. Accordingly, Jinghua Culture also ceased to be a joint venture of the Group from the date of the Disposal (as defined in note 33(i)). However, in view of the significance of the investment in Jinghua Culture to Beida Culture, the consolidated financial information of Jinghua Culture has been disclosed below to provide a better understanding of the results and financial position of Beida Culture as disclosed in note 16. The results disclosed below represent the full year consolidated results of Jinghua Culture for 2013 and 2012.

	2013 HK\$'000	2012 HK\$'000
Current assets	<u>205,965</u>	<u>313,987</u>
Non-current assets	<u>18,205</u>	<u>16,073</u>
Current liabilities	<u>(41,440)</u>	<u>(105,523)</u>
Equity attributable to owners of Jinghua Culture	<u>182,171</u>	<u>222,993</u>
Non-controlling interests	<u>559</u>	<u>1,544</u>
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	<u>117,285</u>	<u>164,334</u>
Current financial liabilities (excluding trade and other payables and provisions)	<u>–</u>	<u>–</u>
Revenue	<u>343,341</u>	<u>436,274</u>
(Loss) profit for the year	<u>(56,424)</u>	<u>41,223</u>
Other comprehensive income for the year	<u>5,627</u>	<u>2,189</u>
Total comprehensive (expense) income for the year	<u>(50,797)</u>	<u>43,412</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

17. INTERESTS IN JOINT VENTURES (Continued)

Summarised consolidated financial information of material joint ventures (Continued)

Jinghua Culture (Continued)

	2013 HK\$'000	2012 HK\$'000
(Loss) profit for the year attributable to:		
Shareholders of Jinghua Culture	(55,408)	41,671
Non-controlling interest of Jinghua Culture	(1,016)	(448)
	<u>(56,424)</u>	<u>41,223</u>
Total comprehensive (expense) income for the year attributable to:		
Shareholders of Jinghua Culture	(49,812)	43,853
Non-controlling interest of Jinghua Culture	(985)	(441)
	<u>(50,797)</u>	<u>43,412</u>
The above (loss) profit for the year include the following:		
Depreciation	<u>1,312</u>	<u>1,278</u>
Interest income	<u>415</u>	<u>775</u>
Income tax expense	<u>(152)</u>	<u>(12,049)</u>

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Jinghua Culture recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

17. INTERESTS IN JOINT VENTURES (Continued)

Summarised consolidated financial information of material joint ventures (Continued)

Jinghua Culture (Continued)

	2013 HK\$'000	2012 HK\$'000
Net assets of Jinghua Culture attributable to owners of Jinghua Culture	182,171	222,993
Proportion of the Group's ownership interest in Jinghua Culture	N/A	50%
Goodwill	N/A	162,209
Effect of fair value adjustments at acquisition	N/A	340,373
	<hr/>	<hr/>
Carrying amount of the Group's interest in Jinghua Culture (note 16)	N/A	614,079
	<hr/>	<hr/>

18. GOODWILL AND IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

	HK\$'000
COST	
At 1st January, 2012	–
Arising from the Acquisition (note 32)	168,340
Exchange adjustments	2,820
	<hr/>
At 31st December, 2012 (restated)	171,160
Exchange adjustments	4,826
	<hr/>
At 31st December, 2013	175,986
	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

18. GOODWILL AND IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE (Continued)

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful life have been allocated to a group of CGUs, including several subsidiaries in production and distribution of film rights segment ("Entertainment"). The carrying amounts of goodwill and intangible assets with indefinite useful life as at 31st December, 2013 and 2012 allocated to this unit are as follows:

	2013		2012	
	Goodwill HK\$'000	Intangible assets with indefinite useful life HK\$'000	Goodwill HK\$'000 (restated)	Intangible assets with indefinite useful life HK\$'000 (restated)
Entertainment ("Unit A")	175,986	9,986	171,160	9,712

During the years ended 31st December, 2013 and 2012, the directors of the Company determined that there was no impairment of any of its CGUs containing goodwill and intangible assets with indefinite useful lives.

The basis of the recoverable amounts of the above CGU and its major underlying assumptions are summarised below:

Unit A

The recoverable amounts of Unit A as at 31st December, 2013 has been determined on the basis of value in use calculations. Its recoverable amount is based on certain key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 18.5% (2012: 18.5%). Unit A's cash flows beyond the 5-year period are extrapolated using a 2% (2012: 2%) growth rate. The 2% (2012: 2%) growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on Unit A's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A to exceed the aggregate recoverable amount of Unit A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

19. INTANGIBLE ASSETS

	Film and television programme production and distribution licenses HK\$'000	Mobile game HK\$'000	eBook publication HK\$'000	Broadcasting right HK\$'000	Total HK\$'000
COST					
At 1st January, 2012	9,616	–	–	–	9,616
Exchange adjustments	96	20	12	–	128
Additions	–	2,111	1,247	–	3,358
Arising on the Acquisition (note 32)	–	–	–	22,984	22,984
Disposal of subsidiaries (note 33(iii))	–	–	–	(22,984)	(22,984)
At 31st December, 2012 (restated)	9,712	2,131	1,259	–	13,102
Exchange adjustments	274	69	50	–	393
Additions	–	732	1,176	–	1,908
At 31st December, 2013	9,986	2,932	2,485	–	15,403
AMORTISATION AND IMPAIRMENT					
At 1st January, 2012	–	–	–	–	–
Exchange adjustments	–	4	5	–	9
Charge for the year	–	414	676	2,553	3,643
Eliminated on disposal of subsidiaries (note 33(iii))	–	–	–	(2,553)	(2,553)
At 31st December, 2012 (restated)	–	418	681	–	1,099
Exchange adjustments	–	43	22	–	65
Charge for the year	–	899	218	–	1,117
Impairment loss recognised in the year (Note)	–	1,572	–	–	1,572
At 31st December, 2013	–	2,932	921	–	3,853
CARRYING VALUES					
At 31st December, 2013	9,986	–	1,564	–	11,550
At 31st December, 2012 (restated)	9,712	1,713	578	–	12,003

Note: During the year ended 31st December, 2013, as the mobile game subscription segment continued to incur losses, the management assessed the future economic benefits generated by its intangible assets. After the assessment, the management decided to fully impair the related intangible assets of HK\$1,572,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

19. INTANGIBLE ASSETS (Continued)

Other than film and television programme production and distribution licenses, the above intangible assets relate to development costs which have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Mobile game	2 years
eBook publication	2 years
Broadcasting right	3 years

Intangible assets of licences for production and distribution of television drama series, television programmes and films in the PRC have indefinite useful lives. The renewal of these licences are subject to the approval of the respective bureau. In the opinion of the directors, the renewal of these licences will continuously be approved with minimal costs and accordingly, they are deemed to have indefinite lives. These intangible assets will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that it may be impaired. Details of impairment testing are set out in note 18.

20. CLUB DEBENTURE

	2013 HK\$'000	2012 HK\$'000
Club debenture, at cost	<u>2,916</u>	<u>2,836</u>

21. ART WORK

	HK\$'000
COST	
At 1st January, 2012	–
Exchange adjustments	804
Additions	102,915
Arising from the Acquisition (note 32)	<u>60,588</u>
At 31st December, 2012	164,307
Exchange adjustments	2,419
Additions	70,112
Disposal	<u>(74,074)</u>
At 31st December, 2013	<u>162,764</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

21. ART WORK (Continued)

During the year ended 31st December, 2013, the Group disposed of certain art work with an aggregate carrying amount approximately of HK\$74,074,000 at aggregated consideration of approximately HK\$151,677,000, resulting in a gain on disposal of approximately HK\$75,780,000. In the opinion of the directors, having considered that substantial portion of art work was purchased during the year ended 31st December, 2012 from sizable auction houses and the positive result of the sales of similar art work in the public in recent period, there was no indication of impairment as at 31st December, 2013 and 2012.

