

Orange Sky
ENTERTAINMENT GROUP



嘉禾



Golden Harvest

**Orange Sky Golden Harvest
Entertainment (Holdings) Limited**
橙天嘉禾娛樂(集團)有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 1132)

ANNUAL REPORT 2012 年度報告



LOVE LIFE, LIVE LIFE 熱愛生活·享受生活

Vision 橙天嘉禾的願景

To become Asia's best-in-class integrator of the movie entertainment industry
成為亞洲最具實力的電影產業鏈整合者

Mission 橙天嘉禾的使命

To inspire and enrich life by bringing our customers to the world beyond imagination through excellent movie experience, while seeking maximisation of shareholders' value.

在股東利益最大化的同時提供精彩絕倫的電影，讓觀眾遨遊於超乎想像的空間，釋放視野限制，啟發靈感、昇華生活。

Strategy 橙天嘉禾的價值

In line with the waterfall of revenue split, we adopt a strategy of bottom up approach in our priority of development according to the following order:

按照行業分帳的流程，集團按以下的順序優先發展有利於股東價值的環節：

1. Enlarge and strengthen our theatrical exhibition network, i.e. the distribution channel
做大做強集團的電影發行管道，也就是影城的運營
2. Integrate with our distribution business to enhance synergy
加強整合集團的電影發行業務以獲取更大的協同效應
3. Participate with minimal risks production which in turn benefits our distribution and exhibition business
以最低的風險投資電影製作使集團的放映和發行業務更能受惠

Value 橙天嘉禾的價值

Responsible

for the maximisation of shareholders' value and the betterment of society with the highest principles
對股東投資 實現價值最大 對社會大眾 抱有責任承擔

Effective

execution of business strategy with consistency
對執行能力 時刻保持高效

Compliant

to rules and internal regulations with diligence
對法規內控 嚴格遵守執行

Committed

to the development of film industry with passion
對電影事業 滿載熱誠理想

Innovative

offerings to our customers with continual improvement
對每個製作 注入無窮創意

Honest

to our business partners with transparency, integrity and faith
對每宗交易 謹守公平公開

United

team work to build success with persistence
為達致成功 堅守團隊精神





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Corporate Information

公司資料

EXECUTIVE DIRECTORS

執行董事

WU Kebo (*Chairman*)
伍克波 (主席)

MAO Yimin
毛義民

LI Pei Sen
李培森

TAN Boon Pin Simon
陳文彬

WU Keyan
伍克燕

INDEPENDENT NON-EXECUTIVE DIRECTORS

獨立非執行董事

LEUNG Man Kit
梁民傑

HUANG Shao-Hua George
黃少華

WONG Sze Wing
黃斯穎

CHIEF EXECUTIVE OFFICER

首席執行官

MAO Yimin
毛義民

COMPANY SECRETARY

公司秘書

YUEN Kwok On
袁國安

Corporate Information

公司資料

REGISTERED OFFICE

註冊辦事處

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

主要營業地址

16th Floor
The Peninsula Office Tower
18 Middle Road
Tsimshatsui
Kowloon
Hong Kong
香港
九龍
尖沙咀
中間道十八號
半島寫字樓大廈
十六樓

PRINCIPAL BANKERS

主要往來銀行

Bank of China (Hong Kong) Limited
中國銀行(香港)有限公司

The Hongkong and Shanghai
Banking Corporation Limited
香港上海滙豐銀行有限公司

Standard Chartered Bank (Hong Kong) Limited
渣打銀行(香港)有限公司

AUDITORS

核數師

KPMG
Certified Public Accountants
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong
畢馬威會計師事務所
執業會計師
香港
中環
遮打道十號
太子大廈
八樓

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

主要股份過戶登記處

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

股份過戶登記處香港分處

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong
卓佳登捷時有限公司
香港
皇后大道東二十八號
金鐘匯中心
二十六樓

WEBSITE

網址

<http://www.osgh.com.hk>

STOCK CODE

股份代號

1132

Biographical Details of Directors and Company Secretary 董事及公司秘書個人履歷

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. Wu Kebo (“Mr. Wu”)

Aged 49

Mr. Wu is the chairman, executive director and a member of the remuneration committee and the chairman of the nomination committee of the Company, and currently a director of Orange Sky Entertainment Group (International) Holding Company Limited (“OSEG”) and its subsidiaries. OSEG, a company incorporated in the British Virgin Islands with limited liability and being a substantial shareholder of the Company, was founded by Mr. Wu in 2004 and is principally engaged in music and musical production, artist management and advertising business in the People’s Republic of China (the “PRC”). Mr. Wu is also a director of certain subsidiaries of the Company. With regard to film, Mr. Wu acted respectively as executive producer of the two Chinese films *Red Cliff* and *The Warlords*, as well as producer of other Chinese titles including *Call for Love*, *I am Liu Yuejin* and *Dangerous Games*. In addition, Mr. Wu has been involved in high technology and telecommunications businesses since the 1990s. Mr. Wu graduated with a bachelor’s degree in business administration from the SOKA University Japan in 1992. Mr. Wu joined the Company in October 2007 and is the brother of Ms. Wu Keyan, an executive director of the Company.

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. Mao Yimin (“Mr. Mao”)

Aged 35

Mr. Mao is an executive director and has been employed by the Company as its chief financial officer (“CFO”) since 6 May 2011 and has been appointed as its chief executive officer (“CEO”) since 1 August 2011. Mr. Mao ceased to hold the office of the CFO of the Company since 1 January 2012, and remained as the CEO. He is also a director of certain subsidiaries of the Company. Before joining the Company, Mr. Mao was a senior manager at KPMG Advisory (China) Limited (“KPMG”), specialised in transaction services and risk management. Mr. Mao has extensive investment advisory and industry-related experience, particularly in manufacturing, retail, media and real estate. Prior to joining KPMG, Mr. Mao served for large Australian Securities Exchange listed companies, where he had built up strong statutory reporting, financial analysis, and risk control and merger and acquisition experience. Mr. Mao graduated from the University of New South Wales in Australia with a master degree of commerce in 2003 and he is also a member of the Australian Society of Certified Practising Accountants.

主席兼執行董事

伍克波先生(「伍先生」)

四十九歲

伍先生為本公司主席、執行董事兼薪酬委員會成員及提名委員會主席，並為橙天娛樂集團(國際)控股有限公司(「橙天」)及其附屬公司之現任董事。橙天為於英屬處女群島註冊成立之有限公司，為本公司主要股東，由伍先生於二零零四年創立，主要於中華人民共和國(「中國」)從事音樂及音樂劇製作、藝人經理及廣告業務。伍先生亦為本公司若干附屬公司之董事。有關電影方面，伍先生分別擔任兩齣華語電影《赤壁》及《投名狀》之執行監製，以及擔任多齣華語電影之監製，包括《愛情呼叫轉移》、《我叫劉躍進》及《棒子老虎雞》。另外，伍先生自九十年代開始從事高科技及電訊業務。伍先生於一九九二年畢業於日本創價大學，取得工商管理學士學位。伍先生於二零零七年十月加盟本公司，為本公司執行董事伍克燕女士之胞兄。

執行董事兼首席執行官

毛義民先生(「毛先生」)

三十五歲

毛先生為執行董事，自二零一一年五月六日起獲本公司聘任為首席財務官(「首席財務官」)，並自二零一一年八月一日起獲委任為首席執行官(「首席執行官」)。毛先生自二零一二年一月一日起終止出任本公司首席財務官，惟留任首席執行官。彼亦為本公司若干附屬公司之董事。於加盟本公司前，毛先生於畢馬威企業諮詢(中國)有限公司(「畢馬威」)擔任高級經理，專責交易服務及風險管理。毛先生於投資顧問以及在製造、零售、傳媒及房地產等行業有豐富經驗。於加入畢馬威前，毛先生曾任職於多間澳大利亞證券交易所大型上市企業，累積豐富的法定報告、財務分析、風險控制及併購經驗。毛先生於二零零三年畢業於澳洲新南威爾士大學，獲得商業碩士學位，彼亦為澳洲會計師公會會員。

Biographical Details of Directors and Company Secretary 董事及公司秘書個人履歷

EXECUTIVE DIRECTORS

Mr. Li Pei Sen (“Mr. Li”)

Aged 65

Mr. Li joined the Company as a non-executive director in March 2009 and was re-designated as an executive director of the Company in April 2010. He is also the associate chairman of OSEG. Mr. Li was an associate director of China TV Production Centre in 1994 and the general manager of China Central Television in 1996. In 1997, Mr. Li joined China International Television Corporation (“TVC”) as president and was involved in its corporate structuring. During his presidency at TVC, Mr. Li was also in charge of television production, as well as the domestic and global licensing business of Chinese television programmes. Prior to joining OSEG as the associate chairman, Mr. Li served as the director of China TV Production Centre in 2000. Mr. Li has over 10 years of experience in film and television series production and acted as the producer of more than a thousand episodes of television series, including a number of popular and high audience rating titles such as *All men are brothers: blood of the leopard*, *Taiping Heavenly Kingdom*, *Vernacular stories from the end of Western Zhou Dynasty to the Qin Dynasty* and *The story of Hongkong* and cartoon series *Journey to the West*. In addition, Mr. Li is also a committee member of the China Federation of Literary and Art Circles, a council member of China TV Workers’ Association, the vice-president of China TV, Film Productions Committee, a member of the censorship expert committee of State Administration of Radio, Film and Television, and a consultant to TVC.

Ms. Wu Keyan (“Ms. Wu”)

Aged 41

Ms. Wu is an executive director of the Company. She was re-designated as an executive director on 9 September 2010 and prior to that, she had been an alternate director to Mr. Wu since January 2008. She is also a director of certain subsidiaries of the Company. Ms. Wu has been a senior manager of the Administration and Human Resources Department of the Group since 1 January 2008 and is responsible for the administrative management of the Company’s head office in Hong Kong and the PRC. Ms. Wu has served in various corporations in Japan and Hong Kong and is currently the deputy general manager of Holdrich Investment Limited, a company specialising in telecommunications, semiconductor and technology-related businesses. Ms. Wu graduated with a bachelor’s degree in Business Management from the Faculty of Commerce at Takushyoku University in Japan in 1996. Ms. Wu is the sister of Mr. Wu.

Mr. Tan Boon Pin Simon (“Mr. Tan”)

Aged 44

Mr. Tan was appointed as an executive director and acting chief operations officer of the Company (“Acting COO”) on 23 August 2010. Mr. Tan manages the Company’s operations in Taiwan, and is the general manager of Vie Show Cinemas Co. Ltd., a Taiwan incorporated company which is owned as to 35.71% by the Company, and the general manager of Vie Vision Pictures Co. Ltd., a Taiwan incorporated company in which the Company holds 23.21% indirect interest. Mr. Tan is also a director of certain subsidiaries of the Company. He joined the Company in 2001 as a general manager, exhibition. Prior to that, he had worked with Golden Village Multiplex Pte Ltd, a company which is owned as to 50% by the Company, since 1992. Mr. Tan holds a master’s degree in business administration in Nanyang Technological University’s Nanyang Fellows Program. He graduated from Western Illinois University with a bachelor’s degree in business with majors in finance and economics.

執行董事

李培森先生(「李先生」)

六十五歲

李先生於二零零九年三月加盟本公司出任非執行董事，後於二零一零年四月調任本公司執行董事，亦為橙天聯合董事長。李先生曾於一九九四年擔任中國電視劇製作中心副主任，後於一九九六年擔任中央電視台總經理。李先生於一九九七年加入中國國際電視總公司(「中國國際電視總公司」)出任總裁，並參與其企業改制。在彼擔任中國國際電視總公司總裁期間，李先生亦負責電視製作及中國電視節目在國內外之特許授權業務。於加盟橙天出任聯合董事長之前，李先生曾於二零零零年擔任中國電視劇製作中心主任。李先生在電影及電視連續劇製作方面具備逾十年經驗，曾負責監製過千集電視連續劇，當中包括《水滸傳》、《太平天國》、《東周列國》、《香港的故事》及動畫片《西遊記》等多部收視叫好且廣受觀眾喜愛之電視劇作品。此外，李先生亦為中國文聯委員、中國電視藝術家協會理事、中國電視製片委員會副會長、國家廣播電影電視總局電影審查委員會審委及中國國際電視總公司顧問。

伍克燕女士(「伍女士」)

四十一歲

伍女士為本公司執行董事。彼自二零零八年一月起出任伍先生之替任董事，直至二零一零九月九日，伍女士調任執行董事。彼亦為本公司若干附屬公司之董事。自二零零八年一月一日起，伍女士出任本集團行政及人力資源部門高級經理，負責本公司香港及中國總辦事處之行政管理工作。伍女士曾於日本及香港多家企業任職，現為康鴻投資有限公司副總經理，該公司專注於電訊、半導體及技術相關業務。伍女士於一九九六年獲日本拓殖大學商學部頒授經營學科學士學位。伍女士為伍先生之胞妹。

陳文彬先生(「陳先生」)

四十四歲

陳先生於二零一零年八月二十三日獲委任為本公司執行董事兼署理營運官(「署理營運官」)。陳先生管理本公司在臺灣之業務及為於臺灣註冊成立並由本公司擁有35.71%權益之威秀影城股份有限公司的總經理，及本公司擁有23.21%間接權益的臺灣註冊成立公司Vie Vision Pictures Co. Ltd.的總經理。陳先生亦為本公司若干附屬公司之董事。彼於二零零一年加盟本公司出任總經理(戲院部)。在此之前，彼自一九九二年起一直於本公司擁有50%權益之Golden Village Multiplex Pte Ltd工作。陳先生持有南洋科技大學Nanyang Fellows Program之工商管理碩士學位。彼畢業於美國伊利諾西大學，持有商務學士學位(主修財務及經濟)。

Biographical Details of Directors and Company Secretary 董事及公司秘書個人履歷

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Man Kit Michael (“Mr. Leung”)

Aged 59

Mr. Leung has been an independent non-executive director, and the chairman of the audit committee and a member of the remuneration committee of the Company since February 2008 and a member of the nomination committee of the Company since 26 March 2012. Mr. Leung obtained a bachelor's degree in social science from the University of Hong Kong in 1977 and has over 25 years of experience in project finance and corporate finance. He has held senior positions with Peregrine Capital (China) Limited, SG Securities (HK) Limited (previously known as Crosby Securities (Hong Kong) Limited), Swiss Bank Corporation, Hong Kong Branch. Mr. Leung was also a director of Emerging Markets Partnership (Hong Kong) Limited which was the principal adviser to the AIG Infrastructure Fund L.P.

Mr. Leung serves as an independent non-executive director of NetEase, Inc., a NASDAQ listed company. He also serves as an independent non-executive director of China Ting Group Holdings Limited, Junefield Department Store Group Limited and China Huiyuan Juice Group Limited; and as an executive director of Chanceton Financial Group Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited.

Mr. Huang Shao-Hua George (“Mr. Huang”)

Aged 64

Mr. Huang has been an independent non-executive director and a member of the audit committee of the Company since November 2006. Mr. Huang graduated from the College of Telecommunications Engineering, National Chiao-Tung University in Taiwan in 1971, and co-founded the Acer Group in 1976. He has been heavily involved in the development of microprocessor technology applications and services and was the first person in Taiwan to promote and sell microcomputers to international markets in 1979. Mr. Huang is presently a supervisor of Acer Inc., Motech Co., Ltd, and Les Enphants Co., Ltd., which are all public companies in Taiwan. He was distinguished as an honoured graduate of National Chiao-Tung University in Taiwan in 1996.

Ms. Wong Sze Wing (“Ms. Wong”)

Aged 34

Ms. Wong was appointed as an independent non-executive director and a member of the remuneration committee and the audit committee of the Company with effect from 26 April 2010. She has been appointed as the chairman of the remuneration committee of the Company and a member of nomination committee since 26 March 2012. Ms. Wong has over ten years of accounting experience in the profession. She is the deputy chief financial officer and joint company secretary of Yingde Gases Group Company Limited which is listed on the main board of The Stock Exchange of Hong Kong Limited and a constituent stock of Hang Seng Composite Index. Ms. Wong was previously employed as the group chief financial officer of OSEG. She was also previously employed as the financial controller of Avex China Company Limited, a PRC joint venture company established by OSEG and Avex Group Holdings Inc., which is listed on the Tokyo Stock Exchange. Ms. Wong ceased to be the group chief financial officer of OSEG and financial controller of Avex China Company Limited in January 2008. She was also previously employed as a manager at PricewaterhouseCoopers. Ms. Wong obtained a bachelor's degree in business administration from the University of Hong Kong. She also obtained an EMBA from the China Europe International Business School. Ms. Wong became a chartered member of the Hong Kong Institute of Certified Public Accountants in 2003.