22. FILM RIGHTS

	HK\$'000
COST LESS IMPAIRMENT	
At 1st January, 2012	119,657
Exchange adjustments	1,221
Additions	214,512
Arising from the Acquisition (note 32)	30,916
Recognised as an expense included in cost of sales and services	(197,010)
	<hr/>
At 31st December, 2012	169,296
Exchange adjustments	6,274
Additions	375,339
Recognised as an expense included in cost of sales and services	(181,972)
Impairment loss recognised in the year	(4,045)
	<hr/>
At 31st December, 2013	364,892
	<hr/>

At 31st December, 2013, included in film rights costs are costs of films under production of HK\$267,173,000 (2012: HK\$90,426,000) and costs of films with completed production of HK\$97,719,000 (2012: HK\$78,870,000).

The cost of film rights are recognised as an expense in the consolidated statement of profit or loss based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights.

As at 31st December, 2013, management of the Group considered the expected future income of certain film rights could not recover the respective relevant film costs. An impairment of HK\$4,045,000 was recognised. For the remaining film rights, the expected income exceeds the relevant film costs. Accordingly, no impairment was recognised for these remaining film rights.

As at 31st December, 2012, management of the Group considered the expected income exceeded the relevant film costs. Accordingly, no impairment was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

23. INVESTMENTS HELD FOR TRADING

	2013 HK\$'000	2012 HK\$'000
Equity securities listed in Hong Kong	<u>3,249</u>	<u>21,569</u>

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 HK\$'000	2012 HK\$'000 (restated)
Trade receivables	<u>464,153</u>	<u>345,796</u>
Refundable deposit in relation to acquisition of an investee (Note a)	30,691	29,851
Amount receivable from a former subsidiary (Note b)	–	41,659
Deferred considerations for disposal of art work (Note c)	76,074	–
Deferred considerations for disposal of subsidiaries (note 33)	166,400	77,560
Other tax recoverable	30,649	24,766
Other receivables and deposits	<u>16,153</u>	<u>13,460</u>
	319,967	187,296
Deposits paid for acquisition of property, plant and equipment and art work	–	20,157
Prepayments for film production (Note d)	114,042	39,073
Prepayment for consultancy service fee	–	14,904
Other prepayments	3,479	13,222
Amount due from a joint venture partner (Note e)	–	15,547
	<u>437,488</u>	<u>290,199</u>
Total other receivables, deposits and prepayments		
Analysed as		
Current	305,987	222,731
Non-current	<u>131,501</u>	<u>67,468</u>
	437,488	290,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

- (a) In prior year, the Group signed an agreement with a third party, pursuant to which the Group entrusted the third party and paid it a deposit of RMB24,000,000, which then submitted an application and the deposit to SUAEE for its intention to acquire for the 50% equity interests in another entity. The deposit is fully refundable prior to the approval of SUAEE and completion of the transaction. The demand for refund was submitted during the year ended 31st December, 2012 and remained in progress as at 31st December, 2013. In the opinion of the directors of the Group, the amount will be refunded within two years from 31st December, 2013. Accordingly, the balance is classified as non-current assets.
- (b) The amount was unsecured, non-interest bearing and has no fixed repayment terms. During the year ended 31st December, 2013, the amount was fully settled.
- (c) The amount is unsecured and non-interest bearing. Such balance was settled subsequent to the year ended 31st December, 2013.
- (d) In 2011, the Group signed two cooperative agreements with other film production companies ("Film Workshops") pursuant to which the Group paid start-up costs to the Film Workshops which in return agreed to produce at least one film each year for the agreed period as stated in the agreements. Accordingly, a portion of start-up costs amounting to HK\$39,194,000 (2012: HK\$38,122,000) is classified as non-current assets. Subsequent to year ended 31st December, 2013, one of the Film Workshops agreed with the Group to terminate the cooperative agreement and the start-up costs paid of HK\$33,568,000 was agreed to be refunded to the Group before 30th June, 2014.

In September, 2012, the Group entered into a film cooperation agreement with Mr. Chiau Sing Chi (also known as Stephen Chow, "Mr. Chiau"), pursuant to which Mr. Chiau planned to produce 5 films in the coming 7 years and the Group will contribute RMB10,000,000 towards the production costs for each film. The Group paid a total amount of RMB50,000,000 (approximately HK\$62,189,000) during the year ended 31st December, 2013 for the film production of 5 films by Mr. Chiau and the production of first film is expected to start before 30th June, 2014. Accordingly, a portion of the prepayments amounting to RMB10,000,000 (approximately HK\$12,438,000) is classified as current assets and the remaining RMB40,000,000 (approximately HK\$49,751,000) is classified as non-current assets.

In November, 2013, the Group entered into a film cooperation agreement with a company owned by Mr. Chan Ho Sun (also known as Peter Chan, "Mr. Chan"), pursuant to which Mr. Chan planned to produce 5 films in the coming 7 years. In current year, the Group contributed RMB10,000,000 (approximately HK\$12,659,000) towards the production costs of first film and the production of first film is expected to start in April 2014. Accordingly, the prepayment balance is classified as current assets.

- (e) The amount is unsecured and non-interest bearing. The balance was set-off upon disposal of Beida Culture as set out in note 33(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

Trade receivables

Trade receivables consist of receivables from debtors arising from production and distribution of film rights segment and other business segments, are analysed as follows:

	2013 HK\$'000	2012 HK\$'000 (restated)
Production and distribution of film rights	415,569	278,976
Other business segments	48,584	66,820
	<hr/> 464,153	<hr/> 345,796

Credit terms for year ended 31st December, 2013

For the production and distribution of film rights segment, according to certain sales contracts signed with customers, approximately 25% to 50% of the total contract value are billed with credit period of 90 days upon signing of the contracts and the remaining contract value are to be billed within one year after the 90-day credit period granted in first billing. For the remaining sales contracts, 50% of the total contract value are billed upon signing of the contracts and delivery of the master copies of television programmes or television drama series, with credit periods ranged from 60 days to 90 days. Remaining 50% of the contract value is billed with credit period ranged from 60 days to 90 days after the relevant television programmes or television drama series are broadcasted, which is normally within six months from the date of delivery of the relevant master copies of television programmes or television drama series. For the revenue from box office income of films broadcasted, the payment term is normally within one year of the film release.

Credit terms for year ended 31st December, 2012

For the production and distribution of film rights segment, according to the majority of sales contracts signed with customers, 50% and 40% of the total contract value are billed upon signing of the contracts and delivery of the master copies of films or television drama series with credit periods ranged from 60 days to 90 days respectively. Remaining 10% of the contract value is billed and with credit period ranged from 60 days to 90 days after the relevant films or television drama series are broadcasted, which is normally within one year from the date of delivery of the relevant master copies of films or television drama series.

The directors will assess whether allowance on these receivables is necessary on a regular basis after considering (i) the reputation and historic trading history of these customers; (ii) the market situations that lead to delay of broadcasting; (iii) industry practice in settlement; and (iv) subsequent settlements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Trade receivables (Continued)

The following is an aged analysis of trade receivables for production and distribution of film rights segment presented based on (i) the date of delivery of the master copies of television programmes or TV drama series for sales of film rights; and (ii) the date of films rendered to the cinema audience for revenue from box office takings, which approximated the respective dates on which revenue was recognised:

	2013 HK\$'000	2012 HK\$'000 (restated)
0 – 90 days	100,058	200,806
91 – 180 days	5,493	45,545
181 – 365 days	210,028	18,715
Over 365 days	99,990	13,910
	415,569	278,976

The following is an aged analysis of trade receivables for other business segments presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2013 HK\$'000	2012 HK\$'000 (restated)
0 – 90 days	25,150	63,777
91 – 180 days	7,027	1,631
181 – 365 days	16,407	1,412
	48,584	66,820



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

Trade receivables (Continued)

The Group has a policy of allowing its trade customers from all business segments other than production and distribution of film rights segment credit periods normally ranging from 120 days to 180 days. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed regularly.

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$91,670,000 (2012: HK\$15,322,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 347 days (2012: 679 days).

Aging of trade receivables which are past due but not impaired

	2013 HK\$'000	2012 HK\$'000 (restated)
0 – 90 days	18,553	–
91 – 180 days	3,154	–
181 – 365 days	39,641	1,412
Over 365 days	30,322	13,910
	<hr/>	<hr/>
Total	91,670	15,322

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash and bank balances held by the Group with original maturity of three months or less and carry interest at prevailing deposit rates which range from 0.01% to 0.35% (2012: 0.01% to 0.5%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

26. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

Trade and other payables and accrued charges comprise amounts outstanding for trade purchases and ongoing costs. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period as well as the analysis of other payables and accrued charges at 31st December, 2013:

	2013 HK\$'000	2012 HK\$'000 (restated)
0 – 90 days	22,054	28,042
91 – 180 days	–	173
181 – 365 days	16,453	178
Over 365 days	293	4,189
	<hr/>	<hr/>
Total trade payables	38,800	32,582
Other tax payable	64,084	49,535
Accrued staff cost	9,880	9,304
Amounts due to joint ventures	–	5,264
Other payables and accrued charges (Note)	35,272	46,611
	<hr/>	<hr/>
	148,036	143,296

The average credit period on purchase of goods is normally ranging from 120 days to 210 days.

Note: As at 31st December, 2012, included in other payables and accrued charges are payables and accruals of HK\$14,448,000 on legal and professional fees in relation to acquisition projects. The balance was fully paid during the year ended 31st December, 2013. The remaining balances as at 31st December, 2012 and the whole balance as at 31st December, 2013 are payables and accruals for daily operation expenses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

27. ISSUED SHARE CAPITAL

CEMG

Number of shares			Share capital			
Ordinary shares '000	Series A preferred shares ("Preferred shares") '000	Total '000	Par value per share US\$	Ordinary shares HK\$'000	Preferred shares HK\$'000	Total HK\$'000
At 1st January, 2012 and 31st January, 2012, immediately before the Acquisition (as defined in note 32)						
1,000,000	250,000	1,250,000	0.00001	78	20	98

THE COMPANY

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.25 each		
Authorised:		
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	10,000,000,000	2,500,000
Issued and fully paid:		
At 1st January, 2012 and 31st January, 2012, immediately before the Acquisition (as defined in note 32)	2,082,592,564	520,648
New shares issued in respect of the Acquisition (Note a)	5,040,750,000	1,260,188
Issue of subscription shares (Note b)	619,400,000	154,850
At 31st December, 2012	7,742,742,564	1,935,686
Issue of subscription shares (Note c)	582,630,000	145,657
At 31st December, 2013	8,325,372,564	2,081,343

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

27. ISSUED SHARE CAPITAL (Continued)

THE COMPANY (Continued)

Notes:

- (a) On 31st January, 2012, the Company issued 5,040,750,000 ordinary shares of HK\$0.25 each in exchange of the entire issued share capital, including Preferred shares, of CEMG.
- (b) Upon the completion of the Acquisition (as defined in note 32) and pursuant to a conditional subscription agreement entered into on 21st October, 2011, the Company further issued 619,400,000 ordinary shares of HK\$0.25 each at the subscription price of HK\$0.40 per share to an independent third party on 31st January, 2012 totalling HK\$247,760,000.
- (c) On 25th July, 2013, the Company further issued 582,630,000 ordinary shares of HK\$0.25 each at the subscription price of HK\$0.46 per share to certain independent third parties totalling HK\$268,010,000.

All the shares issued ranked pari passu with the existing shares of the Company in all respects.

28. CONVERTIBLE NOTES

Pursuant to the equity transfer agreements for the acquisition of the entire issued share capital of Prefect Strategy International Limited ("Prefect Strategy") and Main City which have indirect control and an effective interest in Beida Culture, the Company issued two zero coupon convertible notes which have an aggregate principal amount of HK\$470,000,000 on 3rd June, 2010. The first convertible note ("CB1") amounting to HK\$350,000,000 would be matured in 3 years after the date of issue. The second convertible note ("CB2") amounting to HK\$120,000,000 will be matured on the fifth anniversary after the date of issue. On 6th August, 2010, CB2 was fully converted into shares of the Company.

In addition, based on the relevant agreements, the Group is required to issue the additional amount of convertible note of the Company amounting to a principal amount of HK\$30,000,000 (the "Additional CB") to the vendor if profit after taxation of Beida Culture in the year 2010 exceeds HK\$50,000,000 (the "Condition") has been satisfied. Since the Condition was fulfilled as at 31st December, 2010, the obligation of the issuance of the Additional CB was established. The Additional CB, a zero coupon convertible note with principal amount of HK\$30,000,000 was issued on 30th March, 2011 and will be matured on the fifth anniversary after the date of issue.

The convertible notes entitle the note holders to convert them into shares of the Company at any time within 3 years (for CB1) or 5 years (for CB2 and Additional CB) from the date of issue of the convertible notes, at the conversion price per share of HK\$1.2 for CB1 or HK\$1 for CB2 and Additional CB respectively, subject to anti-dilution clauses. In addition, the note holders shall exercise its conversion rights in relation to all outstanding amount of the convertible notes if (i) the market closing price of the shares on the Stock Exchange shall for 10 consecutive trading days be more than HK\$1.5 per share; and (ii) the Company shall give to the note holders within 7 business days written notice of compulsory conversion requiring the note holders to exercise its conversion rights in relation to all outstanding amount of the convertible notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

28. CONVERTIBLE NOTES (Continued)

If the convertible notes have not been converted, they will be redeemed at par on 3rd June, 2013 (for CB1) or 30th March, 2016 (for Additional CB) respectively. The Company is allowed at any time since the date of issue to the maturity date, to redeem the convertible notes at its face value provided that any such redemption shall be made in amount of not less than a whole multiple of HK\$1,000,000 as specified in the redemption notice of not less than 7 days (which notice will be irrevocable), if there shall occur before the maturity date any period of 20 consecutive trading days within which the shares shall be trading on the Stock Exchange at the volume of not less than 10,000,000 shares for each of the trading days within the conversion period with the market closing price of the shares being not less than HK\$1.5.

The convertible notes are issued in HK\$. However, upon issuance of the convertible notes and throughout the period until maturity date, the convertible notes shall be translated at the exchange rate at the date of issuance of HK\$1.00 = RMB 0.91. Any payment in the event of redemption by the Company shall be made in RMB by reference to the exchange rate of HK\$1.00 = RMB0.91. Any conversion shall be made by reference to the principal amounts stated in HK\$.

The convertible notes contain two components, liability (together with embedded derivative for early redemption right by the Company which is closely related to the host debt) and equity elements. At the date of the Acquisition (as defined in note 32), the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts and the fair value of the conversion option for the note holders to convert the notes into equity which is included in equity (equity component of convertible notes) is determined using the Binomial Model.

The fair values of the embedded derivative for conversion rights by the note holders at the date of the Acquisition (as defined in note 32) are calculated using the Binomial Model. The inputs into the model were as follows:

	CB1	Additional CB
Share price at the date of the Acquisition (as defined in note 32)	HK\$0.33	HK\$0.33
Conversion price	HK\$1.20	HK\$1.00
Expected volatility (Note a)	49%	80%
Expected life (Note b)	1.3 years	4.2 years
Risk free interest rate (Note c)	0.23% per annum	0.23% per annum

Notes:

- (a) Expected volatility for embedded derivative was determined by calculating the historical volatility of the Company's share price based on weekly basis.
- (b) Expected life was the expected remaining life of the embedded derivative.
- (c) The risk free interest rate is determined by reference to the Hong Kong Exchange Fund Note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

28. CONVERTIBLE NOTES (Continued)

The fair values of the liability component and equity component for CB1 and Additional CB at the date of the Acquisition (as defined in note 32) were as follows:

	CB1	Additional CB
	HK\$'000	HK\$'000
Liability component	308,948	19,452
Equity component	401	3,570
	308,948	23,022

The effective interest rate of the liability component is 10.2% for CB1 and 10.9% for Additional CB at the date of the Acquisition.

The movement of the liability component of the convertible notes for the year is set out below:

	Principal amount	Carrying amount
	HK\$'000	HK\$'000
At 1st January, 2012	–	–
Addition arising from the Acquisition (note 32)	380,000	328,400
Interest charged (note 10)	–	25,983
Exchange adjustments	–	(70)
	380,000	354,313
At 31st December, 2012	380,000	354,313
Reclassified to other payable (Note)	(350,000)	(350,000)
Interest charged (note 10)	–	19,627
Exchange adjustment	–	(182)
	30,000	23,758
At 31st December, 2013	30,000	23,758

Note: CB1 was matured on 3rd June, 2013. On the same date, the Company and CB1 holder entered into an agreement to extend the repayment of the amount due (the "HK\$350,000,000 Payable") from 3rd June, 2013 to 30th June, 2013.