獨立非執行董事

梁民傑先生(「梁先生」)

五十九歲

梁先生自二零零八年二月起出任本公司獨立非執行董事、審核委員會主席及薪酬委員會成員，並自二零一二年三月二十六日起出任本公司提名委員會成員。梁先生於一九七七年取得香港大學社會科學學士學位，在項目融資及企業融資方面具備逾二十五年經驗。彼曾任百富勤融資(中國)有限公司、法國興業證券(香港)有限公司(前稱香港高誠證券有限公司)及瑞士銀行公司香港分公司之高層成員。梁先生亦曾任Emerging Markets Partnership (Hong Kong) Limited董事，該公司曾為美國友邦集團亞洲基礎設施基金總顧問。

梁先生為納斯達克上市公司網易之獨立非執行董事，彼亦為華鼎集團控股有限公司、莊勝百貨集團有限公司及中國滙源果汁集團有限公司之獨立非執行董事以及川盟金融集團有限公司之執行董事，上述公司均於香港聯合交易所有限公司上市。

黃少華先生(「黃先生」)

六十四歲

黃先生自二零零六年十一月起出任本公司獨立非執行董事兼審核委員會成員。黃先生於一九七一年畢業於台灣國立交通大學電訊工程學院，於一九七六年共同創辦宏碁集團。黃先生一直積極參與微型處理器技術應用及服務之發展工作，於一九七九年成為台灣推廣及銷售微型電腦至國際市場之先驅。黃先生現為台灣上市公司宏碁股份有限公司、Motech Co., Ltd及麗嬰房股份有限公司之監察人。彼於一九九六年成為台灣國立交通大學之榮譽畢業生。

黃斯穎女士(「黃女士」)

三十四歲

黃女士於二零一零年四月二十六日獲委任為本公司獨立非執行董事兼薪酬委員會及審核委員會成員。彼自二零一二年三月二十六日起獲委任為本公司薪酬委員會主席及提名委員會成員。黃女士具備超過十年專業會計經驗。彼現擔任盈德氣體集團有限公司的副首席財務官及聯席公司秘書，該公司於香港聯合交易所有限公司主板上市，並為恒生綜合指數成分股。黃女士曾擔任橙天之集團財務總監，先前曾於艾迴音樂影像製作(中國)有限公司擔任財務總監，該公司乃由橙天與Avex Group Holdings Inc.成立的中國合營企業公司。Avex Group Holdings Inc. 為於東京證券交易所上市的公司。黃女士於二零零八年一月退任橙天之集團財務總監及艾迴音樂影像製作(中國)有限公司之財務總監。黃女士過往曾受聘於羅兵咸永道會計師事務所出任經理。黃女士取得香港大學工商管理學士學位，並正於中歐國際工商學院取得行政人員工商管理碩士學位。黃女士於二零零三年成為香港會計師公會會員。

Biographical Details of Directors and Company Secretary 董事及公司秘書個人履歷

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Yuen Kwok On (“Mr. Yuen”)

Aged 47

Mr. Yuen has joined the Company since October 1996 and has in-depth knowledge of operations of the Company and its subsidiaries. In addition, Mr. Yuen has extensive experience in financial analysis, risk control and mergers and acquisitions. Prior to his appointment as the CFO of the Company, Mr. Yuen is the deputy CFO and the company secretary of the Company. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He obtained a master’s degree of business administration from Hong Kong Baptist University.

首席財務官兼公司秘書

袁國安先生(「袁先生」)

四十七歲

袁先生自一九九六年十月起加盟本公司，對本公司及其附屬公司之業務有深入了解。此外，袁先生於財務分析、風險控制及併購方面具備豐富經驗。袁先生獲委任為本公司首席財務官前，為本公司副首席財務官兼公司秘書。彼為澳洲會計師公會及香港會計師公會會員，持有香港浸會大學工商管理碩士學位。



Chairman's 主席報告書 Statement

On behalf of the Board of Directors (the "Board") of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company"), I am delighted to present to our shareholders, the Annual Report of the Company together with its subsidiaries (the "Group") for the year ended 31 December 2012.

The Group achieved expected results in 2012, which marked another milestone for the steady development of the Group. The net profit for the year attributable to equity holders of the Group amounted to approximately HK\$96 million. Turnover and gross profit for the year significantly rose by 16% and 20% respectively as compared with the corresponding period last year, and gross profit margin increased to 60%. Film exhibition business remained as one of the most important and promising sources of income and profit for the Group. The Group was operating 70 cinemas with 528 screens across Mainland China, Taiwan, Singapore and Hong Kong as of the end of 2012, and the total number of screens has been increased by 30% as compared with the end of 2011. The Group registered a record high admission of over 34 million during the year, and generated gross box office receipts of HK\$1.98 billion. The Group continued to maintain its leading position in Singapore and Taiwan markets as well as its major role in Hong Kong market. The Group also rapidly expanded and became one of the fastest growing cinema operators in Mainland China in terms of number of new cinemas. Our box office receipts revealed that we are becoming a mainstream cinema operator. As for the film distribution and film & TV programmes production business, the Group recorded revenue of approximately HK\$110 million and distributed over 120 films in 2012, achieving a satisfactory return, which marked a concrete step forward in becoming Asia's best-in-class integrator of the movie entertainment industry.

本人謹代表橙天嘉禾娛樂(集團)有限公司(「本公司」)董事會(「董事會」)欣然向股東呈報本公司及其附屬公司(「本集團」)截至二零一二年十二月三十一日止年度之年報。

二零一二年本集團業績達到了我們預期的目標，是集團穩步發展的又一個里程碑。集團股權持有人應佔年度純利近9,600萬港元，年內營業收入及毛利比上年同期大幅增長近16%及20%，毛利率升至60%。影城業務仍然是集團最主要也是最有保障的收入及利潤來源之一。截至二零一二年年底，集團於中國大陸、台灣、新加坡及香港地區擁有影城70家，銀幕528塊，總銀幕數比二零一一年年底增長30%。集團年度總觀影人次再創歷史新高，超過3,400萬，票房總收入達19.8億港元。集團在新加坡和台灣市場佔有率繼續穩居第一，香港地區繼續保持市場前幾位份額，而中國大陸地區發展迅猛，新增影城數名列前茅，票房收入也逐步進入主流影城營運商行列。在電影發行及影視製作方面，集團二零一二年度實現營業收入約1.1億港元，發行超過120部電影，並取得不俗回報。據此，集團向亞洲地區領先的電影產業整合者這一宏偉目標又邁出了堅實的一步。



FILM EXHIBITION BUSINESS

Becoming a mainstream cinema operator under fierce market competition and rapid expansion in Mainland China

In 2012, the film market in Mainland China showed strong growing momentum and the gross box office receipts in the country increased by 30% to RMB17.1 billion as compared with the corresponding period in 2011. Mainland China has become the second largest film market in the world. As the quota for the import of Hollywood movies increased, more movies with new format such as 3D and IMAX were showed in Mainland China, some examples are *The Avengers*, *Titanic 3D*, and *Life of Pi 3D/IMAX*. Certain Chinese language blockbusters such as *Lost in Thailand* (人再囧途之泰囧) and *Painted Skin 2* (畫皮2) also achieved outstanding performance and set many box office records for Chinese language movies. With an aim to seize every business opportunity arising from the fast growing Chinese film market and take advantage of the country's policy which puts great emphasis on cultural industry, the Group has rapidly and steadily expanded its film exhibition business in Mainland China. During the year, the Group opened 15 new cinemas with 109 screens in cities of Beijing, Changzhou, Chengdu, Chongqing, Dalian, Nanning, Shanghai, Suzhou, Tianjin, Xining and Zhongshan and became one of the most rapidly developing cinema operators in Mainland China. As at the end of 2012, the Group operated 42 cinemas with 306 screens in Mainland China. More projects will be completed and commence operation in the coming 2 to 3 years. In 2012, the gross box office receipts of the Group in Mainland China boosted by 67% to approximately RMB320 million as compared with last year, coupled with an admission reaching 8.3 million. The growth of our box office receipts was faster than that of the whole country. Therefore, our market share was further enhanced.

影城經營業務

激烈市場競爭下 中國地區發展迅速 進入主流影城營運商行列

二零一二年，中國大陸地區電影市場發展迅猛，全國市場票房總收入同比二零一一年增長30%至人民幣171億元，成為全球第二大電影市場。隨著荷里活進口片配額的增加，更多3D、IMAX等高新格式影片在國內上映，例如：《復仇者聯盟》、《泰坦尼克號3D》、《少年派的奇幻漂流3D/IMAX》；同時，一些優質國產華語影片也獲得了驕人成績，並打破多項華語片票房紀錄，如：《人再囧途之泰囧》、《畫皮2》等。為把握中國電影市場迅猛發展的契機，應合國家大力推動文化產業的政策，集團繼續快速穩健拓展中國區影城業務。年內，集團於北京、常州、成都、重慶、大連、南寧、上海、蘇州、天津、西寧、中山等多個城市增設15家影城，109塊銀幕，是中國內地發展最快速的影城營運商之一。截止二零一二年底，集團在中國大陸地區共經營42家影城，306塊銀幕，並有更多項目將在未來2至3年建成並投入營運。二零一二年，集團在大陸地區的影城票房總收入較去年增長67%至近人民幣3.2億元，觀影人次達830萬。同時票房增長超過全國票房的整體漲幅，進一步提高了市場佔有率。

Chairman's Statement 主席報告書

For eight consecutive years since its inception, the Group's flagship cinema in Shenzhen has maintained its top-three positions in the country's gross box office receipts with a total admission of over 8.5 million. Gross box office receipts were approximately RMB450 million, ranking the top in the accumulated box office receipts in Mainland China. OSGH Cinemas Shenzhen set another record in 2012 and ranked second among the top yielding stand-alone cinemas across the country with box office receipts of approximately RMB78 million.

In September 2012, the Group established the first flagship cinema with IMAX theatre in the Tianjin Galaxy International Shopping Centre. In December 2012, the second OSGH Cinema with IMAX and big screen was opened in Changzhou. Meanwhile, the Group has further reinforced the strategic collaboration with SONY China and took the lead to install the SONY 4K Projection Systems in our Mainland China multiplexes on a large scale in order to deliver the best visual entertainment to the audiences.

Leading in Taiwan with market share substantially increased to 42%

The enthusiasm about movie-going as a lifestyle among the locals and immense development potential of Mandarin films in Taiwan have provided our Group with stable and sustainable room for development in the region. During the year, Vie Show cinema circuits in Taiwan flourished and the number of admissions and box office receipts both reached record highs with box office receipts reaching NT\$3.4 billion. The two new cinemas opened by Vie Show in New Taipei City and Taichung towards the end of 2011 delivered satisfactory performance during the year. Vie Show also opened the Vie Show Hsin Chu Big City in April 2012 and recorded impressive box office receipts of NT\$3.75 million in the first two days of operation. As at the end of 2012, Vie Show operated 11 cinemas with a total of 109 screens. The market share of Vie Show was more than 40% and it ranked number one in Taiwan. Vie Show continued to contribute considerable profits to the Group.

集團位於深圳的旗艦影城自開業以來連續8年高踞國內票房前三甲，總觀影人次累計超過850萬，總票房累計近人民幣4.5億元，居全國影城累計票房之首。二零一二年深圳橙天嘉禾影城再創新高，以近人民幣7,800萬的票房名列全國單體影城票房第二。

二零一二年九月，集團於天津銀河國際購物中心打造首個擁有IMAX影廳的旗艦影城；二零一二年十二月，第二家擁有IMAX及巨幕的嘉禾影城亦在常州開業。同時，集團也與索尼(中國)進一步深化戰略合作，率先於中國內地多廳影城大規模引進索尼4K投影系統，力求為觀眾帶來一流的視覺享受。

台灣地區市場佔有率大幅提升至42% 獨佔鰲頭

台灣地區濃厚的觀影生活習慣及國語影片的巨大發展潛力，給集團當地業務帶來穩定持續的發展空間。年內，集團台灣威秀影城再放異彩，觀影人次及票房均創新高，票房收入達到新台幣34億元。二零一一年底，威秀在新北市及台中新開業的兩間影城於年內亦有不俗表現。而威秀於二零一二年四月在新竹增設新竹巨城威秀影城，開業首二日即取得新台幣375萬的驕人票房。截至二零一二年底，威秀共經營11家影城，總銀幕數目達109塊。威秀影城整體票房市場佔有率超過4成，居全台之冠，持續為集團帶來可觀的盈利貢獻。

Chairman's Statement

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Securing its leading market position in Singapore with a market share of 43%

Similar to Taiwan, Singaporean showed a keen interest in movie viewing. Following the development of the gambling industry and increase in number of tourists and immigrants, coupled with the market recognition of our quality brand, Golden Village, the Group once again achieved excellent performance in 2012. Our box office receipts in Singapore reached S\$83 million with a market share of 43%. As at the end of 2012, Golden Village operated 11 cinemas with 87 screens. The Group opened the eleventh high-end multiplex in the City Square Mall at the end of 2012. At the new multiplex, the Group established a brand new cinema management system by the innovation and reform of various industrial technologies, and created a refreshing impression and further strengthening the leading market position of Golden Village.

Playing a major role in Hong Kong and continuing steady development

Under the competitive market environment in Hong Kong and escalating rental payment over the past few years, the Group managed to stay ahead of the market and realise a profit during the year through management optimisation and prudent operation. Furthermore, the Group formed an alliance with D-BOX Technologies Inc., becoming the first cinema in Hong Kong equipped with Motion Chair D-BOX. This system provides a realistic immersive experience through the motions of the chairs perfectly synchronised with onscreen actions. The Group will further consolidate its persistent position in the Hong Kong market.

Film distribution and film & TV programmes production business

In 2012, the Group recorded revenue of approximately HK\$110 million and distributed over 120 films. It also introduced a diversity of movies including the Oscar best foreign language film of the year *A Separation*, foreign action sci-fi films *Spy Kids* and *Lockout*, and the Taiwan popular film *The Fierce Wife* (犀利人妻), with gross box office receipts over RMB 70 million in total.

Future development and competitive strengths

Accelerating the pace of cinema development and refining the strategic layouts across Asia

Looking forward, the Group is optimistic about the future of the film industry and the territories where we are operating. We are confident of a sustainable demand for quality films in the future, especially in the Chinese film market with great market potential and strong consumption. With the increasing number of imported 3D and IMAX movies, movie viewing will become a popular leisure activity for the general public. In the future, the Group will continue to commit more resources to exploring the Mainland China market, and plans to open flagship multiplexes in tier-1 cities such as Beijing, Guangzhou, Shanghai and Shenzhen as well as further strengthen and expand its market share in tier-2 and tier-3 cities, targeting to become one of the leading cinema operators in Mainland China.

新加坡地區市場佔有率43% 繼續領先市場

與台灣地區相似，新加坡地區觀影興趣濃厚，隨著博彩業的發展和遊客數及新移民的增加，配合嘉華院線(Golden Village)的優質品牌在當地市場的影響力，集團於二零一二年再次取得優異成績，票房突破8,300萬新加坡元，市場佔有率達43%。截至二零一二年年底，嘉華院線共經營11家影城，87塊銀幕。集團二零一二年年底於City Square Mall增設第11家高端多廳影城，多項行業技術的創新與改革打造了全新的影城管理體系，讓人耳目一新，進一步鞏固嘉華院線的市場龍頭地位。

香港地區名列前茅 繼續穩步發展

多年以來，香港地區市場競爭壓力較大，租金不斷提高，但集團通過優化管理，穩健經營，常年保持市場前幾位份額，並於本年度實現盈利。此外，集團與D-BOX Technologies Inc. 結盟，成為香港首間配備Motion Chair D-BOX的影城。此系統能令座椅跟隨銀幕呈現之動作場面產生同步動作，令觀眾彷彿親臨其境。我們將進一步鞏固香港市場。

電影發行及影視製作業務

二零一二年，集團實現營業收入約1.1億港元，發行超過120部電影，並引進多元化影片，包括奧斯卡最佳外語片《一次別離》、海外動作科幻片《非常小特工》、《太空一號》、文藝氣息濃厚的台灣電影《犀利人妻》等多部影片，總票房收入超過人民幣7,000萬元。

未來發展及競爭優勢

加快影城拓展 完善全亞洲版圖佈局

展望未來，集團對電影產業以及集團營運地區的市場前景充滿信心。我們相信，未來各區對優質電影的需求將會持續，尤其是市場潛力和消費實力巨大的中國電影市場，隨著進口3D、IMAX影片數量的增長，觀影愈發成為廣大觀眾喜愛的休閒娛樂活動。未來，集團將繼續投放更多資源發展中國內地市場，計畫於北京、廣州、上海及深圳等一線城市開設旗艦多廳影城，同時進一步鞏固並擴大二三線城市的市場份額，力爭成為國內領先的影城營運商之一。

Chairman's Statement

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Besides the Mainland China market, the Group will make steady progress in developing its business in Singapore, Taiwan and Hong Kong, so as to penetrate into the market and consolidate its leading position, and maintain safeguard its overall profitability while expanding rapidly in Mainland China, producing a synergy effect for Asia business, thus enhancing overall value of the Group. Moreover, Vie Show is seeking for a listing on the Taiwan Stock Exchange Corporation. The Board has agreed to proceed with the above matter and appointed securities underwriter. It is expected that the listing would be obtained by the end of 2014 at the earliest.

Besides continuing in the construction and development of cinemas in Mainland China for which we have entered into contracts, the Group also seeks opportunities for the merger and acquisition of cinemas in the Asian region to accelerate expansion of its market share, optimise business development, striving to outrun our competitors in the film industry.

Integrating our competitiveness in the industry chain with steady mid-to-up stream expansion

While we spare no effort in the development of cinema business, the Group will also integrate the competitive edges of our brand, film library and exhibition channels to develop the film distribution and production business steadily so as to further elaborate and consolidate the operation model of overall movie industry chain in Asia. In 2012, the Group initiated its remake project for "Orange Sky Golden Harvest Classic Movie Series" (橙天嘉禾經典電影系列重拍), and planned to invest and produce a number of quality Chinese language TV drama series in the coming few years. Furthermore, bolstered by the policy that encourages importation of foreign films into the Chinese film market, the Group will also actively look for opportunities to cooperate with overseas film producers for project development.