Since the date of the Acquisition up to the maturity date of 3rd June, 2013 and 31st December, 2013, none of the CB1 and Additional CB with principal amount of HK\$350,000,000 and HK\$30,000,000 respectively has been converted.

As set out in note 33(i), part of the consideration for the disposal of 70% equity interest in Beida Culture was satisfied by the surrender of HK\$350,000,000 Payable. The amount was settled during the year ended 31st December, 2013.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

29. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013 HK\$'000	2012 HK\$'000 (restated)
Deferred tax assets	1,219	1,319

The following are the major deferred tax assets recognised and movements thereon during the current and prior years:

	Allowance for doubtful debts HK\$'000	Others HK\$'000	Total HK\$'000
At 1st January, 2012	–	–	–
Arising from the Acquisition (note 32)	2,254	826	3,080
Exchange adjustments	5	9	14
Charge to consolidated statement of profit or loss for the year (note 12)	(1,775)	–	(1,775)
At 31st December, 2012 (restated)	484	835	1,319
Exchange adjustments	11	24	35
Charge to consolidated statement of profit or loss for the year (note 12)	(135)	–	(135)
At 31st December, 2013	360	859	1,219

Starting from 1st January, 2008, the tax law of the PRC requires payment of withholding tax upon the distribution of profits earned by the PRC subsidiaries to the foreign shareholders. Deferred tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits generated by subsidiaries amounting to approximately HK\$457,112,000 (2012: HK\$279,862,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had estimated unused tax losses of HK\$223,274,000 (2012: HK\$186,989,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$139,176,000 (2012: HK\$109,559,000) that will expire in 5 years from the year of origination since 2009. Other losses may be carried forward indefinitely.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

30. SHARE-BASED PAYMENT TRANSACTIONS

Share option schemes of the Company

Pursuant to the old share option scheme (the "Old Share Option Scheme") which was adopted by the Company on 23rd May, 2002, the board of directors of the Company may grant to any director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company, in accordance with the terms of the Old Share Option Scheme. The Old Share Option Scheme expired on 23rd May, 2012. The share options granted under the Old Share Option Scheme prior to its expiry shall continue to be valid and exercisable in accordance with the provisions of the Old Share Option Scheme. A summary of the terms applicable to the outstanding share options of the Old Share Option Scheme has been disclosed in the Company's 2011 Annual Report. The Old Share Option Scheme expired on 23rd May, 2012.

The Company's new share option scheme (the "New Share Option Scheme") was adopted by the shareholders pursuant to a resolution passed on 11th June, 2012 for the primary purpose of providing incentives or rewards to any director, employee and other eligible participants who may make contribution to the Group. The directors of the Company considered that the New Share Option Scheme, which will be valid for 10 years from the date of its adoption, will provide the Company with more flexibility in long term planning of granting of the share options to eligible persons in a longer period in the future after the expiry of the Old Share Option Scheme. The New Share Option Scheme will expire on 12th June, 2022.

The total number of shares in respect of which options may be granted under the New Share Option Scheme and any other schemes is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the New Share Option Scheme (the "Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time. As at 31st December, 2013, a total of 774,274,256 (2012: 774,274,256) shares of the Company (representing 10% of the issued share capital of Company at the adoption date of the New Share Option Scheme) are available for issue under the New Share Option Scheme.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK\$5,000,000 in the 12-month period up to the date of grant must be approved in advance by the shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option schemes of the Company *(Continued)*

Options granted must be taken up within 21 days from date of grant, upon payment of HK\$1 per each grant of options. An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the effective period of the New Share Option Scheme to be notified by the board of directors which shall not be later than 10 years from date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant and, the average closing price of the Company's shares on the Stock Exchange for the five business days immediately preceding the date of grant, provided that the exercise price should not be lower than the nominal value of the Company's share.

No share options were granted under the New Share Option Scheme since its adoption during the years ended 31st December, 2013 and 2012. No share options were granted under the Old Share Option Scheme before its expiry during the year ended 31st December 2012.

The fair values of the options granted on 18th March, 2010 and 4th May, 2010 determined at the date of the Acquisition (as defined in note 32) using the Binomial Model were HK\$19,802,000 and HK\$5,082,000 respectively.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in the consolidated statement of profit or loss, with a corresponding adjustment to the share option reserve.

Details of the movements of the share options granted by the Company pursuant to the Old Share Option Scheme from the date of Acquisition are as below. To provide a better understanding on details of the Old Share Option Scheme, additional information before the Acquisition has been disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option schemes of the Company (Continued)

Category	Date of grant (Note a)	Exercise price per share HK\$	Number of share options
			At 1st January, 2012, the date of the Acquisition and outstanding as at 31st December, 2012 and 2013
1. Directors	04.05.2010	0.560	29,160,000
2. Employees	18.03.2010	0.475	82,250,000
	04.05.2010	0.560	7,200,000
3. Consultants	18.03.2010	0.475	29,300,000
Total			147,910,000
Exercisable at 31st December, 2013 and 31st December, 2012			147,910,000
Weighted average exercise price at 31st December, 2013 and 31st December, 2012			HK\$0.50
Exercisable at the date of the Acquisition			98,607,000
Weighted average exercise price at the date of the Acquisition			HK\$0.496

Notes:

- (a) Date of grant refers to the date on which the Group granted share options to its directors, employees and consultants.
- (b) According to the Old Share Option Scheme, all the share options granted on 18th March, 2010 and 4th May, 2010 were fully vested during the year ended 31st December, 2012.
- (c) The period within which the share options must be exercised shall not be more than 10 years from the date of grant.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share option schemes of the Company (Continued)

Notes: (Continued)

- (d) Employees are working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance.
- (e) During the years ended 31st December, 2013 and 2012, no share options were exercised, cancelled or lapsed. The options outstanding as at 31st December, 2013 and 2012 had a weighted average remaining contractual life of 7 years (2012: 8 years).
- (f) The Group recognised the total expense of HK\$1,604,000 for the year ended 31st December, 2012 in relation to the share options granted to the directors and employees of the Company. All the share options were vested during the year ended 31st December, 2012.

In the opinion of the directors, the consultancy services rendered by the consultants were similar to those rendered by the employees. Therefore, the fair value of the share options granted to the consultants was measured by the same accounting policies as that of the employees in accordance with HKFRS 2. During the year ended 31st December, 2012, share-based payment expense of HK\$542,000 in respect of the share options granted to the consultants has been charged to the consolidated statement of profit or loss. All the share options were vested during the year ended 31st December, 2012.

31. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees’ monthly relevant income with a maximum monthly contribution of HK\$1,250 per person (the maximum monthly contribution is HK\$1,000 per person before 1st June, 2012).

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute 20% – 22% (2012: 20% – 22%) of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year, the Group made total contributions to the retirement benefits schemes of HK\$13,979,000 (2012: HK\$11,997,000). Included in the total contribution made, HK\$157,000 (2012: HK\$148,000) is contribution made for Hong Kong employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

32. ACQUISITION OF SUBSIDIARIES

Acquisition of business through purchase of subsidiaries for the year ended 31st December, 2012

On 21st October, 2011, the Company entered into a sale and purchase agreement with Sequoia Capital 2010 CGF Holdco, Ltd., Brilliant Mark Limited and World Charm Holdings Limited (collectively referred to as the "Target Shareholders") pursuant to which the Company conditionally agreed to acquire the entire issued share capital of CEMG for a total consideration of approximately HK\$2,016,300,000 (the "Acquisition"). The Acquisition was completed on 31st January, 2012. The consideration for the Acquisition was satisfied by the issuance of 5,040,750,000 new ordinary shares of the Company of HK\$0.25 each at a market price of HK\$0.33 per share (note 27).

Upon completion of the Acquisition, the Target Shareholders of CEMG (together with its subsidiaries collectively referred to as the "CEMG Group") received 5,040,750,000 ordinary shares of the Company, representing 70.8% of the enlarged issued share capital of the Company immediately after completion of the acquisition. As a result, the Target Shareholders of CEMG received and owned the largest portion of the voting rights of the Company.