Developing new cinema business, increasing sources of profit, enhancing operation through emphasis on humanism and technology as well as optimising management and quality of services

The Group has accumulated extensive experience in the management and operation of cinemas across Asia over the years and is privileged to have a strong operation team. We have always strived to enhance the quality of cinema service and offer great movie viewing experience to our audience. In the future, the Group will continue to introduce more non-movie contents to cinemas of the Group, including live broadcast of concerts, sports events and corporate events. In addition to traditional merchandise, the Group introduced in 2012 "L'oranger", our own brand of French desserts, which was well received by customers. The Group will add other retail products for sale in our cinemas in an effort to build up a new growth momentum for our business.

除中國大陸市場以外，集團也會繼續穩步拓展新加坡、台灣、香港等地區的業務，滲透並鞏固市場領導地位，在中國大陸快速發展的同時，給集團整體盈利提供有力的保障，並實現亞洲佈局的協同效應，提升集團整體價值。此外，威秀正在規劃在台灣證券交易所上市事宜，董事局亦已同意並委任了證券承銷商，預計最快可望在二零一四年年底上市掛牌。

此外，除在中國地區繼續興建已簽約影城項目以外，集團亦會謀求亞洲地區的影城併購機會，加快市場份額擴張，優化發展，爭取領先同行業競爭對手。

整合產業鏈優勢 穩步發展中上游

在大力發展影城業務的同時，集團也將整合品牌優勢，片庫優勢及影城播放管道優勢，穩步發展發行與製作業務，從而進一步深化鞏固亞洲電影全產業鏈的運作模式。集團於二零一二年啟動「橙天嘉禾經典電影系列重拍」計畫，並計劃於未來幾年投拍多部優質的華語電視劇。此外，隨著中國電影市場對進口電影的政策鼓勵，集團也將積極尋求與海外製片商合作開發項目的機會。

拓展影城新業務 增加盈利點 用人文和科技提高經營 優化管理及服務質量

集團擁有在亞洲地區多年的影城經營管理經驗和強大的營運團隊，並一直致力於提升影城服務品質，豐富觀影娛樂體驗。未來，集團將繼續引入更多非電影的播放內容至旗下影城，包括現場直播演唱會、體育賽事、及企業主題活動。此外，除傳統賣品以外，二零一二年集團推出的自創法式甜品品牌「L'oranger甜•橙」並獲得不錯評價。未來集團還將開發其他零售產品在影城的銷售，力求成為新的業務增長點。

Chairman's Statement 主席報告書

Delivering top-notch theatrical experience

The Group always endeavours to deliver high quality audio-visual effects. By introducing state-of-the-art film exhibition equipment and technologies, we provide audiences with superb movie viewing experience. In Hong Kong, the Group formed an alliance with D-BOX Technologies Inc. and was the first cinema in Hong Kong equipped with Motion Chair D-BOX. In Taiwan, the Group became the exclusive digital IMAX operator. In Mainland China, the Group formed the 4K equipment partnership with SONY. In the future the Group will further develop and increase our effort in film viewing technologies for new cinema projects.

Looking ahead, the Group will continue to expand its cinema networks, both at home and abroad. We will actively identify merger and acquisition opportunities in the Asian market, strengthen the movie production and distribution business, enhance the brand awareness of Orange Sky Golden Harvest as a prime Chinese movie brand, and eventually achieve the goal of becoming a leading integrator of the movie entertainment industry across Asia.

On behalf of the Board, I would like to thank our shareholders who share the Group's objective and mission to develop the film industry in the region. I would also like to take this opportunity to thank our colleagues in elsewhere for their efforts and invaluable contribution to the Group during the year.

打造一流電影體驗

集團一直追求高品質的聲畫效果，通過引進先進放映設備及技術，為觀眾提供優質的電影觀賞體驗。在香港，集團與D-BOX Technologies Inc. 結盟，成為香港首間配備Motion Chair D-BOX的影城。在台灣，集團成為IMAX獨家營辦商。在中國大陸地區，集團與SONY形成4K設備合作夥伴。未來集團在新建影城項目將加大觀影技術的開發和投入。

展望未來，集團將繼續深化國內外影城佈局，積極物色亞洲市場並購機會，加強電影製作發行業務，提升橙天嘉禾這一華人電影第一品牌，並力爭成為亞洲領先的電影產業鏈整合者。

本人僅代表董事會對與本集團抱有同一理念及使命致力發展區內電影產業之股東致謝。本人亦藉此機會鳴謝各地同僚年內為本集團作出之不懈努力及寶貴貢獻。

Orange Sky 嘉禾 Golden Harvest

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OSAH Cinema
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举行放映厅的数码影城。

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Management 管理層討論及分析
DISCUSSION & ANALYSIS



Orange Sky Golden Harvest's CINEMA PORTFOLIO

橙天嘉禾影城組合

(as of 31 December 2012 截至二零一二年十二月三十一日)

CHINA 中國

42 Cinemas / 影城
306 SCREENS / 銀幕

TAIWAN 台灣

11 CINEMAS / 影城
109 SCREENS / 銀幕

HONG KONG 香港

6 CINEMAS / 影城
26 SCREENS / 銀幕

SINGAPORE 新加坡

11 CINEMAS / 影城
87 SCREENS / 銀幕





Management DISCUSSION & ANALYSIS 管理層討論及分析

In 2012, the Group's turnover totalled **\$1,592 million**, an increase of **16%**

Net profit attributable to equity holders remained at **\$96 million**

於二零一二年本集團錄得營業額合共 **1,592 百萬港元**，增加 **百分之十六**

股權持有人應佔純利維持於 **96 百萬港元**

It was another fruitful year for the Group in 2012. The Group reported a net profit attributable to equity holders of HK\$96 million for the year. The macro operating environment was challenging this year and the market conditions in territories we operated were mixed. Although we are facing increasingly fierce competition in the industry, we manage to achieve our goal and maintain persistent growth through our prudent operation.

In 2012, the Group's turnover rose by 16% to HK\$1.59 billion, among which revenue from exhibition business increased by 23%, while income from distribution and production activities declined by 35% as there was no new TV production. During the year 2012, box office receipts of the Group's multiplexes in Mainland China boosted by 67% as compared with last year, box office receipts of Vie Show in Taiwan and Hong Kong's cinemas both recorded a strong growth of 18% and 11% respectively. Box office receipts of Golden Village in Singapore showed a slight increase of 4% despite temporary closure of a cinema for renovation during the year. Gross margin increased to 60% from 58% of 2011. The Group's EBITD for the year amounted to HK\$240 million (2011: HK\$230 million).

二零一二年為另一成果豐碩之年。本年度本集團實現股權持有人應佔純利9,600萬港元。儘管年內宏觀經營環境充滿挑戰，營運地區市場表現參差，業內競爭日趨激烈，但本集團通過穩健經營，仍然達到了預期目標，保持持續增長。

於二零一二年，本集團之營業額上漲16%至15.9億港元。其中影城經營業務之收益增加23%，而發行及製作業務之收入由於沒有新的電視製作產生而下跌35%。於二零一二年，本集團在中國內地多廳影城所產生的票房收入較去年同期飆升67%，台灣威秀及香港影城的票房收入則分別大幅增長18%及11%。儘管年內新加坡嘉華院線旗下一家影城暫停營業進行翻新，但票房收入仍獲得4%輕微增長。本集團整體毛利率由二零一一年之58%上升至60%，年內息稅攤折前盈利為2.4億港元（二零一一年：2.3億港元）。



MAINLAND CHINA CINEMA NETWORK in the Coming Two Years 未來兩年的中國影城佈點

(Based on signed contracts 根據已簽署之租賃協議)



Northern China Region
華北區
20 Cinemas / 影城
142 Screens / 銀幕

Eastern China Region
華東區
26 Cinemas / 影城
182 Screens / 銀幕

Southern China Region
華南區
15 Cinemas / 影城
113 Screens / 銀幕

Central Western China Region
中西區
17 Cinemas / 影城
134 Screens / 銀幕

Management Discussion & Analysis 管理層討論及分析

During the year 2012, the Group recorded a net gain of HK\$4.0 million (after deductions of related expenses and tax expense) for settlement of legal dispute on a lease agreement in relation to a cinema project in Hangzhou. The Group also disposed of certain equity investments and recorded a gain of HK\$7.9 million in 2012. These exceptional gains were partially offset by a provision of HK\$5.3 million for expenses in relation to the closure of a Hong Kong Cinema, GH Mongkok, in February 2013.

During the year, the Group raised additional bank borrowings of approximately HK\$140 million and spent around HK\$290 million on capital expenditures, mainly for new cinema projects in Mainland China, Taiwan and Singapore. As of 31 December 2012, cash on hand of the Group amounted to approximately HK\$730 million (2011: HK\$710 million). The Group's gearing ratio maintained at a reasonable level of about 23% as at 31 December 2012 (2011: 20%).

BUSINESS REVIEW

Film Exhibition

During the year 2012, the Group opened 17 cinemas with 123 screens in total in Mainland China, Taiwan and Singapore. As of 31 December 2012, the Group is operating 70 cinemas with 528 screens across Mainland China, Hong Kong, Taiwan and Singapore, significantly increased from 53 cinemas with 405 screens a year ago. The Group's cinemas served approximately 34.1 million guests during the year, an increase of 16% as compared to 29.5 million guests last year. Gross box office receipts, on a full and aggregated basis, was registered at HK\$1.98 billion, representing a 18% growth from last year.

In 2012, the Group's 70 cinemas generated revenue of HK\$1.54 billion, accounting for about 93% of the Group's total revenue. The major Hollywood blockbusters released this year were *The Avengers*, *Men in Black 3*, *Titanic 3D*, *The Amazing Spider-Man*, *The Dark Knight Rises*, *The Hobbit: An Unexpected Journey* and *Life of Pi*. The major Chinese-language blockbusters were *Lost in Thailand* (人再囧途之泰囧) in Mainland China, *Cold War* (寒戰) in Hong Kong, *Din Tao: Leader of the Parade* (陣頭) in Taiwan and *Ah Boys to Men: Part 1* (新兵正傳I) in Singapore.

於二零一二年，本集團解決了杭州一影城項目租賃協議所引致的法律糾紛，錄得淨額收益400萬港元(扣除相關費用及稅項開支後)。本集團亦於二零一二年出售若干股份證券，錄得收益790萬港元。該等額外收益部份被二零一三年二月關閉香港嘉禾旺角電影城有關之開支撥備530萬港元所抵銷。

年內，本集團取得新增銀行借貸約1.4億港元，資本支出約2.9億港元，主要用作中國內地、台灣及新加坡之新影城項目。於二零一二年十二月三十一日，本集團手頭現金約7.3億港元(二零一一年：7.1億港元)。本集團於二零一二年十二月三十一日的資產負債比率維持於23%之合理水平(二零一一年：20%)。

業務回顧

影城業務

於二零一二年，本集團在中國內地、台灣及新加坡開設17家影城共123塊銀幕。截至二零一二年十二月三十一日，本集團在中國內地、香港、台灣及新加坡營運70家影城共528塊銀幕，較去年53家影城共405塊銀幕大幅增加。年內，本集團影城觀眾約達3,410萬人次，較去年同期2,950萬人次上漲16%。如按全數及總額基準計算，票房總收入達19.8億港元，較去年同期上升18%。

於二零一二年，本集團之70家影城帶來收益15.4億港元，佔當年總收益約93%。本年度上畫的荷里活猛片主要包括《復仇者聯盟》、《黑超特警組3》、《鐵達尼號3D》、《蜘蛛俠：驚世現身》、《蝙蝠俠：夜神起義》、《哈比人——不思議之旅》及《少年Pi的奇幻漂流》。華語大片則包括在中國內地上映的《人再囧途之泰囧》、在香港上映的《寒戰》、在台灣上映的《陣頭》及在新加坡上映的《新兵正傳I》。

Management Discussion & Analysis

管理層討論及分析

OPERATING STATISTICS OF THE GROUP'S CINEMAS

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas*	42	6	11	11
Number of screens*	306	26	109	87
Admissions (million)	8.3	2.9	13.9	9.1
Net average ticket price (HK\$)	43	66	64	57

* as of 31 December 2012

The Group is committed to pursuing visual and audio effect perfection to improve movie-going experience for our audiences. Currently, all screens in Mainland China, Hong Kong, Taiwan and Singapore have been fully installed with digital equipment and over 50% of the Group's screens are 3D compatible. In Hong Kong, two additional cinemas have been equipped with Motion Chair D-BOX delivering extraordinary theatrical experience to audiences through its authentic motion effects synchronised with onscreen actions. In Taiwan, the Group is the exclusive digital IMAX® operator and has added one new digital IMAX® screen during the year. Currently, the Group has installed over 100 sets of unprecedented SONY 4K Projection System in our Mainland China multiplexes and about 120 sets of projectors to support the high frame rate (HFR) movies. *The Hobbit: An Unexpected Journey* was the first movie made at a high frame rate of 48 frames per second and was widely released in December 2012. We believe these unrivalled visual effects will deliver premium and awe-inspiring theatrical experience to our audiences.

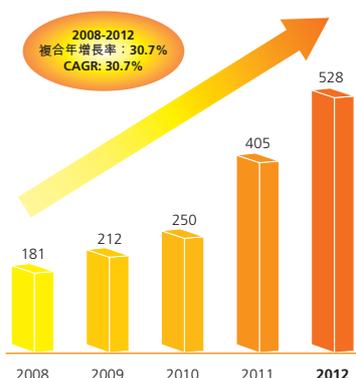
本集團各地影城之營運數據

	中國 內地	香港	台灣	新加坡
影城數目*	42	6	11	11
銀幕數目*	306	26	109	87
入場觀眾(百萬人次)	8.3	2.9	13.9	9.1
平均淨票價(港元)	43	66	64	57

* 截至二零一二年十二月三十一日

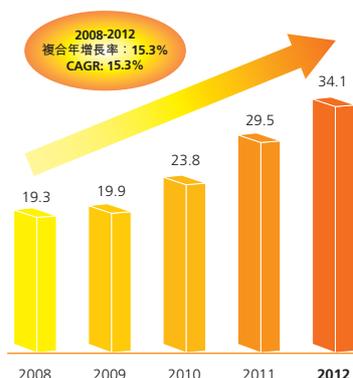
本集團不斷追求完美的聲畫質素，務求為觀眾提供盡善盡美的電影觀賞體驗。目前，本集團於中國內地、香港、台灣及新加坡的銀幕均已全部安裝數碼投影設備，另超過百分之五十的銀幕支援3D放映。另於香港再有兩家影城配備Motion Chair D-BOX，此系統能令座椅配合銀幕上呈現之動作場面產生同步動作，令觀眾仿如親歷其境，得到前所未有的震撼體驗。於台灣，本集團為獨家數碼IMAX®營辦商，並已於年內添置一塊全新數碼IMAX®銀幕。本集團現已於旗下中國內地的多廳影城安裝超過100套嶄新索尼4K投影系統及約120套支援高幀率(HFR)電影的投影機。《哈比人 一 不思議之旅》為首部以每秒48格之高幀率播放的電影，並於二零一二年十二月放映。我們相信這些設施可提供無可比擬的視覺效果，為觀眾帶來嶄新的影院觀賞體驗。

OSGH CINEMAS TOTAL SCREENS NUMBERS 橙天嘉禾銀幕總數



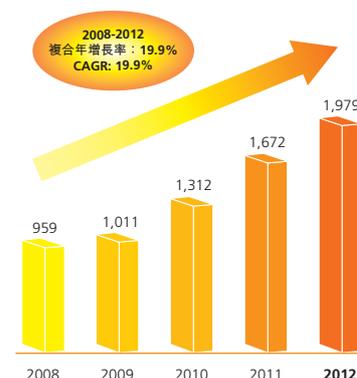
OSGH CINEMAS TOTAL ADMISSIONS 橙天嘉禾總觀影人次

Million 百萬



OSGH CINEMAS TOTAL BOX OFFICE RECEIPTS 橙天嘉禾總票房收入

HK\$million 百萬港元



Management Discussion & Analysis

管理層討論及分析

Mainland China

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN MAINLAND CHINA

中國內地

本集團中國內地影城之營運數據

	2012	2011		二零一二年	二零一一年
Number of cinemas*	42	27	影城數目*	42	27
Number of screens*	306	197	銀幕數目*	306	197
Admissions (million)	8.3	5.3	入場觀眾(百萬人次)	8.3	5.3
Net average ticket price (RMB)	35	33	平均淨票價(人民幣)	35	33
Gross box office receipts (RMB million)#	315	189	票房總收入(人民幣百萬元)#	315	189

* as of 31 December

before deduction of government taxes and charges

* 截至十二月三十一日

扣除政府稅項及徵費前

In 2012, the market gross box office receipts of urban area in Mainland China increased to RMB17.1 billion by 30% while the gross box office receipts generated by the Group's multiplexes in Mainland China boosted by 67% as compared with last year. During the year, the Group opened 15 new cinemas with 109 screens in cities of Beijing, Changzhou, Chengdu, Chongqing, Dalian, Nanning, Shanghai, Suzhou, Tianjin, Xining and Zhongshan. Thanks to rich film line-up, growing demand of high quality of entertainment experience and persisting support to the film industry from the Chinese government, the Group's multiplexes in Mainland China served approximately 8.3 million patrons during the year, representing 56% growth from last year. The Group has slightly increased the average ticket price to maintain stronger competitiveness in the market. The Mainland China's cinema industry environment experienced severe competition in 2012. The contribution from the exhibition business in Mainland China to the Group is limited due to the pressure we face in the early stage of operation.