As the Acquisition resulted in the Target Shareholders of CEMG Group becoming, as a group, the controlling shareholders of the Company, the Acquisition was accounted for as a reverse acquisition, under which the CEMG Group was treated as the accounting acquirer and the Company and its subsidiaries (the "ChinaVision Group") immediately before the completion of the Acquisition was deemed to have been acquired by the CEMG Group.

Deemed consideration transferred

	HK\$'000
Shares issued (Note)	687,256
Fair value of equity component of convertible notes of the ChinaVision Group	3,971
Fair value of vested share options of the ChinaVision Group	23,280
	<hr/>
	714,507

Note: The deemed consideration amounted to approximately HK\$687,256,000 represents the fair value of 2,082,592,564 ordinary shares of the Company in issue immediately prior to the Acquisition determined by reference to the published closing market price of HK\$0.33 per share at the date of the Acquisition i.e. 31st January, 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

32. ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition of business through purchase of subsidiaries for the year ended 31st December, 2012 (Continued)

The fair value of net assets of the ChinaVision Group acquired in the transaction and the goodwill arising as at the date of the Acquisition are as follows:

	Acquiree's carrying amounts before the Acquisition	Fair value adjustments	Fair value
	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
Current assets			
Film rights	30,916	–	30,916
Investments held for trading	13,586	–	13,586
Loan receivable	22,167	–	22,167
Trade and other receivables, deposits and prepayments	157,406	–	157,406
Amounts due from non-controlling interests	805	–	805
Bank balances and cash	8,540	–	8,540
Non-current assets			
Property, plant and equipment	17,904	–	17,904
Intangible assets	26,739	(3,755)	22,984
Interest in an associate	105,724	–	105,724
Interests in joint ventures	601,572	–	601,572
Club debenture	2,808	–	2,808
Art work	60,588	–	60,588
Deposits and prepayments	11,153	–	11,153
Deferred assets	3,080	–	3,080
Current liabilities			
Trade and other payables and deposits received	(94,171)	–	(94,171)
Amount due to a non-controlling interest	(739)	–	(739)
Amounts due to joint ventures	(13,838)	–	(13,838)
Tax liabilities	(26,728)	–	(26,728)
Borrowings	(23,297)	–	(23,297)
Non-current liability			
Convertible notes	(328,400)	–	(328,400)
	<u>575,815</u>	<u>(3,755)</u>	<u>572,060</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

Acquisition of business through purchase of subsidiaries for the year ended 31st December, 2012 *(Continued)*

The receivables acquired (which principally comprised loan receivable, trade and other receivables and amounts due from non-controlling interests) with a fair value of HK\$174,384,000 at the date of Acquisition had gross contractual amounts of HK\$189,044,000. At date of Acquisition, the best estimate of the contractual cash flows not expected to be collected amounted to HK\$14,660,000.

Non-controlling interests

The non-controlling interests in the ChinaVision Group recognised at the date of the Acquisition was measured by reference to the respective proportionate shares of recognised amounts of net assets of relevant subsidiaries and amounted to HK\$25,893,000.

Goodwill arising on Acquisition

	HK\$'000 (restated)
Consideration transferred	714,507
Plus: non-controlling interests	25,893
Less: recognised amount of identifiable net assets acquired	(572,060)
	168,340
Goodwill arising on acquisition	168,340
Exchange adjustment	2,820
	171,160
Carrying value at 31st December, 2012	171,160

The goodwill arising on the Acquisition is attributable to the anticipated synergy effect of the production and distribution of film rights of the Group.

None of the goodwill arising on this Acquisition is expected to be deductible for tax purposes.

Cash inflow arising on acquisition

	HK\$'000 (restated)
Bank balances and cash acquired	8,540
	8,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

32. ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition of business through purchase of subsidiaries for the year ended 31st December, 2012 (Continued)

Impact of the Acquisition on the results of the Group

For the year ended 31st December, 2012, included in the profit for the year attributable to the owners of the Company and non-controlling interests are HK\$75,364,000 and HK\$2,517,000 respectively generated by the ChinaVision Group businesses. Revenues for the year include HK\$56,603,000 generated from the ChinaVision Group.

Had the Acquisition been effected at the beginning of 2012, total Group's revenue for the year ended 31st December, 2012 would have been HK\$805,301,000 and the Group's profit for the year would have been HK\$165,434,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

33. DISPOSAL OF SUBSIDIARIES

- (i) On 20th June, 2013, the Company entered into an agreement with an independent third party (the "Third Party") to dispose 70% of its equity interest of Beida Culture which holds 50% equity interest in Jinghua Culture, at a consideration of HK\$400,000,000 (the "Disposal"). The Third Party is the original vendor which sold the 70% equity interest of Beida Culture to the Company at the original consideration of HK\$400,000,000 during the year ended 31st December, 2010. The consideration shall be satisfied by (i) HK\$50,000,000 deferred cash consideration to be settled within two working days after obtaining approval from the Company's shareholder; and (ii) the surrender of HK\$350,000,000 Payable. The Disposal was completed during the year ended 31st December, 2013. The net assets of Beida Culture at the date of disposal were as follows:

Consideration received and receivable

	HK\$'000
Deferred cash consideration	50,000
Surrender of HK\$350,000,000 Payable	350,000
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	400,000

The deferred consideration of HK\$50,000,000 was settled subsequent to the year ended 31st December, 2013.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

33. DISPOSAL OF SUBSIDIARIES (Continued)

(i) (Continued)

Analysis of assets and liabilities over which control was lost

	HK\$'000
Property, plant and equipment	764
Interest in a joint venture	613,964
Amount due from a joint venture partner	15,823
Bank balances and cash	8
Trade and other payables and accrued charges	(1,734)
Tax liabilities	(7,213)
	<hr/>
Net assets of subsidiary disposed of	<u>621,612</u>

Loss on disposal of subsidiary

	HK\$'000
Consideration received and receivable	400,000
Net assets disposed of	(621,612)
Interest in an associate at fair value on initial recognition (Note)	171,484
	<hr/>
Loss on disposal	<u>(50,128)</u>

Cash outflow arising on disposal

	HK\$'000
Bank balances and cash disposed of	<u>(8)</u>

Note: The fair value of the interest in an associate is determined by the discounted cash flow method, based on cash flows projections covering 5 years and terminal value covering the following years indefinitely using a growth rate of 3%. A discount rate of 14.6% and discount for lack of control of 25% had been used to estimate the fair value of the interest in an associate at date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

33. DISPOSAL OF SUBSIDIARIES (Continued)

- (ii) On 18th December, 2013, the Group entered into an agreement with an independent third party to dispose of its entire equity interest of Main City and 49% equity interest of RenMinShiXun, at a consideration of US\$18,800,000 of which US\$3,800,000 to be settled before 31st December, 2013 and US\$15,000,000 to be settled on 20th March, 2014. The transaction was completed on 31st December, 2013, on which date control of Main City and RenMinShiXun were passed to the acquirer. The net assets of Main City and RenMinShiXun at the date of disposal were as follows:

Consideration received and receivable

	HK\$'000
Cash received by the Group	29,488
Deferred cash consideration	116,400
	<hr/>
	145,888

Analysis of assets and liabilities over which control was lost

	HK\$'000
Interest in a joint venture	36,184
Bank balances and cash	50
Trade and other payables and accrued charges	(9)
Amounts due to group companies	(53)
	<hr/>
Net assets disposed of	36,172

Gain on disposal of subsidiary

	HK\$'000
Consideration received and receivable	145,888
Waiver of amount due to RenMinShiXun (Note)	5,365
Net assets disposed of	(36,172)
	<hr/>
Gain on disposal	115,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

33. DISPOSAL OF SUBSIDIARIES (Continued)

(ii) (Continued)

Net cash inflow arising on disposal

	HK\$'000
Cash received by the Group	29,488
Bank balances and cash disposed of	(50)
	29,438

Note: The amount due to RenMinShiXun by a wholly-owned subsidiary of the Group is waived upon the completion of disposal.

(iii) On 29th March, 2012, a wholly-owned subsidiary of the Group entered into a conditional sale and purchase agreement with an independent third party pursuant to which the Group will dispose of 100% of its equity interest in Fame Tower Limited ("Fame Tower") and Golden Pace Limited ("Golden Pace") which mainly hold 30% equity interest in Super Sports and the broadcasting right in connection with the mobile audio-visual broadcasting respectively for a total consideration of US\$20,000,000 which is equivalent to approximately HK\$155,120,000. The transaction was completed on 31st May, 2012, on which date control of Fame Tower and Golden Pace were passed to the acquirer.

Consideration received

	HK\$'000
Cash received by the Group	77,560
Deferred cash consideration	77,560
	155,120

The deferred consideration of US\$10,000,000 (equivalent to approximately HK\$77,560,000) was settled during the year ended 31st December, 2013.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

33. DISPOSAL OF SUBSIDIARIES (Continued)

(iii) (Continued)

Analysis of assets and liabilities over which control was lost

	HK\$'000
Intangible assets	20,431
Interest in an associate	104,655
Amount due to group companies	(116,742)
	<hr/>
Net assets disposed of	8,344
	<hr/>

Gain on disposal of subsidiaries

	HK\$'000
Consideration received and receivable	155,120
Net assets disposed of	(8,344)
Assignment of shareholder's loan	(116,742)
	<hr/>
Gain on disposal	30,034
	<hr/>

Cash inflow arising on disposal

	HK\$'000
Cash consideration	77,560
	<hr/>

34. OPERATING LEASE COMMITMENTS

	The Group as lessee	
	2013 HK\$'000	2012 HK\$'000 (restated)
Minimum lease payments under operating leases recognised as an expense in the year	<hr/> 19,728	<hr/> 14,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

34. OPERATING LEASE COMMITMENTS (Continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	2013 HK\$'000	2012 HK\$'000 (restated)
Not later than one year	43,251	13,668
Later than one year and not later than five years	111,384	25,496
Over five years	64,753	–
	<u>219,388</u>	<u>39,164</u>

Operating leases and rentals are negotiated for an original average term of two to seven years.

The Group as lessor

No property rental income was earned during the year ended 31st December, 2013 and 2012. The Group sub-leased certain properties and has committed tenants for the next two to three years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2013 HK\$'000	2012 HK\$'000
Not later than one year	12,682	–
Later than one year and not later than five years	12,556	–
	<u>25,238</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

35. CAPITAL COMMITMENT

The Group has entered into the following transaction, which has not been completed at the date the consolidated financial statements were authorised for issuance:

On 12th October, 2012, a wholly-owned subsidiary of the Company entered into a film art centre framework agreement (the "Framework Agreement") with Mr. Chiau pursuant to which a company will be established in the PRC and the Group will indirectly hold 75% equity interest whereas Mr. Chiau will indirectly hold the remaining 25% equity interest for the investment in a tourism project in the PRC at a place to be agreed by the parties. According to the Framework Agreement, the Group is required to contribute capital of US\$15,000,000 by way of cash. The PRC company was established during the year ended 31st December, 2013 but the Group was yet to contribute any capital as at 31st December, 2013.

36. RELATED PARTY TRANSACTIONS

At 31st December, 2013 and 2012, the Group had the following significant balances with related parties.

	At 31st December, 2013 HK\$'000	At 31st December, 2012 HK\$'000 (restated)
Amounts due to related companies (Note)	—	(1,105)

Note: At 31st December, 2012, the related companies were controlled indirectly by members of the key management personnel of the Group. The balances were unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

36. RELATED PARTY TRANSACTIONS (Continued)

Apart from the above and amounts due from/to non-controlling interests as disclosed in the consolidated statement of financial position and/or note 37, the Group has entered into the following related party transactions:

	For the year ended	
	31st December,	
	2013	2012
	HK\$'000	HK\$'000
		(restated)
Advertising agency fee paid and payable to a non-controlling interest (Note)	164,574	206,788
Advertising service fee received from a joint venture	3,678	–
Interest expense paid to a shareholder	–	385
Key management compensation:		
Short-term employee benefits	7,733	5,383
Post-employment benefits	30	26
Share-based payments	–	150
	7,763	5,559

Note: Such transaction constituted a connected transaction under the Listing Rule.

37. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS AND RELATED PARTIES

The amounts due from/to non-controlling interests are unsecured, non-interest bearing and have no fixed repayment terms. All other balances are unsecured, non-interest bearing and repayable on demand.

38. EVENTS AFTER THE REPORTING PERIOD

On 8th March, 2014, the Company and an independent third party, Alibaba Investment Limited ("Alibaba"), entered into the subscription agreement, pursuant to which Alibaba has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 12,488,058,846 new shares of the Company at an issue price of HK\$0.50 per share. The newly allotted shares represent approximately 150% of the issued share capital of the Company as at 8th March, 2014 and approximately 60% of the issued share capital of the Company as enlarged by the allotment and issue of new shares. The subscription has not yet been completed as at the date of this report.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

39. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	Notes	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Unlisted investments		2,132,714	1,966,092
Amounts due from subsidiaries	a	728,601	588,932
		2,861,315	2,555,024
Current assets			
Investments held for trading		3,249	21,569
Amounts due from subsidiaries	b	116,670	525,179
Prepayments		161	15,606
Bank balances and cash		37,019	10,319
		157,099	572,673
Current liabilities			
Other payables and accrued charges		6,146	20,016
Amounts due to subsidiaries	b	193,903	184,865
Derivative financial instruments		1,630	–
Convertible notes		–	333,069
		201,679	537,950
Net current (liabilities) assets		(44,580)	34,723
Total assets less current liabilities		2,816,735	2,589,747
Capital and reserves			
Share capital		2,081,343	1,935,686
Reserves	c	711,634	632,817
		2,792,977	2,568,503
Non-current liability			
Convertible notes		23,758	21,244
		2,816,735	2,589,747

Particulars of the principal subsidiaries of the Company at 31st December, 2013 and 2012 are set out in note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

39. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Notes:

- (a) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, the amounts will not be repaid in the next five years from 31st December, 2013 and the amounts are therefore shown as non-current assets. The effective interest rate of the amounts is 5.25% (2012: 5.25%) per annum.

- (b) Amounts due from/to subsidiaries

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

- (c) Reserves of the Company

	Share option reserve	Convertible notes equity reserve	Share premium	Capital redemption reserve	Contributed surplus	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2012	41,384	51,205	245,223	918	65,409	65,059	(401,722)	67,476
Exchange difference arising on translation to presentation currency	-	-	-	-	-	24,710	-	24,710
Profit for the year	-	-	-	-	-	-	42,289	42,289
Shares issued for the Acquisition	-	-	403,260	-	-	-	-	403,260
Issue of subscription shares	-	-	92,910	-	-	-	-	92,910
Transaction costs attributable to issue of shares	-	-	(24)	-	-	-	-	(24)
Recognition of equity-settled share-based payment	2,196	-	-	-	-	-	-	2,196
At 31st December, 2012	43,580	51,205	741,369	918	65,409	89,769	(359,433)	632,817
Exchange difference arising on translation to presentation currency	-	-	-	-	-	69,197	-	69,197
Loss for the year	-	-	-	-	-	-	(104,627)	(104,627)
Issue of subscription shares	-	-	122,352	-	-	-	-	122,352
Transaction costs attributable to issue of shares	-	-	(8,105)	-	-	-	-	(8,105)
Reclassified to retained profits upon maturity of convertible note	-	(39,017)	-	-	-	-	39,017	-
At 31st December, 2013	43,580	12,188	855,616	918	65,409	158,966	(425,043)	711,634



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

39. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Notes: (Continued)

(c) Reserves of the Company (Continued)

The contributed surplus of the Company represents the aggregate of:

- (i) the difference between the consolidated shareholders' funds of a group of subsidiaries at the date on which the corporate reorganisation became effective and the nominal amount of the Company's shares issued under the reorganisation; and
- (ii) a net balance arising from reduction of issued share capital and share premium after setting off accumulated losses of the Company during 2002 and after deducting the accumulated dividend paid from contributed surplus to shareholders.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of directors of the Company, as at 31st December, 2013, the Company's reserve available for distribution to shareholders was approximately HK\$698,528,000 (2012: approximately HK\$580,694,000).