於二零一二年，中國內地城市地區的票房總收入上升30%至人民幣171億元，而本集團在中國內地的多廳影城所產生的票房總收入則較去年大幅增加67%。年內，本集團於北京、常州、成都、重慶、大連、南寧、上海、蘇州、天津、西寧及中山增設15家新影城共109塊銀幕。由於鉅片陸續上映，觀眾對高質素娛樂的需求日益增加，加上中國政府對電影業的大力支持，本集團於中國內地的多廳影城於年內服務觀眾約830萬人次，較去年增長56%。本集團已略微調高平均票價，務求維持較強的市場競爭力。於二零一二年，中國內地影院市場競爭激烈。中國內地影城業務受制於初期的經營壓力，對本集團的貢獻仍然有限。

OSGH PRC CINEMAS ADMISSIONS

橙天嘉禾中國內地觀影人次

Million 百萬



OSGH PRC CINEMAS BOX OFFICE RECEIPTS

橙天嘉禾中國內地票房

HK\$million 百萬港元



Management Discussion & Analysis

管理層討論及分析

Hong Kong

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN HONG KONG

	2012	2011
Number of cinemas*	6	6
Number of screens*	26	26
Admissions (million)	2.9	2.8
Net average ticket price (HK\$)	66	61
Gross box office receipts (HK\$ million)	193	173

* as of 31 December

During the year, Hong Kong as a whole recorded market box office receipts of HK\$1.56 billion, up by 12% from HK\$1.39 billion last year. The Group's cinemas in Hong Kong showed continuous improvements and recorded higher box office takings of HK\$190 million this year (2011: HK\$170 million) despite the closure of GH Hollywood at Diamond Hill in March 2011. The Group is the first Hong Kong cinema to install Motion Chair D-Box. With the growing demand on theatrical exhibition technology and the well-received Motion Chair D-Box introduced in GH Mongkok last year, the Group further installed 74 D-Box Motion Chairs in GH Citywalk and Golden Gateway in 2012. Excluding GH Hollywood, both the total box office receipts and admissions of the other six cinemas increased by approximately 18% and 8%, respectively.

香港

本集團香港影城之營運數據

	二零一二年	二零一一年
影城數目*	6	6
銀幕數目*	26	26
入場觀眾(百萬人次)	2.9	2.8
平均淨票價(港元)	66	61
票房總收入(百萬港元)	193	173

* 截至十二月三十一日

年內，香港市場整體錄得票房收入15.6億港元，較去年的13.9億港元上升12%。儘管位於鑽石山之嘉禾荷里活電影城於二零一一年三月結業，本集團香港影城的表現仍持續改善，於本年度票房收入升至1.9億港元(二零一一年：1.7億港元)。本集團為香港首家配備Motion Chair D-Box的影城。由於觀眾對電影放映技術的要求愈來愈高，且嘉禾旺角電影城去年引入的Motion Chair D-Box大受歡迎，本集團於二零一二年進一步在嘉禾荃新天地電影城及嘉禾港威電影城裝設74張D-Box Motion Chairs。不計入嘉禾荷里活電影城，其他六家影城的票房總收入及入場人次分別增加約18%及8%。

OSGH HONG KONG CINEMAS ADMISSIONS

橙天嘉禾香港觀影人次

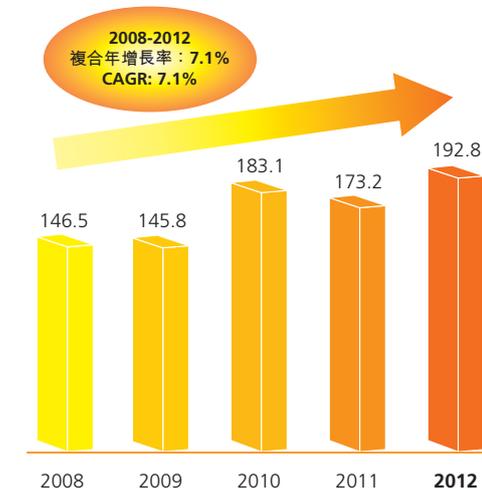
Million 百萬



OSGH HONG KONG CINEMAS BOX OFFICE RECEIPTS

橙天嘉禾香港票房

HK\$million 百萬港元



Management Discussion & Analysis

管理層討論及分析

Taiwan

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN TAIWAN

	2012	2011
Number of cinemas*	11	10
Number of screens*	109	101
Admissions (million)	13.9	12.1
Net average ticket price (NTD)	244	237
Gross box office receipts (NTD billion)	3.4	2.9

* as of 31 December

Due to the lack of strong local films in 2012, Taipei City's market box office receipts dropped by 6% from NTD3.84 billion last year to NTD3.62 billion this year. However, the Group's 35.71%-owned Vie Show cinema circuit recorded about 18% and 15% growth in box office receipts and admissions as compared with last year. This was mainly due to the good performance of two new cinemas opened in late 2011 and another one in April 2012. With the opening of these new cinemas, the market share of Vie Show has increased to about 42% (2011: 38%). Vie Show is the exclusive digital IMAX® operator and has added one new digital IMAX® screen with total of six screens as at 31 December 2012. During the year, the Group's share of net profit for the year from Vie Show increased to HK\$46 million by 24% from last year's HK\$37 million.

台灣

本集團台灣影城之營運數據

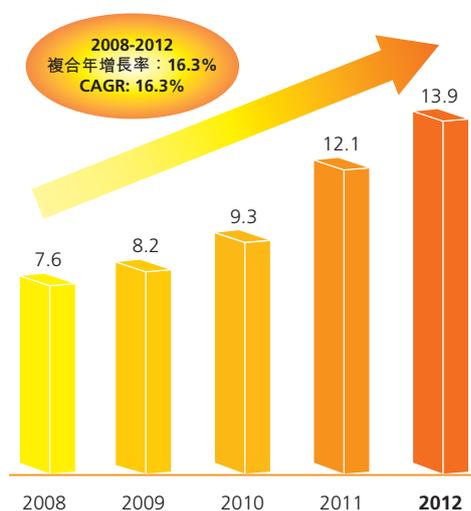
	二零一二年	二零一一年
影城數目*	11	10
銀幕數目*	109	101
入場觀眾(百萬人次)	13.9	12.1
平均淨票價(新台幣)	244	237
票房總收入(十億新台幣)	3.4	2.9

* 截至十二月三十一日

由於二零一二年缺乏本地鉅片，故台北市的整體票房收入由去年的38.4億新台幣下跌6%至今年的36.2億新台幣。然而，本集團擁有35.71%權益的威秀院線的票房收入及入場人次分別較去年同期增長約18%及15%，主要由於二零一一年底開業的兩家新影城及二零一二年四月其後開業的一家影城均表現良好。隨著該等新影城開幕，威秀在台灣的市場佔有率已增至約42%（二零一一年：38%）。威秀為台灣獨家數碼IMAX®營辦商，並已添置一塊全新數碼IMAX®銀幕，截至二零一二年十二月三十一日合共有六塊銀幕。年內，本集團分佔威秀的本年度純利由去年的3,700萬港元增加24%至4,600萬港元。

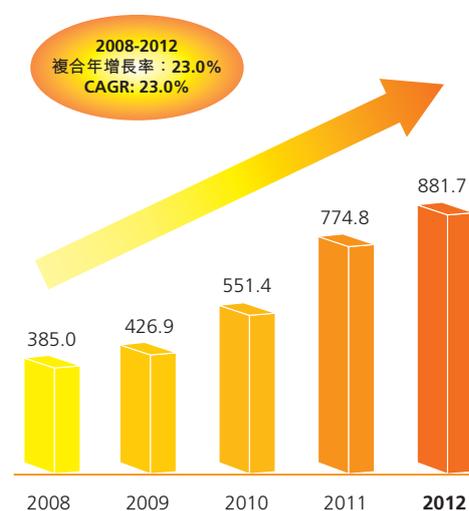
OSGH TAIWAN CINEMAS ADMISSIONS 橙天嘉禾台灣觀影人次

Million 百萬



OSGH TAIWAN CINEMAS BOX OFFICE RECEIPTS 橙天嘉禾台灣票房

HK\$million 百萬港元



Management Discussion & Analysis

管理層討論及分析

Singapore

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN SINGAPORE

	2012	2011
Number of cinemas*	11	10
Number of screens*	87	81
Admissions (million)	9.1	9.3
Net average ticket price (S\$)	9.2	8.6
Gross box office receipts (S\$ million)	83	80

* as of 31 December

Singapore box office receipts totalled S\$194 million in 2012, slightly up from S\$188 million in 2011. The Group's 50%-owned Golden Village cinema circuit maintained its leading position with a market share of 43% by reporting a box office receipts of S\$83 million for the year (2011: S\$80 million). The performance of GV Katong opened in December 2011 exceeded expectation with an average occupancy rate of 40%. In November 2012, the Group opened a new 6-plex at City Square Mall with impressive and innovative design reducing our reliance on manpower. GV City Square is the first cinema with auto-gate entrance in Singapore and the first boothless multiplex and 'Couples Cinema' in South East Asia. During the year, Golden Village also spent approximately S\$5 million to fully upgrade GV Jurong Point and refurbish GV Plaza Singapura to 1st-tier premium cinema. Both cinemas have been performing very well since re-opening, although a temporary closure of GV Jurong Point for renovation from February to April 2012 had some negative impact on the bottom line in short term. Having taken into the consideration of tax credit resulted from settlement of a tax dispute and reversal of tax provisions made in prior years, the Group shared net profit of HK\$51 million for the year, mildly up from HK\$48 million last year.

新加坡

本集團新加坡影城之營運數據

	二零一二年	二零一一年
影城數目*	11	10
銀幕數目*	87	81
入場觀眾(百萬人次)	9.1	9.3
平均淨票價(新加坡元)	9.2	8.6
票房總收入(百萬新加坡元)	83	80

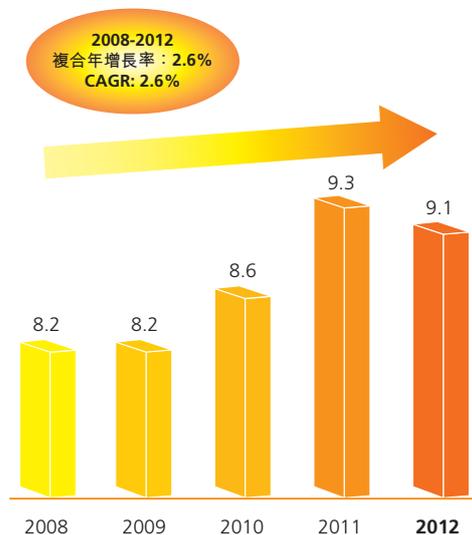
* 截至十二月三十一日

新加坡市場於二零一二年之票房總收入為1.94億新加坡元，略高於二零一一年之1.88億新加坡元。本集團擁有50%權益之嘉華院線之領導地位未有動搖，市場佔有率達43%，年內票房收入達8,300萬新加坡元(二零一一年：8,000萬新加坡元)。於二零一一年十二月開業的GV Katong表現超出預期，平均入座率為40%。於二零一二年十一月，本集團於City Square Mall開設新六廳影城，其突出及創新設計可減少對人力的倚賴。GV City Square為新加坡首家自助入場之影城，並為東南亞首家無放映室多廳影城及「情侶影院」。於本年度，嘉華院線亦耗資約500萬新加坡元全面升級GV Jurong Point，並將GV Plaza Singapura翻新為一級豪華影城。儘管GV Jurong Point由二零一二年二月至四月暫停營業進行翻新，對業績帶來短暫不利影響，惟上述兩家影城於重新開業後均表現理想。經計及因解決一項稅務爭議所產生之稅項抵免及撥回於過往年度作出的稅項撥備後，本集團於本年度所分佔純利為5,100萬港元，較去年4,800萬港元輕微上升。

OSGH SINGAPORE CINEMAS ADMISSIONS

橙天嘉禾新加坡觀影人次

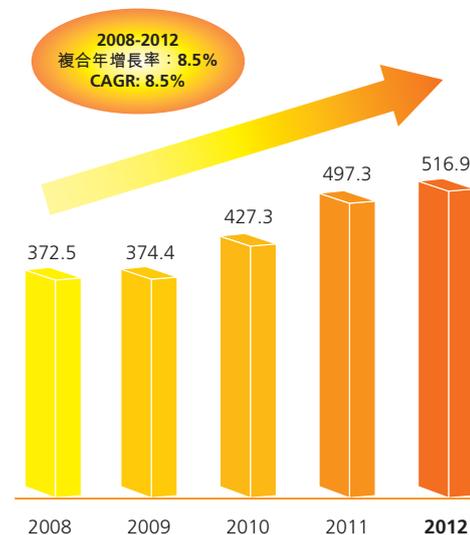
Million 百萬



OSGH SINGAPORE CINEMAS BOX OFFICE RECEIPTS

橙天嘉禾新加坡票房

HK\$million 百萬港元



Management Discussion & Analysis 管理層討論及分析

Film & TV Programmes Distribution and Production

In 2012, the Group's film distribution and production business recorded revenue of HK\$110 million (2011: HK\$160 million). Last year the Group recorded total sales income of HK\$70 million contributed from sale of two Chinese TV drama series 黃金密碼 and 諜戰深海 while there was no new production released in current year. The overall results decreased from last year although the distribution business in Hong Kong, Taiwan and Singapore performed well and generated more profit to the Group in 2012 compared with last year. The Group distributed about 120 films in Mainland China, Hong Kong, Taiwan and Singapore (over 130 films in 2011). The Group's film library of more than 140 films and TV titles with perpetual distribution rights continued to contribute steady licensing income to the Group.

PROSPECTS

Looking forward, the Group is optimistic in the film industry of the territories in which we operated, especially in the booming market, Mainland China. In addition to keep forging ahead in establishing cinemas in the Mainland China and pursuing acquisition opportunities to further expand the Group's cinema portfolio in the Asia Pacific region, the Group will continue to streamline and solidify the business operations and stringently control the costs. The Group will use its best endeavours to strengthen and explore both the exhibition and distribution networks in territories with higher market potential and better returns. Coupled with the government encouragement in cultural industry, the success of 3D presentations and the growing demand of high-quality entertainment experience in Mainland China, the Group will focus more on the development of its business in Mainland China.

As of 26 March 2013, the Group operated 42 cinemas with 306 screens in Mainland China and 4 cinemas with 26 screens were in various stages of interior decoration and are in the pipeline for openings. By the end of 2014, the Group expects to operate 78 cinemas with 571 screens in Beijing, Changsha, Changzhou, Chengdu, Chongqing, Dalian, Dongguan, Fushun, Guangzhou, Haining, Hefei, Heyuan, Huizhou, Jiashan, Jinan, Jinhua, Jingdezhen, Linyi, Maanshan, Nanning, Nantong, Shanghai, Shangrao, Shenyang, Shenzhen, Suzhou, Tangshan, Tianjin, Qingdao, Wuhan, Wuhu, Wujiang, Wuxi, Xian, Xining, Xuyi, Yancheng, Yangjiang, Yangquan, Yinchuan, Yingkou and Zhuzhou based on lease agreements signed as of 26 March 2013, although the number may vary due to the actual handover date, the progress of interior decoration, application of relevant licenses and the entering into of new lease agreements during the period.

電影及電視節目發行及製作

於二零一二年，本集團電影發行及製作業務錄得營業額1.1億港元(二零一一年：1.6億港元)。去年本集團銷售的兩部華語電視連續劇《黃金密碼》及《諜戰深海》，貢獻總銷售收入7,000萬港元，而本年度並無新作品推出。儘管香港、台灣及新加坡發行業務表現良好，於二零一二年為本集團帶來高於去年的溢利，惟整體業績仍較去年有所下降。本集團於中國內地、香港、台灣及新加坡各地發行約120部(二零一一年：超過130部)電影。本集團的電影庫收藏超過140部擁有永久性發行權之電影及電視節目，繼續為本集團帶來穩定版權收入貢獻。

前景

展望將來，本集團對電影業及本集團營運地區的前景充滿信心，尤其是在迅速膨脹的中國內地市場。除保持以快速步伐於中國內地市場開設影城及抓緊收購機會進一步拓展本集團的亞太地區影城版圖外，本集團將不斷精簡及鞏固其業務營運及嚴格控制成本。本集團致力加強及發展具備更大市場潛力及更佳回報的各個地區的放映及發行網絡。配合政府對文化產業的支持，3D放映的成功及中國內地對高質素娛樂的需求日益殷切，本集團將更專注於發展中國內地的業務。

截至二零一三年三月二十六日，本集團在中國內地經營42家影城共306塊銀幕，另有4家影城共26塊銀幕進行不同階段的內部佈置，並正籌劃開業事宜。根據截至二零一三年三月二十六日已簽訂之租賃協議，本集團預期於二零一四年底在北京、長沙、常州、成都、重慶、大連、東莞、撫順、廣州、海寧、合肥、河源、惠州、嘉善、濟南、金華、景德鎮、臨沂、馬鞍山、南寧、南通、上海、上饒、沈陽、深圳、蘇州、唐山、天津、青島、武漢、蕪湖、吳江、無錫、西安、西寧、盱眙、鹽城、陽江、陽泉、銀川、營口及株州等地經營78家影城共571塊銀幕，惟有關數字或因實際接場日期、內部佈置、相關牌照申請進度及期內額外簽訂的新租賃協議而有所變動。

Management Discussion & Analysis 管理層討論及分析

In Hong Kong, the Group has closed down GH Mongkok in February 2013 upon expiry of the lease, and plans to renovate GH Tsing Yi in the first half year of 2013. The Group will look for new cinema sites in order to maintain its market position of theatre operation in Hong Kong. In Taiwan and Singapore, the Group also plans to renovate 3 existing cinemas with a total of 26 screens in 2013.