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of CEMG before the date of Acquisition are as follows:

Name of subsidiary	Country/place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/registered capital held by CEMG 2012		Principal activities
				Directly %	Indirectly %	
Orient Ventures Limited	British Virgin Islands	Hong Kong	Ordinary US\$1	100	–	Investment holding
Gansu Fei Shi (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB5,000,000	–	–	Sales of TV advertising air-times
Asian Union (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	–	–	Production and distribution of film rights over films and TV programmes



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries of CEMG before the date of Acquisition are as follows: (Continued)

Name of subsidiary	Country/place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/registered capital held by CEMG		Principal activities
				2012		
				Directly %	Indirectly %	
Peng An Sheng Shi (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	-	-	Sales of TV advertising air-times
Tianjin Culture (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB15,000,000	-	-	Production and distribution of film rights over films and TV programmes
Tianjin Advertising (Note a)	PRC (Note b)	PRC (Note b)	Registered capital RMB7,500,000	-	-	Sales of TV advertising air-times
友利浩歌(北京)傳媒文化有限公司 ("You Li Hao Ge")	PRC (Note c)	PRC (Note c)	Registered capital RMB100,000	-	100	Investment holding

Particulars of the principal subsidiaries of the Company after the date of Acquisition are as follows:

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/registered capital held by Company				Principal activities
				2013		2012		
				Directly %	Indirectly %	Directly %	Indirectly %	
CEMG	Cayman Islands	Hong Kong	Ordinary US\$10,000 Preferred US\$2,500	100	-	100	-	Investment holding
Orient Ventures Limited	British Virgin Islands	Hong Kong	Ordinary US\$1	-	100	-	100	Investment holding
China Allied Culture Media Group Limited ("China Allied Media") (Note f)	British Virgin Islands	Hong Kong	Ordinary US\$1	-	100	100	-	Investment holding
Gain Favour Limited ("Gain Favour") (Note f)	British Virgin Islands	Hong Kong	Ordinary US\$1	-	100	100	-	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries of the Company after the date of Acquisition are as follows:
(Continued)

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/registered capital held by Company				Principal activities
				2013		2012		
				Directly %	Indirectly %	Directly %	Indirectly %	
Huge Grand Investments Limited (Note g)	British Virgin Islands	Hong Kong	Ordinary US\$1	-	100	-	-	Production and distribution of film rights over films
Rich Data Limited ("Rich Data") (Note f)	British Virgin Islands	Hong Kong	Ordinary US\$1	-	100	100	-	Provision of management services to group companies
SAC Enterprises Limited	Hong Kong	Hong Kong	Ordinary HK\$1,000	100	-	100	-	Provision of management services to group companies
SAC Finance Company Limited	Hong Kong	Hong Kong	Ordinary HK\$100	-	100	-	100	Provision of financing services
SAC Nominees Limited	Hong Kong	Hong Kong	Ordinary HK\$100	100	-	100	-	Provision of nominee services
SAC Secretarials Limited	Hong Kong	Hong Kong	Ordinary HK\$100	100	-	100	-	Provision of secretarial services
West Gold Limited	British Virgin Islands	Hong Kong	Ordinary US\$1	-	100	-	100	Production and distribution of film rights over films
Worthwide Limited	British Virgin Islands	Hong Kong	Ordinary US\$1	100	-	100	-	Investment holding
Year Wealth Limited ("Year Wealth") (Note f)	British Virgin Islands	Hong Kong	Ordinary US\$50,000	-	100	-	100	Investment holding
Zhong Lian Jinghua (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	-	-	-	-	Investment holding
Zhong Lian Tong Da (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	-	-	-	-	Provision of TV programme packaging services



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries of the Company after the date of Acquisition are as follows:
(Continued)

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/registered capital held by Company				Principal activities
				2013		2012		
				Directly %	Indirectly %	Directly %	Indirectly %	
Tianjin Tang Tu (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	-	-	-	-	Development and distribution of mobile games
Gansu Fei Shi (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB5,000,000	-	-	-	-	Sales of TV advertising air-times
Youline Technology (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	-	-	-	-	Provision of mobile value- added services
Hua Meng Shanghai (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB3,000,000	-	-	-	-	Production and distribution of film rights over films and TV programmes
Asian Union (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB10,000,000	-	-	-	-	Production and distribution of film rights over films and TV programmes
Peng An Sheng Shi (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB1,000,000	-	-	-	-	Sales of TV advertising air-time
Tianjin Culture (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB15,000,000	-	-	-	-	Production and distribution of film rights over films and TV programmes
Tianjin Advertising (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB7,500,000	-	-	-	-	Sales of TV advertising air-time
Beijing Shi Tong (Note e)	PRC (Note b)	PRC (Note b)	Registered capital RMB200,000	-	-	-	-	Investment holding
Beijing Ren He Ren (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB100,000	-	-	-	-	Magazine advertising and magazine distribution
Ren He Ren Tianjin (Note d)	PRC (Note b)	PRC (Note b)	Registered capital RMB7,500,000	-	-	-	-	Magazine advertising and magazine distribution



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries of the Company after the date of Acquisition are as follows:
(Continued)

Name of subsidiary	Country/ place of incorporation/ registration	Place/ country of operations	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/registered capital held by Company				Principal activities
				2013		2012		
				Directly %	Indirectly %	Directly %	Indirectly %	
西安金鼎影视文化 有限公司 ("Xian Jinding") (Note e)	PRC (Note b)	PRC (Note b)	Registered capital RMB3,000,000	-	-	-	-	Production and distribution of film rights over films and TV programmes
Yi Da	PRC (Note c)	PRC (Note c)	Registered capital US\$100,000	-	100	-	100	Investment holding
Zhong Lian Sheng Shi	PRC (Note c)	PRC (Note c)	Registered capital RMB100,000,000	-	100	-	100	Investment holding
You Li Hao Ge	PRC (Note c)	PRC (Note c)	Registered capital RMB100,000	-	100	-	100	Investment holding

Notes:

- (a) During the period from 1st January, 2012 to the date of Acquisition, the CEMG Group did not have any equity interest in the registered capital of Asian Union as it was owned by certain employees of the CEMG Group. Pursuant to certain agreements among Asian Union, the registered shareholders of Asian Union and the CEMG Group, the registered shareholders of Asian Union agreed to assign all the shareholders' rights of Asian Union and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of Asian Union to the Group. The directors of CEMG considered such agreements give the Group the current ability to direct the relevant activities of Asian Union. In the opinion of the directors of CEMG, all the terms of these agreements are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. With the power over Asian Union and the ability to use the power over Asian Union to affect the amount of the CEMG Group's return, it is treated as wholly-owned subsidiary of CEMG under HKFRS 10 and its results, assets and liabilities are consolidated with those of the CEMG Group.

Asian Union holds 51% equity interests of Gansu Fei Shi and 100% equity interests of Peng An Sheng Shi, Tianjin Culture and Tianjin Advertising. Pursuant to the respective Memorandum and Articles of Association of Gansu Fei Shi, Peng An Sheng Shi, Tianjin Culture and Tianjin Advertising, the daily operating and financial affairs are decided by the board of directors with simple majority of votes. Asian Union controls over 50% of the voting powers in the board of directors of Gansu Fei Shi and 100% of the voting powers in the board of directors of Peng An Sheng Shi, Tianjin Culture and Tianjin Advertising which give the Group the current ability to direct the relevant activities. Accordingly, they are treated as the subsidiaries of CEMG under HKFRS 10 and their results, assets and liabilities are consolidated with those of the Group. During the year ended 31st December, 2012, the registered shareholders of Asian Union sold their shares in Asian Union to Zhong Lian Jinghua at cost based on the registered capital of Asian Union.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes: (Continued)

- (b) These subsidiaries are domestic-invested enterprises.
- (c) These subsidiaries are wholly foreign owned enterprises.
- (d) As detailed in note 2, Zhong Lian Jinghua is treated as wholly-owned subsidiary of the Company under HKFRS 10 and its results, assets and liabilities are consolidated with those of the Group.

Zhong Lian Jinghua holds Non Wholly-owned Subsidiaries and Wholly-owned Subsidiaries. Pursuant to the respective Memorandum and Articles of Association of Non Wholly-owned Subsidiaries and Wholly-owned Subsidiaries, the daily operating and financial affairs are decided by the board of directors with simple majority of votes. Zhong Lian Jinghua controls over 50% of the voting powers in the board of directors of the Non Wholly-owned Subsidiaries and 100% of the voting powers in the board of directors of the Wholly-owned Subsidiaries which give the Group the current ability to direct the relevant activities of these entities. Accordingly, they are treated as the subsidiaries of the Company under HKFRS 10 and their results, assets and liabilities are consolidated with those of the Group.

- (e) As detailed in note 2, Beijing Shi Tong is treated as wholly-owned subsidiary of the Company under HKFRS 10 and its results, assets and liabilities are consolidated with those of the Group.

Beijing Shi Tong holds 56% equity interests of Xian Jinding. Pursuant to the Memorandum and Articles of Association of Xian Jinding, the daily operating and financial affairs are decided by the board of directors with simple majority of votes. Beijing Shi Tong controls over 50% of the voting powers in the board of directors of Xian Jinding which give the Group the current ability to direct the relevant activities of Xian Jinding. Accordingly, it is treated as a subsidiary of the Company under HKFRS 10 and its results, assets and liabilities are consolidated with those of the Group.

- (f) During the year ended 31st December, 2013, China Allied Media, Gain Favour, Year Wealth and Rich Data were transferred to Worthwide Limited.
- (g) During the year ended 31st December, 2013, Huge Grand Investments Limited was incorporated with 1 ordinary share of US\$1 issued to Worthwide Limited.

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. In addition, to provide a better understanding on details of the subsidiaries of the Company, addition information before the Acquisition has been disclosed.

None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests		Proportion of voting rights in board of directors' meeting held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	2013	2012	2013	2012	2013	2012
						HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gansu Fei Shi (Note 1)	PRC	49%	49%	43%	43%	13,567	2,138	18,856	4,975
Xian Jinding (Note 2)	PRC	44%	44%	33%	33%	-	4,932	1,891	26,860
Individually immaterial subsidiaries with non-controlling interests								(3,287)	2,202
								17,460	34,037

Notes:

- (1) Zhong Lian Jinghua holds 51% equity interests of Gansu Fei Shi in which Zhong Lian Jinghua is treated as a wholly-owned subsidiary of the Company as detailed in note 2. Pursuant to the Memorandum and Articles of Association of Gansu Fei Shi, the daily operating and financial affairs are decided by the board of directors with simple majority of votes. Zhong Lian Jinghua controls over 50% of the voting powers in the board of directors of Gansu Fei Shi which give the Group the current ability to direct the relevant activities. Accordingly, it was treated as a subsidiary of the Company under HKFRS 10.
- (2) Beijing Shi Tong holds 56% equity interests of Xian Jinding in which Beijing Shi Tong is treated as a wholly-owned subsidiary of the Company as detailed in note 2. Pursuant to the Memorandum and Articles of Association of Xian Jinding, the daily operating and financial affairs are decided by the board of directors with simple majority of votes. Beijing Shi Tong controls over 50% of the voting powers in the board of directors of Xian Jinding which give the Group the current ability to direct the relevant activities. Accordingly, it was treated as a subsidiary of the Company under HKFRS 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

Gansu Fei Shi

	31.12.2013 HK\$'000	31.12.2012 HK\$'000
Current assets	<u>60,543</u>	<u>93,409</u>
Non-current assets	<u>1,016</u>	<u>1,539</u>
Current liabilities	<u>(23,077)</u>	<u>(84,794)</u>
Equity attributable to owners of the Company	<u>19,626</u>	<u>5,179</u>
Non-controlling interests	<u>18,856</u>	<u>4,975</u>
	Year ended 31.12.2013 HK\$'000	Year ended 31.12.2012 HK\$'000
Revenue	<u>252,620</u>	<u>266,972</u>
Expenses	<u>(224,932)</u>	<u>(262,609)</u>
Profit for the year	<u>27,688</u>	<u>4,363</u>
Profit attributable to owners of the Company	<u>14,121</u>	<u>2,225</u>
Profit attributable to the non-controlling interests	<u>13,567</u>	<u>2,138</u>
Profit for the year	<u>27,688</u>	<u>4,363</u>
Other comprehensive income attributable to owners of the Company	<u>326</u>	<u>45</u>
Other comprehensive income attributable to the non-controlling interests	<u>314</u>	<u>43</u>
Other comprehensive income for the year	<u>640</u>	<u>88</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Gansu Fei Shi (Continued)

	Year ended 31.12.2013 HK\$'000	Year ended 31.12.2012 HK\$'000
Total comprehensive income attributable to owners of the Company	14,447	2,270
Total comprehensive income attributable to the non-controlling interests	13,881	2,181
Total comprehensive income for the year	<u>28,328</u>	<u>4,451</u>
Net cash (outflow) inflow from operating activities	<u>(20,506)</u>	<u>31,487</u>
Net cash inflow (outflow) from investing activities	<u>387</u>	<u>(934)</u>
Net cash (outflow) inflow	<u>(20,119)</u>	<u>30,553</u>

Xian Jinding

	31.12.2013 HK\$'000	31.12.2012 HK\$'000
Current assets	<u>97,095</u>	<u>132,413</u>
Non-current assets	<u>382</u>	<u>547</u>
Current liabilities	<u>(107,271)</u>	<u>(71,915)</u>
Equity attributable to owners of the Company	<u>(11,685)</u>	<u>34,185</u>
Non-controlling interests	<u>1,891</u>	<u>26,860</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2013

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Xian Jinding (Continued)

	Year ended 31.12.2013 HK\$'000	Year ended 31.12.2012 HK\$'000
Revenue	<u>667</u>	<u>32,341</u>
Expenses	<u>(2,927)</u>	<u>(21,131)</u>
(Loss) profit for the year	<u>(2,260)</u>	<u>11,210</u>
(Loss) profit attributable to owners of the Company	<u>(2,260)</u>	6,278
Profit attributable to the non-controlling interests	<u>–</u>	<u>4,932</u>
(Loss) profit for the year	<u>(2,260)</u>	<u>11,210</u>
Other comprehensive (expense) income attributable to owners of the Company	<u>(293)</u>	226
Other comprehensive income attributable to the non-controlling interests	<u>58</u>	<u>263</u>
Other comprehensive (expense) income for the year	<u>(235)</u>	<u>489</u>
Total comprehensive (expense) income attributable to owners of the Company	<u>(2,553)</u>	6,504
Total comprehensive income attributable to the non-controlling interests	<u>58</u>	<u>5,195</u>
Total comprehensive (expense) income for the year	<u>(2,495)</u>	<u>11,699</u>
Dividends paid to non-controlling interests	<u>25,026</u>	<u>–</u>
Net cash (outflow) inflow from operating activities	<u>(23,770)</u>	<u>15,348</u>
Net cash inflow (outflow) from investing activities	<u>48,749</u>	<u>(33,146)</u>
Net cash (outflow) inflow from financing activities	<u>(24,085)</u>	<u>12,212</u>
Net cash inflow (outflow)	<u>894</u>	<u>(5,586)</u>

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31ST DECEMBER, 2013

RESULTS

	2009	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(restated)	
Revenue	–	–	288,353	792,786	751,074
(Loss) profit before taxation	(6,244)	(5,714)	(74,609)	183,021	237,079
Taxation charge	–	–	(2,002)	(2,774)	(22,964)
(Loss) profit for the year	(6,244)	(5,714)	(76,611)	180,247	214,115
(Loss) profit attributable to:					
Owners of the Company	(6,244)	(5,714)	(75,341)	177,153	206,024
Non-controlling interests	–	–	(1,270)	3,094	8,091
	(6,244)	(5,714)	(76,611)	180,247	214,115

ASSETS AND LIABILITIES

	2009	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(restated)	
Total assets	33,567	33,004	332,019	1,942,538	2,061,611
Total liabilities	(37,445)	(39,346)	(165,296)	(591,761)	(218,161)
Total equity	(3,878)	(6,342)	166,723	1,350,777	1,843,450
Non-controlling interest	–	–	(4,712)	(34,037)	(17,460)
Equity attributable to owners of the Company	(3,878)	(6,342)	162,011	1,316,740	1,825,990