In view of the growing demand for Chinese-language films, the Group will continue to expand its distribution and production business. The Group will re-produce the classic film *Fly Me to Polaris* in 2013. This new *Fly Me to Polaris* will adopt the Sony super high resolution 4K digital filming techniques, which is a pioneering attempt in Mainland China. The Group will also seek opportunities to co-operate with Hollywood studios in film production activities and look for good scripts for Chinese language films and TV drama series co-production. The Group has one Chinese TV drama series currently under the early stage of production.

Currently, the Group has strong liquidity and reasonable financial leverage. In order to cope with the rapid expansion, the Group will utilise the available bank loan facilities to finance the cinema projects in Mainland China and other expansion investment opportunities. The management will closely monitor and maintain an optimal gearing structure to limit the risk.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2012, the Group maintained a rich liquid fund with cash balance of approximately HK\$730 million (2011: HK\$710 million) and had net current assets of HK\$160 million (2011: HK\$380 million). The Group's outstanding bank loans totalled HK\$650 million (2011: HK\$500 million). The significant increase in bank loans is to finance the cinema projects in Mainland China. In 2012, the Group spent about HK\$320 million for fixed assets investment of which, approximately HK\$260 million was for the capital expenditure of the cinema projects in Mainland China. Details of bank loans including the terms of the loans, interest rates, currencies and securities are disclosed in note 24 to the financial statements. As of 31 December 2012, the Group's gearing ratio, calculated on the basis of external borrowings over total assets, was about 23% (2011: 20%). Management will continue to monitor the gearing structure and make adjustments if necessary in light of changes in the Group's development plan and economic conditions.

The Group's assets and liabilities are principally denominated in Hong Kong dollars and Renminbi except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Group operate in their local currencies and are subject to minimal exchange risk on their own. While for Hong Kong and Mainland China operations, due to the volatility of the currency market, management decided to maintain a higher level of deposits in Renminbi, thus lowering the exposure to exchange risk. The directors of the Company will continue to assess the exchange risk exposure, and will consider possible hedging measures in order to minimise the risk at reasonable cost. The Group did not have any significant contingent liabilities as of 31 December 2012.

於香港，本集團於二零一三年二月租約期滿後關閉嘉禾旺角電影城，並計劃於二零一三年上半年翻新嘉禾青衣電影城。本集團將會物色地點設立新影城，以維持於香港影院業務之市場地位。於台灣及新加坡，本集團亦計劃於二零一三年翻新3家現有影城共26塊銀幕。

有見華語電影需求日增，本集團將繼續拓展其發行及製作業務。本集團將於二零一三年重新製作經典電影《星願》。新《星願》將於中國內地首次嘗試採用索尼超高解像度4K數碼拍攝技術。本集團亦將物色機會與荷里活製片商合作製作電影，並為聯合製作華語電影及電視劇發掘優質劇本。本集團目前一部華語電視連續劇處於初期製作階段。

目前，本集團的流動資金十分充裕，財務槓桿比率合理。為配合快速增長，本集團將動用備用銀行貸款信貸額度為中國內地之影城項目及其他拓展投資機會提供資金。管理層將密切監察及維持理想的資產負債比率結構，藉以限制風險。

財務資源及流動資金

截至二零一二年十二月三十一日，本集團具備充足流動資金，現金結餘約7.3億港元（二零一一年：7.1億港元），流動資產淨值則為1.6億港元（二零一一年：3.8億港元）。本集團之未償還銀行貸款合共為6.5億港元（二零一一年：5.0億港元）。銀行貸款大幅增加乃為撥付中國內地的影城項目。於二零一二年，本集團已耗資約3.2億港元作固定資產投資，當中約2.6億港元為中國內地影城項目的資本開支。有關銀行貸款（包括貸款之條款、利率、貨幣及抵押）之詳情，於財務報表附註24披露。截至二零一二年十二月三十一日，本集團按外部借貸除資產總值計算之資產負債比率約為23%（二零一一年：20%）。管理層將繼續監察資產負債比率結構，並會因應本集團發展計劃及經濟狀況之轉變作出所需調整。

本集團之資產與負債主要以港元及人民幣計值，惟與新加坡及台灣之投資相關之若干資產及負債除外。本集團海外合營企業以當地貨幣經營業務，所承受之外匯風險極低。就香港及中國內地業務而言，鑑於貨幣市場反覆波動，故管理層決定維持大量人民幣存款，從而降低外匯風險。本公司董事將繼續評估外匯風險，並會考慮採取可行之對沖措施，盡量以合理成本降低風險。截至二零一二年十二月三十一日，本集團並無任何重大或然負債。

Management Discussion & Analysis

管理層討論及分析

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group had 1,395 (2011: 1,565) permanent employees. The Group remunerates its employees largely by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, share options are granted to certain employees based on individual merit. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance. As at 31 December 2012, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

僱員及薪酬政策

於二零一二年十二月三十一日，本集團聘有1,395名（二零一一年：1,565名）全職僱員。本集團主要根據行業慣例釐定僱員薪酬。除薪金、佣金及酌情花紅外，若干僱員可就個人表現獲授購股權。本集團亦根據強制性公積金計劃條例設立定額供款退休福利計劃。於二零一二年十二月三十一日，並無因任何僱員脫離退休福利計劃而產生沒收供款。

Report of the Directors

董事會報告書

The directors of the Company (the “Director(s)”) have pleasure in presenting the report of the Directors and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company which is a leading integrated film entertainment company in the markets where the principal activities of the Group consist of worldwide film and video distribution, film exhibition, provision of advertising and consultancy services in Hong Kong, Mainland China, Taiwan and Singapore, films and television programmes production in Hong Kong and Mainland China.

RESULTS AND DIVIDENDS

The Group’s results for the year ended 31 December 2012 and the state of affairs of the Company and the Group as at 31 December 2012 are set out in the financial statements on pages 65 to 128.

The Directors did not declare any interim dividend in year 2012.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2012.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year ended 31 December 2012 are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the Company’s share capital during the year ended 31 December 2012 are set out in notes 28(a) to the financial statements.

Save for the share options as set out below and as set out in note 28(a)(ii) to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2012.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s Bye-laws or the company laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

本公司董事(「董事」)欣然提呈董事會報告書以及本公司及其附屬公司(統稱「本集團」)截至二零一二年十二月三十一日止年度之經審核綜合財務報表。

主要業務

本公司為投資控股公司，且為市場中主要綜合電影娛樂公司，其主要業務包括在香港、中國內地、台灣與新加坡發行全球電影及影碟，經營影城，提供廣告及諮詢服務，以及於香港及中國內地進行電影及電視節目製作。

業績及股息

本集團截至二零一二年十二月三十一日止年度之業績，以及本公司與本集團於二零一二年十二月三十一日之財政狀況載於第129至192頁之財務報表內。

董事於二零一二年並無宣派任何中期股息。

董事不建議派付截至二零一二年十二月三十一日止年度之末期股息。

固定資產

本集團固定資產於截至二零一二年十二月三十一日止年度之變動詳情載於財務報表附註12。

股本

本公司股本於截至二零一二年十二月三十一日止年度之變動詳情載於財務報表附註28(a)。

除下文及財務報表附註28(a)(ii)載列之購股權外，本公司於二零一二年十二月三十一日並無未行使可換股證券、購股權、認股權證或其他相若權利。

優先購買權

本公司之章程細則或百慕達公司法例並無關於優先購買權之規定，致使本公司須按比例向現有股東發售新股。

Report of the Directors

董事會報告書

SUMMARY FINANCIAL INFORMATION

財務資料摘要

		Year ended 31 December 截至十二月 三十一日 止年度 2012 二零一二年 HK\$'000 千港元 (Audited) (經審核)	Year ended 31 December 截至十二月 三十一日 止年度 2011 二零一一年 HK\$'000 千港元 (Audited) (經審核)	Year ended 31 December 截至十二月 三十一日 止年度 2010 二零一零年 HK\$'000 千港元 (Audited) (經審核)	[#] Twelve months ended 31 December 截至十二月 三十一日 止十二個月 2009 二零零九年 HK\$'000 千港元 (Unaudited) (未經審核)	Eighteen months ended 31 December 截至十二月 三十一日 止十八個月 2009 二零零九年 HK\$'000 千港元 (Audited) (經審核) (restated) (經重列)	Year ended 30 June 截至六月 三十日 止年度 2008 二零零八年 HK\$'000 千港元 (Audited) (經審核) (restated) (經重列)
Consolidated income statement	綜合收益表						
Turnover	營業額	1,591,971	1,369,562	1,077,533	809,975	1,230,904	654,770
Profit before taxation	除稅前溢利	98,737	117,434	94,898	36,228	115,394	17,549
Income tax	所得稅	(1,033)	(22,563)	(22,511)	(13,586)	(20,484)	(10,391)
Profit for the period/year from continuing operations	持續經營業務之 本期間/年度溢利	97,704	94,871	72,387	22,642	94,910	7,158
Profit for the period/year from discontinued operation	已終止經營業務之 本期間/年度溢利	—	—	—	—	1,198	3,911
Profit for the period/year	本期間/年度溢利	97,704	94,871	72,387	22,642	96,108	11,069
Attributable to:	以下人士應佔：						
— Equity holders of the Company	— 本公司股權持有人	95,987	95,943	70,823	22,172	95,542	10,763
— Non-controlling interests	— 非控股權益	1,717	(1,072)	1,564	470	566	306
		97,704	94,871	72,387	22,642	96,108	11,069

These figures are presented for comparison purposes.

該等數字乃就比較用途而呈列。

Report of the Directors

董事會報告書

SUMMARY FINANCIAL INFORMATION

財務資料摘要

		As at 31 December				As at 30 June
		於十二月三十一日				於六月三十日
		2012	2011	2010	2009	2008
		二零一二年	二零一一年	二零一零年	二零零九年	二零零八年
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元
		(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
		(經審核)	(經審核)	(經審核)	(經審核)	(經審核)
Consolidated statement of financial position	綜合財務狀況表					
Fixed assets	固定資產	1,413,351	1,206,446	681,465	395,055	367,395
Interests in associates	於聯營公司之權益	6,876	—	—	—	—
Amounts due from jointly controlled entities	應收共同控制公司款項	—	—	—	—	32,285
Loan to a joint venture partner	給予一名合營夥伴之貸款	—	—	—	5,357	—
Available-for-sale equity securities	可供出售股本證券	—	149	246,083	1,500	—
Prepaid rental	預付租金	74,840	28,472	30,435	5,592	8,015
Club memberships	會籍	2,490	2,490	2,490	2,490	3,590
Rental and other deposits	租務及其他按金	119,046	106,631	63,809	56,214	54,006
Trademark	商標	79,785	79,785	79,785	79,421	79,421
Goodwill	商譽	73,658	73,658	73,658	28,538	—
Deferred tax assets	遞延稅項資產	22,547	7,335	3,095	420	358
Non-current portion of pledged bank deposits	已抵押銀行存款之非即期部分	69,296	48,010	29,476	25,038	10,133
Current assets	流動資產	1,062,827	1,017,910	667,558	731,960	422,904
Assets of a jointly controlled entity held for sale	持作待售之共同控制公司資產	—	—	—	—	141,037
Total assets	資產總值	2,924,716	2,570,886	1,877,854	1,331,585	1,119,144
Current liabilities	流動負債	905,087	636,354	388,049	290,636	277,064
Liabilities of a jointly controlled entity held for sale	持作待售之共同控制公司負債	—	—	—	—	101,135
Non-current portion of bank loans	銀行貸款之非即期部分	325,354	376,345	82,400	62,732	7,800
Non-current portion of convertible notes	可換股票據之非即期部分	—	—	6,662	6,150	—
Non-current portion of obligations under finance lease	融資租賃債務之非即期部分	12,356	—	—	—	—
Amount due to a jointly controlled entity	應付一間共同控制公司款項	—	—	—	5,357	—
Loans from joint venture partners	合營夥伴提供之貸款	—	—	—	—	42,505
Loan from non-controlling shareholder	非控股股東提供之貸款	—	—	—	—	696
Deposits received	已收按金	8,830	9,891	5,318	4,887	4,248
Deferred tax liabilities	遞延稅項負債	28,478	24,713	19,623	13,868	16,540
Total liabilities	負債總額	1,280,105	1,047,303	502,052	383,630	449,988
Net assets	資產淨值	1,644,611	1,523,583	1,375,802	947,955	669,156
Non-controlling interests	非控股權益	10,518	9,739	11,554	1,881	1,421

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董事會報告書

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2012 are set out in note 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for cash distribution and/or distribution in specie, representing the retained profits, amounted to HK\$319,283,000 (2011: HK\$230,939,000). In addition, the Company's share premium account, contributed surplus and capital redemption reserve of HK\$664,835,000, HK\$271,644,000 and HK\$8,833,000, respectively, as at 31 December 2012, may be distributed to the shareholders of the Company in certain circumstance prescribed by Section 54 of the Companies Act 1981 of Bermuda.

DIRECTORS

The Directors during the year ended 31 December 2012 and up to the date of this report were:

Chairman & Executive Director

Wu Kebo

Executive Directors

Li Pei Sen

Mao Yimin

Tan Boon Pin Simon

Wu Keyan

Independent Non-executive Directors

Leung Man Kit

Huang Shao-Hua George

Wong Sze Wing

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting of the Company, one third of the Directors for the time being shall retire from office by rotation. Pursuant to Bye-law 87(2) of the Bye-laws of the Company, a retiring Director shall be eligible for re-election. Accordingly, each of Ms. Wu Keyan, Mr. Leung Man Kit and Mr. Huang Shao-Hua George shall retire at the forthcoming annual general meeting and, being eligible, will offer himself or herself for re-election at the annual general meeting.

Ms. Wu Keyan has entered into a service contract with the Company which is determinable by the Company by not less than three months' notice.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting of the Company has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

儲備

本公司及本集團於截至二零一二年十二月三十一日止年度之儲備變動詳情分別載於財務報表附註28(b)及綜合權益變動報表。

可分派儲備

本公司於二零一二年十二月三十一日之可供現金分派及／或實物分派之儲備(指保留溢利)為319,283,000港元(二零一一年:230,939,000港元)。此外,本公司於二零一二年十二月三十一日之股份溢價賬、繳入盈餘及股本贖回儲備分別為664,835,000港元、271,644,000港元及8,833,000港元,根據百慕達一九八一年公司法第54條可於若干情況下向本公司股東分派。

董事

截至二零一二年十二月三十一日止年度及截至本報告日期在任董事為:

主席及執行董事

伍克波

執行董事

李培森

毛義民

陳文彬

伍克燕

獨立非執行董事

梁民傑

黃少華

黃斯穎

根據本公司之章程細則第87(1)條規定,於每屆本公司股東週年大會上,當時三分一董事須輪值退任。根據本公司之章程細則第87(2)條規定,退任董事符合資格重選連任。因此,伍克燕女士、梁民傑先生及黃少華先生各自將於應屆股東週年大會退任,並符合資格於股東週年大會重選連任。

伍克燕女士已與本公司訂立服務合約,本公司可發出不少於三個月通知予以終止。

除上文所披露外,擬於本公司應屆股東週年大會上重選連任之董事與本公司並無訂立不可由本公司於一年內毋須支付法定賠償以外賠償終止之服務合約。

Report of the Directors

董事會報告書

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2012 and up to the date of this report, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Directors consider that the share repurchases were beneficial to equity holders of the Company who retain their investments in the Company. Details of the share repurchases are set out below:

買賣及贖回上市證券

於截至二零一二年十二月三十一日止年度內及截至本報告日期為止，本公司於香港聯合交易所有限公司（「聯交所」）購回其若干股份。董事認為購回股份對保留本公司投資的本公司股權持有人有利。所購回股份詳情載列如下：

Month/Year 月份／年份		Number of shares repurchased 購回股份數目	Highest price per share 每股最高價格 HK\$ 港元	Lowest price per share 每股最低價格 HK\$ 港元	Aggregated consideration (excluding transaction costs) 總代價（不包括交易成本） HK\$'000 千港元
January 2012	二零一二年一月	2,990,000	0.280	0.260	821
May 2012	二零一二年五月	1,385,000	0.295	0.275	395
		<u>4,375,000</u>			

Report of the Directors

董事會報告書

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) **Interests in shares of HK\$0.10 each in the issued share capital of the Company (the "Shares"), underlying Shares and debentures of the Company**

董事及主要行政人員於股份、相關股份或債權證之權益及淡倉

於二零一二年十二月三十一日，本公司之董事及主要行政人員於本公司或其任何相聯法團（定義見證券及期貨條例（「證券及期貨條例」）第XV部）之股份、相關股份或債權證，擁有本公司須根據證券及期貨條例第XV部第352條存置之登記冊所記錄；或根據聯交所證券上市規則（「上市規則」）所載上市發行人董事進行證券交易的標準守則（「標準守則」）已知會本公司與聯交所之權益及淡倉如下：

(i) **於本公司已發行股本中每股面值0.10港元股份（「股份」）、本公司之相關股份及債權證之權益**

Name of Director/ Chief Executive 董事/主要行政人員 姓名	Capacity 身份	Note 附註	Number of Shares 股份數目	Number of underlying Shares 相關股份數目	Total Shares and underlying Shares 股份及 相關股份總數	* Approximate percentage of Shares and underlying Shares in the issued share capital of the Company * 股份及相關 股份於本公司 已發行股本中 所佔概約百分比
Wu Kebo 伍克波	Interest of controlled corporations 受控法團權益	1	1,594,227,401 (L)	—	1,594,227,401 (L)	59.49%
	Beneficial owner 實益擁有人	1	24,545,000 (L)	—	24,545,000 (L)	0.92%
		2	—	60,000,000 (L)	60,000,000 (L)	2.24%
Wu Keyan 伍克燕	Beneficial owner 實益擁有人	2	—	700,000 (L)	700,000 (L)	0.026%
Li Pei Sen 李培森	Beneficial owner 實益擁有人	2	—	200,000 (L)	200,000 (L)	0.007%
Leung Man Kit 梁民傑	Beneficial owner 實益擁有人	2	—	200,000 (L)	200,000 (L)	0.007%
Huang Shao-Hua George 黃少華	Beneficial owner 實益擁有人	2	—	200,000 (L)	200,000 (L)	0.007%
Tan Boon Pin Simon 陳文彬	Beneficial owner 實益擁有人	2	—	1,200,000 (L)	1,200,000 (L)	0.045%

Report of the Directors

董事會報告書

* These percentages are computed based on the total number of Shares in issue (i.e. 2,679,819,248 Shares) as at 31 December 2012.

Notes:

1. By virtue of the SFO, Mr. Wu Kebo ("Mr. Wu") was deemed to have interest in a total of 1,594,227,401 Shares, of which (i) 439,791,463 Shares were held by Skyera International Limited (a company wholly-owned by Mr. Wu); (ii) 408,715,990 Shares were held by Mainway Enterprises Limited (a company wholly owned by Mr. Wu); (iii) 565,719,948 Shares were held by Orange Sky Entertainment Group (International) Holding Company Limited (a company which is 80% owned by Mr. Wu) and (iv) 180,000,000 Shares were held by Cyber International Limited (a company owned by an associate of Mr. Wu).

In addition, Mr. Wu was interest in 24,545,000 Shares as at 31 December 2012 which were beneficially held by him in his own name.

2. These underlying Shares represented the Shares which may be issued upon the exercise of share options granted by the Company under the share option scheme adopted by the Company on 28 November 2001 (the "2001 Share Option Scheme").

Abbreviations:

"L" stands for long position
"S" stands for short position

(ii) Interests in shares of associated corporations

Mr. Wu was also the beneficial owner of the entire issued share capital of Golden Harvest Film Enterprises Inc., which beneficially held 114 million non-voting deferred shares of Orange Sky Golden Harvest Entertainment Company Limited, a wholly-owned subsidiary of the Company.

In addition to the above, Mr. Wu had non-beneficial equity interests in certain subsidiaries of the Company which were held for the benefit of the Group.

Save as disclosed above and save for the disclosure referred to under "Share Option Schemes" set out below and in note 28(a)(ii) to the financial statements on page 109 of this annual report, as at 31 December 2012, none of the Directors and chief executive of the Company had any interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

* 該等百分比乃根據於二零一二年十二月三十一日已發行股份總數(即2,679,819,248股股份)而計算。

附註：

1. 根據證券及期貨條例，伍克波先生(「伍先生」)被視為擁有合共1,594,227,401股股份，當中(i) 439,791,463股股份由伍先生全資擁有的公司Skyera International Limited持有；(ii) 408,715,990股股份由伍先生全資擁有的公司Mainway Enterprises Limited持有；(iii) 565,719,948股股份由伍先生擁有80%股權的公司橙天娛樂集團(國際)控股有限公司持有及(iv) 180,000,000股股份由伍先生的聯繫人擁有的公司Cyber International Limited持有。

另外，伍先生亦以本身名義於二零一二年十二月三十一日實益擁有24,545,000股股份權益。

2. 該等相關股份乃指本公司根據本公司於二零零一年十一月二十八日採納之購股權計劃(「二零零一年購股權計劃」)授出之購股權獲行使後可能發行之股份。

縮略詞：

「L」指好倉
「S」指淡倉

(ii) 相聯法團股份之權益

伍先生亦為Golden Harvest Film Enterprises Inc.全部已發行股本之實益擁有人，而該公司實益持有本公司全資附屬公司橙天嘉禾娛樂有限公司114百萬股無投票權遞延股份。

除上述者外，伍先生就本集團利益持有本公司之若干附屬公司非實益股本權益。

除上文披露者以及下文及本年報第173頁財務報表附註28(a)(ii)有關「購股權計劃」之披露事項外，於二零一二年十二月三十一日，本公司各董事及主要行政人員於本公司或其任何相聯法團(定義見證券及期貨條例第XV部)之股份、相關股份或債權證中並無擁有任何本公司須根據證券及期貨條例第XV部第352條存置之登記冊所記錄；或根據標準守則已知會本公司與聯交所之權益或淡倉。

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures" above and "Share Option Schemes" below, at no time during the year ended 31 December 2012 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

(i) 2001 Share Option Scheme

The Company adopted the 2001 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, which became effective on 30 November 2001. Eligible participants of the 2001 Share Option Scheme include the Directors and other employees of the Group, shareholders of the Company, suppliers of goods or services to the Group and customers of the Group.

Each grant of the share options to the Director, chief executive or substantial shareholder of the Company, or any of their associates, must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the share option). In addition, any grant of share options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates which would result in the Shares issued or to be issued upon exercise of options already granted and to be granted under the 2001 Share Option Scheme and any other share option schemes of the Company (if any) (including options exercised, cancelled and outstanding) to such person representing in aggregate over 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at each date of grant) in excess of HK\$5,000,000, within any 12-month period up to and including the date of the grant, shall be subject to approval of the shareholders of the Company in general meeting with voting to be taken by way of a poll.

The offer in relation to a grant of share options under the 2001 Share Option Scheme must be accepted within 30 days inclusive of, and from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the Directors, which may not exceed 10 years commencing on such date on or after the date of grant as the Directors may determine in granting the share options (which in any event must be prior to the close of business on 30 October 2011) and ending on such date as the Directors may determine in granting the share options. Save as determined by the Directors and provided in the offer of the grant of the relevant share option, there is no general requirement that a share option must be held for any minimum period before it can be exercised.

董事購買股份或債權證之權利

除上文「董事及主要行政人員於股份、相關股份或債權證之權益及淡倉」以及下文「購股權計劃」各節披露者外，本公司或其任何附屬公司於截至二零一二年十二月三十一日止年度任何時間概無參與任何安排，致使董事、彼等各自之配偶或未滿18歲子女可藉收購本公司或任何其他法人團體之股份或債權證而獲益。

購股權計劃

(i) 二零零一年購股權計劃

本公司採納二零零一年購股權計劃，作為獎勵及回饋為本集團業務成功作出貢獻之合資格參與者，自二零零一年十一月三十日起生效。二零零一年購股權計劃之合資格參與者包括董事及本集團其他僱員、本公司股東、本集團貨品或服務供應商及本集團客戶。

每次向本公司董事、行政總裁或主要股東、或任何彼等之聯繫人授出購股權，須先獲獨立非執行董事(身為購股權承授人之獨立非執行董事除外)之批准。此外，於截至授出購股權當日止任何12個月期間向本公司主要股東或獨立非執行董事、或任何彼等各自之聯繫人授出之任何購股權，如將導致根據二零零一年購股權計劃及本公司任何其他購股權計劃(如有)已授出或將授出予該等人士之購股權(包括已行使、註銷及未行使之購股權)獲行使已發行或將發行之股份總數，多於已發行股份0.1%或總值(根據授出當日股份之收市價計算)多於5,000,000港元，須先獲本公司股東於股東大會上按投票表決方式批准。

按二零零一年購股權計劃授出購股權之建議必須於建議日期(包括該日)起計30日內由承授人接納，並須支付象徵式代價1港元。所授出購股權之行使期乃由董事釐定，惟由授出購股權當日或董事於授出購股權時決定之其後日期(無論如何不得遲於二零一一年十月三十日辦公時間結束時)董事於授出購股權時可能決定之結束日期不得超過十年。除董事另行決定及授出有關購股權之建議另有規定外，並無一般規定限制購股權必須於持有若干最短期限後方可行使。

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董事會報告書

The exercise price of the share options is determinable by the Directors, provided always that it shall be at least the higher of (i) the closing price of the Shares on the date of the offer; and (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer, provided that the price shall in no event be less than the nominal amount of one Share.

The maximum number of Shares issuable upon exercise of all share options to be granted under the 2001 Share Option Scheme and any other share option schemes of the Company (if any) must not in aggregate exceed 10% of the Shares in issue as at 28 November 2001. This limit was refreshed by the shareholders of the Company in the annual general meeting of the Company held on 10 December 2007 in accordance with the provisions of the Listing Rules. In addition, the maximum number of Shares issued and to be issued upon exercise of the share options granted to each eligible participant under the 2001 Share Option Scheme and any other share option schemes of the Company (if any) (including both exercised and outstanding options) within any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of such limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant of such share option shall be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

As at the date of this report, options entitling the holders thereof to subscribe for an aggregate of 63,550,000 Shares (representing approximately 2.37% of Shares in issue (i.e. 2,679,819,248 Shares) as at the date of this report) remain outstanding under the 2001 Share Option Scheme. The 2001 Share Option Scheme was terminated with effect from 11 November 2009 when the new share options scheme adopted by the Company on 11 November 2009 (the "2009 Share Option Scheme") became unconditional. Notwithstanding the termination of the 2001 Share Option Scheme, the outstanding options granted under the 2001 Share Option Scheme remain in full force and effect in accordance with the terms and conditions of the grant thereof.

Share options granted under the 2001 Share Option Scheme do not confer rights on the holders to dividends or to vote at the shareholders' meetings.

購股權之行使價乃由董事釐定，惟不得低於(i)股份於建議當日之收市價；及(ii)股份於緊接建議當日前五個交易日在聯交所之平均收市價(以較高者為準)，及不得低於每股股份面值。

因行使根據二零零一年購股權計劃及本公司任何其他購股權計劃(如有)將授出之所有購股權而可予發行之最高股數，合共不得超過本公司於二零零一年十一月二十八日之已發行股份之10%。本公司股東已於二零零七年十二月十日按照上市規則之條文在股東週年大會上重新釐定該上限。此外，根據二零零一年購股權計劃及本公司任何其他購股權計劃(如有)於授出日期前任何12個月期間內向個別合資格參與者授出之購股權(包括已行使及未行使購股權)而已發行及將予發行之最高股數，不得超過已發行股份1%。倘於截至該等購股權授出日止任何12個月期間額外授出超逾該上限之購股權(包括已行使、註銷及未行使之購股權)，則須個別在股東大會獲得本公司股東批准，而該等參與者及其聯繫人須放棄投票。

於本報告日期，根據二零零一年購股權計劃賦予其持有人權利可認購合共63,550,000股股份(於本報告日期佔已發行股份2,679,819,248股股份約2.37%)之購股權尚未行使。本公司於二零零九年十一月十一日終止二零零一年購股權計劃，而本公司於二零零九年十一月十一日採納之新購股權計劃(「二零零九年購股權計劃」)已成為無條件。儘管二零零一年購股權計劃終止，根據二零零一年購股權計劃授出尚未行使之購股權繼續按其授出條款及條件具十足效力及作用。

根據二零零一年購股權計劃授出之購股權並無賦予持有人獲派股息或在股東大會上投票之權利。

Report of the Directors

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(ii) 2009 Share Option Scheme

The Company has adopted the 2009 Share Option Scheme for the purpose to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants. Eligible participants of the 2009 Share Option Scheme include the Directors and other employees of the Group, consultant or adviser, distributor, contractor, supplier, service provider, agent, customer and business partner of the Group. The 2009 Share Option Scheme became effective on 11 November 2009 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

Each grant of the share options to a connected person of the Company, or any of their associates, must be approved by all of the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the option). In addition, any grant of the share options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates which would result in the Shares issued or to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person representing in aggregate over 0.1% of the Shares in issue on the date of the offer and with an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK\$5,000,000, within any 12-month period up to and including the date of the grant, shall be subject to approval of the shareholders of the Company in general meeting with voting to be taken by way of a poll.

The offer in relation to a grant of share options under the 2009 Share Option Scheme shall remain open for acceptance by the eligible participant concerned for such period as determined by the Board, which period shall not be more than 30 days from the day of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the Directors, the expiry date of such period not to exceed 10 years from the date of the offer. Save as determined by the Directors and provided in the offer of the grant of the relevant share option, there is no general requirement that a share option must be held for any minimum period before it can be exercised.

(ii) 二零零九年購股權計劃

本公司採納二零零九年購股權計劃，旨在使本公司可向合資格參與者授出購股權，作為彼等對本集團發展作出貢獻之鼓勵或獎賞，並讓本集團更具彈性地向合資格參與者提供獎勵、報酬、補償及／或提供福利。二零零九年購股權計劃之合資格參與者包括董事及本集團其他僱員、顧問或諮詢者、分銷商、承包商、供應商、服務供應商、代理、客戶及商業夥伴。二零零九年購股權計劃自二零零九年十一月十一日起生效，計劃如非被取消或更改，將於該日期起計十年內具有十足效力。

每次向本公司關連人士或任何彼等之聯繫人授出購股權，須先獲全體獨立非執行董事（身為購股權承授人之獨立非執行董事除外）之批准。此外，於截至授出購股權當日止任何12個月期間向本公司主要股東或獨立非執行董事、或任何彼等各自之聯繫人授出任何購股權，如將導致已授出或將授出予該等人士之所有購股權（包括已行使、註銷及未行使之購股權）行使後已發行或將發行之股份，多於授出購股權日期已發行股份0.1%或總值（根據授出當日股份之收市價計算）多於5,000,000港元，須先獲本公司股東於股東大會上按投票表決方式批准。

按二零零九年購股權計劃授出購股權之建議必須於董事會釐訂之期間供合資格者接納。有關期間不得超過建議日期起計30日，而承授人並須支付象徵式代價1港元。所授出購股權之行使期乃由董事釐定，惟該行使期之結束日不得超過由授出購股權當日起計十年。除董事另行決定及授出有關購股權之建議另有規定外，並無一般規定限制購股權必須於持有若干最短期限後方可行使。

Report of the Directors

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The price per Share at which a grantee may subscribe for Shares on the exercise of a share option is determinable by the Directors, provided always that it shall be at least the higher of (i) the closing price per Share as stated in the daily quotation sheet of the Stock Exchange on the date of offer of grant of the share option; (ii) the average closing price per Share as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a Share.

The maximum number of Shares issuable upon exercise of all share options to be granted under the 2009 Share Option Scheme and any other share option schemes of the Company (if any) must not in aggregate exceed 10% of the Shares in issue as at 11 November 2009, being the date of adoption of the 2009 Share Option Scheme. This limit was last refreshed by the shareholders of the Company in the annual general meeting of the Company held on 15 May 2012 in accordance with the provisions of the Listing Rules so that the maximum number of Shares which may be issued upon the exercise of all options to be granted under the 2009 Share Option Scheme and other share option schemes of the Company shall not exceed 268,120,424 Shares, being 10% of the Shares in issue as at the date of passing the relevant resolution on 15 May 2012. In addition, the maximum number of Shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options under the 2009 Share Option Scheme) in any 12-month period shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of such limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant of such share option shall be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

As at the date of this report, options entitling the holders to subscribe for an aggregate of 268,120,424 Shares (representing approximately 10.01% of Shares in issue (i.e. 2,679,819,248 Shares) as at the date of this report) are available for issue under the 2009 Share Option Scheme.

Share options granted or to be granted under the 2009 Share Option Scheme do not confer rights on the holders to dividends or to vote at the shareholders' meetings.

承授人於行使購股權以認購股份之每股作價乃由董事釐定，惟不得低於(i)於建議授出購股權當日在聯交所每日報價表所示之每股收市價；(ii)於緊接建議當日前五個交易日在聯交所每日報價表所示之每股平均收市價；及(iii)每股股份面值。

因行使根據二零零九年購股權計劃及本公司任何其他購股權計劃(如有)將授出之所有購股權而可予發行之最高股數，合共不得超過於二零零九年十一月十一日(即二零零九年購股權獲採納日期)之已發行股份10%。本公司股東最後於二零一二年五月十五日舉行之本公司股東週年大會上按照上市規則之條文更新該上限，以使根據二零零九年購股權計劃及本公司其他購股權計劃將授出之全部購股權獲行使而可發行之最高股數，不得超過268,120,424股股份，即於二零一二年五月十五日通過相關決議案當日已發行股份10%。此外，於任何12個月期間內向個別合資格參與者授出之購股權(包括二零零九年購股權計劃項下已行使及未行使之購股權)而已發行及將予發行之最高股數，不得超過已發行股份1%。倘於截至該等購股權授出日止任何12個月期間內額外授出超過該上限之購股權(包括已行使、註銷及未行使之購股權)，則須個別在股東大會上獲得本公司股東批准，而該等參與者及其聯繫人須放棄投票。

於本報告日期，根據二零零九年購股權計劃，賦予其持有人權利可認購合共268,120,424股股份(於本報告日期佔已發行股份2,679,819,248股股份約10.01%)之購股權可供發行。

根據二零零九年購股權計劃授出或將授出之購股權並無賦予持有人獲派股息或在股東大會上投票之權利。

Report of the Directors

董事會報告書

Name or category of participant 參與者姓名或類別	Date of grant of share option 購股權授出日期	Exercise price per Share 每股行使價 HK\$ 港元	Exercise period 行使期 (Note b) (附註 b)	Number of share options outstanding as at 1 January 2012 於二零一二年一月一日尚未行使之購股權數目	Closing price per Share immediately before the date of grant of share option 緊接購股權授出日前之每股收市價 (Note a) HK\$ 港元	Closing price per Share immediately before the date of exercise of the share option 緊接購股權行使日前之每股收市價 (Note a) HK\$ 港元	Number of share options outstanding as at 31 December 2012 於二零一二年十二月三十一日尚未行使之購股權數目
<i>Director</i> 董事							
Huang Shao-Hua George 黃少華	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零一四年九月二十二日	200,000	0.451	—	200,000
Wu Kebo 伍克波	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零一四年九月二十二日	60,000,000	0.451	—	60,000,000
Wu Keyan 伍克燕	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零一四年九月二十二日	700,000	0.451	—	700,000
Li Pei Sen 李培森	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零一四年九月二十二日	200,000	0.451	—	200,000
Leung Man Kit 梁民傑	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零一四年九月二十二日	200,000	0.451	—	200,000
Tan Boon Pin Simon 陳文彬	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零一四年九月二十二日	1,200,000	0.451	—	1,200,000
<i>Other participants</i> 其他參與者							
In aggregate 總計	23 September 2009 二零零九年九月二十三日	0.453	23 September 2009 to 22 September 2014 二零零九年九月二十三日至二零一四年九月二十二日	1,050,000	0.451	—	1,050,000
				63,550,000			63,550,000

Notes:

- (a) Being the weighted average closing price of the Shares immediately before the dates on which the share options were granted or exercised, as applicable.
- (b) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

附註：

- (a) 即緊接該等購股權獲授出或行使(視適用情況而定)日期前之股份加權平均收市價。
- (b) 購股權之歸屬期由購股權授出當日起計至行使期開始。

Report of the Directors

董事會報告書

As at 31 December 2012, the Company had total outstanding share options entitling the holders thereof to subscribe for 63,550,000 Shares under the 2001 Share Option Scheme and nil Shares under the 2009 Share Option Scheme. The exercise in full of these outstanding share options would, under the present capital structure of the Company, result in the issue of 63,550,000 additional Shares, representing approximately 2.37% of the Shares in issue as at 31 December 2012, and additional share capital of HK\$6,355,000 and share premium account of approximately HK\$22,433,000 (before issue expenses).

DIRECTORS' INTERESTS IN CONTRACTS

Except for the disclosure under the heading "Continuing Connected Transactions" below and save as detailed in note 32 to the financial statements on page 122 of this annual report, none of the Directors had any material interests, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during or at the end of the year ended 31 December 2012.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2012, the Group's purchases from its largest supplier and its five largest suppliers accounted for approximately 10% and 32%, respectively, of the Group's total purchases.

The Group's sales to its largest customer and its five largest customers accounted for approximately 3% and 5%, respectively, of the Group's total sales during the same period.

None of the Directors, or any of its associates, or any of the shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and/or suppliers.

於二零一二年十二月三十一日，本公司有賦予其持有人權利可根據二零零一年購股權計劃認購合共63,550,000股股份及根據二零零九年購股權計劃認購零股股份之尚未行使購股權。根據本公司之現有資本架構，全面行使餘下之購股權可能導致額外發行63,550,000股股份（佔於二零一二年十二月三十一日已發行股份約2.37%），並額外產生股本6,355,000港元及股份溢價賬約22,433,000港元（未計發行費用前）。

董事於合約之權益

除下文「持續關連交易」一節所披露者及本年報第186頁的財務報表附註32所詳述者外，各董事概無在截至二零一二年十二月三十一日止年度內或結算日於本公司或其任何附屬公司參與訂立之任何重大合約中直接或間接擁有重大權益。

主要客戶及供應商

截至二零一二年十二月三十一日止年度，本集團向其最大供應商及五大供應商採購之購貨額分別約佔本集團總購貨額之10%及32%。

於同期，本集團向其最大客戶及五大客戶售出之銷售額則分別約佔本集團總銷售額之3%及5%。

本公司各董事或彼等任何聯繫人士或就董事所深知擁有本公司已發行股本5%以上之股東並無擁有本集團五大客戶及／或供應商任何權益。

Report of the Directors

董事會報告書

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

So far as is known to the Directors, as at 31 December 2012, the following persons, other than a Director or chief executive of the Company, had the following 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 Part XV of the SFO:

主要股東及其他人士於股份及相關股份之權益及淡倉

就董事所知，於二零一二年十二月三十一日，按本公司根據證券及期貨條例第XV部第336條存置之登記冊所記錄，下列人士（本公司董事或主要行政人員以外）於本公司股份或相關股份中持有以下權益或淡倉：

Name of shareholder 股東姓名／名稱	Capacity 身份	Note 附註	Number of Shares 股份數目	Number of underlying Shares 相關股份數目	*Approximate percentage of Shares and underlying Shares in the issued share capital of the Company	
					Total number of Shares and underlying Shares 股份及相關股份總數	* 股份及相關股份於本公司已發行之股本中所佔概約百分比
Wu Kebo 伍克波	Interest of controlled corporations 受控法團權益	1	1,594,227,401 (L)	—	1,594,227,401 (L)	59.49%
	Beneficial owner 實益擁有人	1 6	24,545,000 (L)	— 60,000,000 (L)	24,545,000 (L) 60,000,000 (L)	0.92% 2.24%
Skyera International Limited ("Skyera")	Beneficial owner 實益擁有人	2	439,791,463 (L)	—	439,791,463 (L)	16.41%
Mainway Enterprises Limited ("Mainway")	Beneficial owner 實益擁有人	3	408,715,990 (L)	—	408,715,990 (L)	15.25%
Cyber International Limited ("Cyber")	Beneficial owner 實益擁有人	4	180,000,000 (L)	—	180,000,000 (L)	6.72%
Orange Sky Entertainment Group (International) Holding Company Limited ("OSEG") 橙天娛樂集團（國際）控股有限公司（「橙天」）	Beneficial owner 實益擁有人	5	565,719,948 (L)	—	565,719,948 (L)	21.11%
NEC Corporation	Beneficial owner 實益擁有人		360,000,000 (L)	—	360,000,000 (L)	13.43%

* These percentages are computed based on the total number of Shares in issue (i.e. 2,679,819,248 Shares) as at 31 December 2012.

* 該等百分比乃根據本公司於二零一二年十二月三十一日已發行股份總數（即2,679,819,248股股份）計算。

Report of the Directors

董事會報告書

Notes:

- (1) By virtue of the SFO, Mr. Wu was deemed to have interest in a total of 1,594,227,401 Shares, of which (i) 439,791,463 Shares were held by Skyera; (ii) 408,715,990 Shares were held by Mainway; (iii) 565,719,948 Shares were held by OSEG (a company 80% owned by Mr. Wu) and (iv) 180,000,000 Shares were held by Cyber.

In addition, Mr. Wu was interest in 24,545,000 Shares as at 31 December 2012 which were beneficially held by him in his own name.

- (2) Skyera is a company wholly owned by Mr. Wu, who is also a director of Skyera.
- (3) Mainway is a company wholly owned by Mr. Wu, who is also a director of Mainway.
- (4) Cyber is a company owned by an associate of Mr. Wu.
- (5) OSEG (a company 80% owned by Mr. Wu) was interested in 565,719,948 Shares. Mr. Wu is a director of OSEG and Mr. Li Pei Sen is the associate Chairman of OSEG.
- (6) These underlying Shares represented the Shares which may be issued upon the exercise of share option granted by the Company under the 2001 Share Option Scheme.

Abbreviations:

"L" stands for long position
"S" stands for short position

Save as disclosed above, as at 31 December 2012, no other person had an interest or a short position in Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2012, the Group has entered into and engaged in the following transactions and arrangements with connected persons (as defined in the Listing Rules) of the Company:

(a) Procurement of Screen Advertising and In-foyer Advertising

Reference is made to the Company's announcement dated 8 December 2010, by which the Company announced, among other things, that the following continuing connected transactions were entered into.

橙天嘉禾影城(中國)有限公司(Orange Sky Golden Harvest Cinemas (China) Co. Ltd.) ("OSGH (China)"), an indirect wholly-owned subsidiary of the Company, and Panasia Cinemedia (Shenzhen) Co. Ltd. ("Panasia Cinemedia"), entered into a screen advertising agreement dated 30 March 2010 and a supplemental agreement dated 31 December 2010 (collectively the "Shenzhen Advertising Agreement"), whereby certain rights had been granted by OSGH (China) to Panasia Cinemedia for procurement of the screen advertising and in-foyer advertising at OSGH Cinemas Shenzhen (深圳橙天嘉禾影城) (previously known as Golden Harvest Shenzhen Cinema (嘉禾深圳影城)) operated by OSGH (China) for a term from 1 April 2010 to 31 December 2013 at annual fees for the first two years commencing from 1 April 2010 of RMB2,200,000 and RMB2,400,000 respectively and the annual fees for the period commencing from 1 April 2012 and ending on 31 December 2013 to be subject to an increment of 10%.

附註:

- (1) 根據證券及期貨條例，伍先生被視為擁有本公司共1,594,227,401股股份，當中(i) 439,791,463股股份由Skyera持有；(ii) 408,715,990股股份由Mainway持有；(iii) 565,719,948股股份由伍先生擁有80%股權的公司橙天持有及(iv) 180,000,000股股份由Cyber持有。

另外，伍先生亦以本身名義於二零一二年十二月三十一日實益擁有24,545,000股股份權益。

- (2) Skyera為伍先生全資擁有的公司，彼為Skyera董事。
- (3) Mainway為伍先生全資擁有的公司，彼為Mainway董事。
- (4) Cyber為由伍先生的聯營公司擁有的公司。
- (5) 伍先生擁有80%股權的公司橙天擁有565,719,948股股份。伍先生為橙天董事，而李培森先生為橙天聯合董事長。
- (6) 此等相關股份即行使本公司根據二零零一年購股權計劃所授出購股權而可能發行之股份。

縮略詞:

「L」指好倉
「S」指淡倉

除上文披露者外，於二零一二年十二月三十一日，概無其他人士按本公司根據證券及期貨條例第XV部第336條存置之登記冊所記錄，於股份或相關股份中擁有任何權益及淡倉。

持續關連交易

截至二零一二年十二月三十一日止年度，本集團曾與本公司關連人士(定義見上市規則)訂立以下交易及安排:

(a) 採購銀幕廣告及影院大堂廣告

茲提述本公司日期為二零一零年十二月八日之公佈，本公司藉此宣佈(其中包括)訂立下列持續關連交易。

本公司間接全資附屬公司橙天嘉禾影城(中國)有限公司(「橙天嘉禾影城(中國)」)與泛亞華影廣告(深圳)有限公司(「泛亞華影」)訂立日期分別為二零一零年三月三十日及二零一零年十二月三十一日之銀幕廣告協議及補充協議(統稱「深圳廣告協議」)，據此，橙天嘉禾影城(中國)向泛亞華影授出若干權利，批准其採購由橙天嘉禾影城(中國)營運之深圳橙天嘉禾影城(前稱嘉禾深圳影城)的銀幕廣告及影院大堂廣告，年期由二零一零年四月一日起至二零一三年十二月三十一日止，自二零一零年四月一日起首兩年之年費分別為人民幣2,200,000元及人民幣2,400,000元，其後於二零一二年四月一日起至二零一三年十二月三十一日止期間之年費則可增加10%。

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OSGH (China) and Panasia Cinemedia also entered into a master screen advertising agreement dated 25 April 2010 and a supplemental agreement dated 31 December 2010 (collectively the "PRC Master Screen Advertising Agreement"), whereby certain rights had been granted by OSGH (China) to Panasia Cinemedia for procurement of the screen advertising at all cinemas (other than OSGH Cinemas Shenzhen (深圳橙天嘉禾影城)) in the PRC operated or to be operated by OSGH (China), its subsidiaries and/or affiliates for the term of commencing on 1 May 2010 and expiring on 31 December 2013 at aggregate annual fees of approximately RMB8,790,000 for the first year, which shall be subject to an increment of 10% (or such other sum as specified in the PRC Master Screen Advertising Agreement) after the first year and an increment of 10% after the second year.

City Entertainment Corporation Limited ("City Entertainment"), an indirect wholly-owned subsidiary of the Company, and Panasia Cinema Advertising Limited ("Panasia Cinema") entered into a screen advertising agreement on 1 December 2010 (the "HK Advertising Agreement"), whereby Panasia Cinema would be appointed as an exclusive agent to procure the screen advertising and in-foyer advertising at the cinemas in Hong Kong operated and managed by City Entertainment for the term of two years commencing on 1 December 2010 and ending on 30 November 2012 at an annual fee calculated in accordance with the revenue sharing ratio of City Entertainment as stipulated in the HK Advertising Agreement.

The Board considers that it is in the interest of the Group to enter into the Shenzhen Advertising Agreement, the PRC Master Screen Advertising Agreement and the HK Advertising Agreement as the Group can focus more on the management and operation of cinemas.

During the year ended 31 December 2012, the aggregate amount payable under the Shenzhen Advertising Agreement and the PRC Master Screen Advertising Agreement amounted to RMB10,479,706, which is within the annual cap of RMB 22,000,000. The aggregate transaction value under the HK Advertising Agreement amounted to HK\$999,408, which is also within the annual cap of HK\$1,000,000.

Under the Listing Rules, OSEG, being a substantial shareholder of the Company, and its associates are connected persons of the Company. As Panasia Cinemedia and Panasia Cinema were sold by Panasia Films Limited, an indirect wholly-owned subsidiary of the Company, to 北京橙天博鴻廣告有限公司 and Orange Sky Entertainment International Holding Limited, both of which were indirect wholly-owned subsidiaries of OSEG, respectively on 31 December 2010, they became indirect wholly-owned subsidiaries of OSEG and thus were connected persons of the Company.

橙天嘉禾影城(中國)亦與泛亞華影訂立日期分別為二零一零年四月二十五日及二零一零年十二月三十一日之銀幕廣告主協議及補充協議(統稱「中國銀幕廣告主協議」),據此,橙天嘉禾影城(中國)向泛亞華影授出若干權利,批准其採購由橙天嘉禾影城(中國)及/或其附屬公司或聯屬公司現於或將於中國營運之全線影院(深圳橙天嘉禾影城除外)的銀幕廣告,年期由二零一零年五月一日起至二零一三年十二月三十一日止,首年之總年費約為人民幣8,790,000元,有關年費可於首年後增加10%(或中國銀幕廣告主協議所指定之其他金額),並於第二年後按上一年度之總年費增加10%。

於二零一零年十二月一日,本公司間接全資附屬公司橙天嘉禾影城有限公司(「橙天嘉禾影城」)與泛亞影院廣告有限公司(「泛亞影院」)訂立銀幕廣告協議(「香港廣告協議」),據此,泛亞影院將獲委任為獨家代理,可採購由橙天嘉禾影城於香港營運及管理之影院的銀幕廣告及影院大堂廣告,年期由二零一零年十二月一日起至二零一二年十一月三十日止為期兩年,年費乃按香港廣告協議所訂明分佔橙天嘉禾影城之收益比率計算。

董事會認為,訂立深圳廣告協議、中國銀幕廣告主協議及香港廣告協議可讓本集團更專注於影城管理及營運,符合本集團之利益。

截至二零一二年十二月三十一日止年度,深圳廣告協議及中國銀幕廣告主協議之應付總額為人民幣10,479,706元,並無超過年度限額人民幣22,000,000元。香港廣告協議項下之總交易價值為999,408港元,亦無超過年度限額1,000,000港元。

根據上市規則,本公司主要股東橙天及其聯繫人士均為本公司之關連人士。由於本公司間接全資附屬公司泛亞影業有限公司已於二零一零年十二月三十一日,分別向橙天之間接全資附屬公司北京橙天博鴻廣告有限公司及橙天娛樂國際集團有限公司,出售泛亞華影及泛亞影院,故泛亞華影及泛亞影院已成為橙天之間接全資附屬公司,亦因此成為本公司之關連人士。

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(b) Cinema in-foyer advertising sales agency service

On 1 September 2011, OSGH (China), an indirect wholly-owned subsidiary of the Company, and 泛亞華影廣告(深圳)有限公司 (Panasia Cinema Advertising (Shenzhen) Co., Ltd.) ("Panasia Advertising"), an indirect wholly-owned subsidiary of OSEG, entered into a cinema advertising sales agency agreement (the "Cinema Advertising Sales Agency Agreement") for a term from 1 September 2011 to 31 December 2013 for the provision of in-foyer advertising sales agency services by Panasia Advertising to OSGH (China) at all cinemas operated or to be operated by OSGH (China) in the PRC (other than OSGH Cinemas Shenzhen (深圳橙天嘉禾影城) and the cinema in Sanlitun, Beijing (北京三里屯橙天Cinemas)) (the "Cinemas"). The advertising fees payable by the customers for the in-foyer advertising at the Cinemas shall be shared between OSGH (China) (as to 60%) and Panasia Advertising (as to 40%).

On 5 April 2012, OSGH (China) and Panasia Advertising entered into a supplemental agreement to the Cinema Advertising Sales Agency Agreement (the "Supplemental Agreement") to amend certain terms of the Cinema Advertising Sales Agency Agreement with effect from 1 January 2012. Pursuant to the Supplemental Agreement, the major amendments included that (i) OSGH (China) shall engage Panasia Advertising on a non-exclusive basis (instead of an exclusive basis) for provision of cinema in-foyer advertising sales agency services; (ii) the profit guarantee as provided by Panasia Advertising in favour of OSGH (China) in relation to the Cinemas (as calculated by 2% of the aggregate box office income of each of the Cinemas before tax for each year) including the related adjustment provisions under the Cinema Advertising Sales Agency Agreement shall no longer apply; and (iii) OSGH (China) (instead of Panasia Advertising) shall be entitled to determine the advertising fees payable by the customers in relation to the in-foyer advertising services in relation to the Cinemas.

During the year ended 31 December 2012, the total amount received from Panasia Advertising under the Cinema Advertising Sales Agency Agreement amounted to RMB858,339, which is within the annual cap of RMB10,000,000. The Board considers that the engagement of Panasia Advertising to provide cinema advertising sales agency services to the Group will facilitate the Group to concentrate its resources on the management and operation of the cinemas. Meanwhile, it will enable the Group to enhance its revenue from the provision of cinema in-foyer advertising space for rental. The Board also considers that the Supplemental Agreement will enhance the Group's flexibility in engaging more advertising agencies to source additional customers for the Group.

Under the Listing Rules, Mr. Wu and his associates are connected persons of the Company. OSEG is 80% beneficially owned by Mr. Wu. Panasia Advertising, which is a wholly-owned subsidiary of OSEG, is an associate of Mr. Wu and therefore, is a connected person of the Company.

(b) 影城大堂廣告銷售代理服務

於二零一一年九月一日，本公司間接全資附屬公司橙天嘉禾影城(中國)與橙天間接全資附屬公司泛亞華影廣告(深圳)有限公司(「泛亞廣告」)訂立影城廣告銷售代理協議(「影城廣告銷售代理協議」)，自二零一一年九月一日起至二零一三年十二月三十一日止，泛亞廣告就所有現時或將由橙天嘉禾影城(中國)於中國營運之影城(深圳橙天嘉禾影城及北京三里屯橙天Cinemas除外)(「影城」)，向橙天嘉禾影城(中國)提供影城大堂廣告銷售代理服務。客戶就影城大堂廣告應付之廣告費，將由橙天嘉禾影城(中國)及泛亞廣告分佔60%及40%。

於二零一二年四月五日，橙天嘉禾影城(中國)與泛亞廣告訂立一份影城廣告銷售代理協議之補充協議(「補充協議」)，以修訂影城廣告銷售代理協議之若干條款，自二零一二年一月一日生效。根據補充協議，主要修訂包括(i)橙天嘉禾影城(中國)須以非獨家形式(以取代獨家形式)委託泛亞廣告提供影城大堂廣告銷售代理服務；(ii)泛亞廣告就影城向橙天嘉禾影城(中國)提供之保證溢利(按每家影城每年之除稅前票房總收入之2%計算)，包括影城廣告銷售代理協議項下之相關調整條文將不再適用；及(iii)橙天嘉禾影城(中國)(以取代泛亞廣告)將有權就影城之大堂廣告銷售服務釐定客戶應付之廣告費。

截至二零一二年十二月三十一日止年度，根據影城廣告銷售代理協議自泛亞廣告收取之總金額為人民幣858,339元，並無超過年度限額人民幣10,000,000元。董事會認為，委聘泛亞廣告向本集團提供影城廣告銷售代理服務，將有助本集團集中投放其資源於影城管理及營運。同時，讓本集團自提供出租影城大堂廣告空間增加收益。董事會亦認為，補充協議可提升本集團委聘更多廣告代理為本集團物色更多客戶之靈活彈性。

根據上市規則，伍先生及彼之聯繫人為本公司關連人士。橙天由伍先生實益擁有80%權益，泛亞廣告為橙天之全資附屬公司，故泛亞廣告為伍先生之聯繫人及本公司關連人士。

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(c) Cinema Management Agreement on OSGH Sanlitun

On 15 December 2011, 北京橙天嘉禾三里屯影城管理有限公司 (Orange Sky Golden Harvest Sanlitun (Beijing) Cinema Management Co., Limited) (“OSGH Sanlitun”), an indirect wholly-owned subsidiary of the Company, OSGH (China) and 北京橙天影院投資管理有限公司 (Beijing Orange Sky Cinema Investment Management Company Limited) (“Beijing Orange Sky”) entered into a cinema management agreement in respect of the management and operations of the cinema which is located at Suite 403-2, 4/F, No. 2, Worker Stadium Beilu, Chaoyang District, Beijing (the “Relevant Cinema”) for a term from 1 December 2011 to 31 December 2013 (the “Cinema Management Agreement”).

Under the Cinema Management Agreement, OSGH Sanlitun has agreed to grant Beijing Orange Sky the rights to manage and operate the Relevant Cinema (the “Grant”) and procure OSGH (China) to grant the lease of certain key facilities at the Relevant Cinema to Beijing Orange Sky to facilitate Beijing Orange Sky in performing its respective obligations to manage and operate the Relevant Cinema under the Grant. The total consideration of the transaction comprises a fixed fee in the aggregate sum of RMB6,200,000, which is payable by Beijing Orange Sky in two instalments, and an amount representing 10% of the Net Profits (as defined in the announcement of the Company dated 15 December 2011) derived from the operation of the Relevant Cinema under the Grant.

For the year ended 31 December 2012, the total amount received from Beijing Orange Sky under the Cinema Management Agreement amounted to RMB1,680,000, which is within the annual cap of RMB2,300,000. The Directors are of the view that the Cinema Management Agreement would enable the Group to centralise the management and operation of other cinemas managed and operated by the Group and to continue to provide seamless cinema services and enhance the operational efficiency of the Relevant Cinema to our customers’ satisfaction. In addition, the leasing of facilities at the Relevant Cinema to Beijing Orange Sky under the lease would be essential for the operations of the Relevant Cinema by Beijing Orange Sky and could further efficiently utilise the Group’s resources.

As the entire equity interest of Beijing Orange Sky is owned by Mr. Wu, Beijing Orange Sky is an associate of Mr. Wu and a connected person of the Company.

(c) 橙天嘉禾三里屯影城管理協議

於二零一一年十二月十五日，本公司間接全資附屬公司北京橙天嘉禾三里屯影城管理有限公司(「橙天嘉禾三里屯」)、橙天嘉禾影城(中國)及北京橙天影院投資管理有限公司(「北京橙天」)就管理及經營位於北京市朝陽區工人體育場北路甲2號裙房4層403-2單元之影城(「相關影城」)訂立影城管理協議，年期自二零一一年十二月一日起至二零一三年十二月三十一日止(「影城管理協議」)。

根據影城管理協議，橙天嘉禾三里屯已同意向北京橙天授予影城管理及經營權(「授權」)並促使橙天嘉禾影城(中國)向北京橙天授出若干重要設施之租約，以便北京橙天履行其於授權項下有關管理及經營相關影城之各項責任。交易總代價包括由北京橙天分兩期支付之固定費用合共人民幣6,200,000元及相當於根據授權經營相關影城產生之純利(定義見本公司日期為二零一一年十二月十五之公佈)10%之金額。

截至二零一二年十二月三十一日止年度，根據影城管理協議自北京橙天收取之總金額為人民幣1,680,000元，並無超過年度限額人民幣2,300,000元。董事認為，影城管理協議將讓本集團集中管理及經營其他由本集團管理及經營的影城以及繼續提供完善影城服務及促進相關影城經營效率以滿足客戶。此外，根據租約向北京橙天出租設施對北京橙天經營相關影城而言實屬必要，並可更有效運用本集團資源。

由於伍先生擁有北京橙天全部股本權益，故北京橙天為伍先生之聯繫人及本公司關連人士。

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(d) Sub-leases of office premises

Reference is made to the announcements of the Company, dated 13 January 2011 and 1 April 2011, in relation to the sub-leasing to OSGH (China) of the office premises at Part of First Floor and Second Floor of House No. 3 at No. 1 Anjialou, Xiaoliangmaqiao Ave, Chaoyang District, Beijing, the PRC (the "Property"). A sub-lease agreement dated 13 January 2011 was entered into between Beijing Orange Sky (the "Sub-lessor"), as sub-lessor, and 北京橙天嘉禾影視製作有限公司 (Orange Sky Golden Harvest (Beijing) TV & Film Production Co., Ltd.) ("Beijing OSGH"), as sub-lessee, in relation to the sub-leasing of the office premises with a total floor area of approximately 166.49 square metres at the Property (the "First Sub-Lease"). On 13 January 2011, a sub-lease agreement was entered into between the Sub-lessor, as sub-lessor, and OSGH (China), as sub-lessee, in relation to the sub-leasing of the office premises with a total floor area of approximately 1,354.95 square metres at the Property ("Second Sub-Lease"). The First Sub-Lease and the Second Sub-Lease (as supplemented and amended) were expired on 30 June 2011.

On 5 September 2011, the First Sub-Lease was renewed under the renewal agreement dated 5 September 2011 entered into between the Sub-lessor and Beijing OSGH (the "First Sub-Leases Renewal Agreement") for a term of two year commencing on 1 July 2011 and expiring on 30 June 2013 (both days inclusive) at the rent of RMB5.20 per square metre per day equivalent to an approximate amount of RMB315,998.02 per annum with the management fee of RMB0.61 per square metre per day, equivalent to an approximate amount of RMB37,069.00 per annum.

On the same day, the Second Sub-Lease (as supplemented and amended) was renewed and an additional area at Part of Third of House No. 3 at No. 1 Anjialou, Xiaoliangmaqiao Ave, Chaoyang District, Beijing, the PRC with a total floor area of approximately 70 square metres was sub-leased under the renewal agreement dated 5 September 2011 entered into between the Sub-lessor and Beijing OSGH (the "Second Sub-Leases Renewal Agreement") for a term of two year commencing on 1 July 2011 and expiring on 30 June 2013 (both days inclusive) at the rent of RMB5.20 per square metre per day equivalent to an approximate amount of RMB2,704,555.10 per annum with the management fee of RMB0.61 per square metre per day, equivalent to an approximate amount of RMB317,265.12 per annum (the First Sub-Leases Renewal Agreement and the Second Sub-Leases Renewal Agreement, together, the "Sub-Leases Renewal Agreements").

For the year ended 31 December 2012, the total amount paid by the Group under the Sub-Leases Renewal Agreements amounted to approximately RMB3,464,930, which is within the annual cap of RMB3,500,000. The Board considers that due to the growth and expansion of the Group's operation in the PRC, an office of larger floor area is required to cope with such growth and expansion. In addition, the Sub-Leases Renewal Agreements will continue to allow the Group to maintain the present office at the same premises without the hassle of relocation of the office which is conducive to maintaining operating efficiency and minimising time wastage.

Under Listing Rules, Mr. Wu and his associates are connected persons of the Company. As the entire equity interest of the Sub-lessor is owned by Mr. Wu, the Sub-lessor is an associate of Mr. Wu and accordingly, a connected person of the Company.

(d) 分租辦公室物業

茲提述本公司日期為二零一一年一月十三日及二零一一年四月一日之公佈，內容有關向橙天嘉禾影城(中國)分租位於中國北京市朝陽區小亮馬橋路安家樓1號院3號樓一層及二層部分之辦公室物業(「該物業」)。北京橙天作為分出租人(「分出租人」)與北京橙天嘉禾影視製作有限公司(「北京橙天嘉禾」)作為分承租人訂立日期為二零一一年一月十三日之分租協議，內容有關分租該物業總樓面面積約166.49平方米之辦公室物業(「第一份分租租約」)。於二零一一年一月十三日，分出租人作為分出租人與橙天嘉禾影城(中國)作為分承租人訂立分租協議，內容有關分租該物業總樓面面積約1,354.95平方米之辦公室物業(「第二份分租租約」)。第一份分租租約及第二份分租租約(經補充及修訂)已於二零一一年六月三十日屆滿。

於二零一一年九月五日，第一份分租租約根據分出租人與北京橙天嘉禾所訂立日期為二零一一年九月五日之重續協議獲重續(「第一份分租租約重續協議」)，由二零一一年七月一日起至二零一三年六月三十日(包括首尾兩日)止為期兩年，租金為每日每平方米人民幣5.20元，約相當於每年人民幣315,998.02元，連同管理費每日每平方米人民幣0.61元，約相當於每年人民幣37,069.00元。

同日，第二份分租租約(經補充及修訂)獲重續，而中國北京市朝陽區小亮馬橋路安家樓1號院3號樓三層部分(總樓面面積約70平方米)根據分出租人與北京橙天嘉禾所訂立日期為二零一一年九月五日之重續協議獲分租(「第二份分租租約重續協議」)，由二零一一年七月一日起至二零一三年六月三十日(包括首尾兩日)止為期兩年，租金為每日每平方米人民幣5.20元，約相當於每年人民幣2,704,555.10元，連同管理費每日每平方米人民幣0.61元，約相當於每年人民幣317,265.12元(第一份分租租約重續協議及第二份分租租約重續協議統稱「分租租約重續協議」)。

截至二零一二年十二月三十一日止年度，本集團根據分租租約重續協議所支付之總金額約為人民幣3,464,930元，並無超過年度限額人民幣3,500,000元。董事會認為，有見本集團中國業務日漸增長及擴大，需要樓面面積較大之辦公室應付有關增長及擴充。此外，分租租約重續協議可讓本集團於同一物業保留辦公室，毋須為搬遷辦公室而大費周章，有助維持營運效率及減少時間浪費。

根據上市規則，伍先生及彼之聯繫人為本公司關連人士。由於伍先生擁有分出租人全部股本權益，故分出租人為伍先生之聯繫人及本公司關連人士。

Report of the Directors

董事會報告書

(e) Lease agreement in respect of operating cinemas in Jiangyin City

On 25 September 2012, OSGH (China), as tenant, and 江陰橙地影院開發管理有限公司 (Jiangyin Orange Land Cinema Development Management Co., Ltd. ("Jiangyin Orange Land")), as landlord, entered into a lease agreement in respect of all those premises being portion of 3rd, 4th and 5th Floors of Block 2, with a total floor area of approximately 17,561 square meters (the "Leased Property"), of the commercial and cultural complex to be constructed on a parcel of land situated at the Xiagang Development Zone, Jiangyin City, Jiangsu Province, the PRC for a term of 20 years commencing from the expiry date of the 4 months decoration (rent-free) period after the delivery up of possession of the Leased Property to OSGH (China) (which is expected to be on or before 31 December 2014) (the "Lease Agreement").

During the term of the Lease Agreement, OSGH (China) shall pay to Jiangyin Orange Land an annual rent which is the higher of (a) a yearly turnover rent based on certain percentage rates ranging from 12% to 15% of the net box office income generated from the operation of the cinema by OSGH (China) at the Leased Property in the relevant year; and (b) the base rental for the relevant year under the Lease Agreement, namely RMB3,000,000 for the 1st year with an upward adjustment of 5% per annum for each of the 2nd to 5th year, and RMB5,000,000 for the 6th year with an upward adjustment of 5% per annum for each of the 7th to 20th year of the term. Pursuant to the Lease Agreement, OSGH (China) is required to pay to Jiangyin Orange Land an amount of RMB100,000,000 in 3 tranches up to 31 January 2014, representing approximately 80% of the total amount of the base rental for the term of the Lease Agreement as base rental prepayment. For details, please refer to the Company's announcement on 25 September 2012.

On 25 September 2012, Jiangyin Orange Land's parent company, 北京橙地影院投資管理有限公司 (Beijing Orange Land Cinema Investment Management Company Limited), executed a deed of guarantee in favour of OSGH (China) to guarantee certain of Jiangyin Orange Land's obligations under the Lease Agreement.

The annual caps in respect of the Lease Agreement for each of the three financial years ending 31 December 2012, 2013 and 2014 were set at RMB41,500,000, RMB42,000,000 and RMB30,000,000 respectively. The total amount paid to Jiangyin Orange Land under the Lease Agreement for the year ended 31 December 2012 amounted to RMB41,500,000, which does not exceed the annual cap of RMB41,500,000.

The Directors are of the view that the entering into of the Lease Agreement offers a good opportunity for the Group to secure suitable premises at an appropriate location on a long-term basis at an attractive rate of rental. The Directors believe that cinema entertainment business in the Jiangyin City has strong development potential and will generate considerable return and increase the income of the Group.

(e) 有關於江陰市經營影城之租賃協議

於二零一二年九月二十五日，橙天嘉禾影城(中國)(作為租戶)與江陰橙地影院開發管理有限公司(「江陰橙地」)作為業主，訂立一份租賃協議，內容有關租賃位於中國江蘇省江陰市夏港發展區一幅總樓面面積約17,561平方米之土地興建之商業及文化綜合項目二座第3、4及5層部分(「租賃物業」)，年期自向橙天嘉禾影城(中國)交付租賃物業後之四個月裝修期(免租)屆滿日期起計(預期為二零一四年十二月三十一日或之前)，為期二十年(「租賃協議」)。

於租賃協議期限內，橙天嘉禾影城(中國)須向江陰橙地支付年租，金額為以下兩者中之較高者：(a)按全年營業額釐定之租金，佔橙天嘉禾影城(中國)於相關年度在租賃物業經營影院所產生票房收入淨額之若干百分比率，介乎12%至15%之間；及(b)租賃協議項下相關年度之基本租金，於首年為人民幣3,000,000元，租期第二至五年各年每年上調5%，而租期第六年則為人民幣5,000,000元，租期第七至二十年各年每年上調5%。根據租賃協議，橙天嘉禾影城(中國)須於二零一四年一月三十一日前向江陰橙地分三期支付為數人民幣100,000,000元，相當於租賃協議期限內之基本租金總額約80%，作為預付基本租金。詳情請參閱本公司於二零一二年九月二十五日刊發之公佈。

於二零一二年九月二十五日，江陰橙地之母公司北京橙地影院投資管理有限公司向橙天嘉禾影城(中國)簽訂擔保契據，以保證江陰橙地履行租賃協議項下若干責任。

截至二零一二年、二零一三年及二零一四年十二月三十一日止三個財政年度各年，租賃協議之年度限額分別定為人民幣41,500,000元、人民幣42,000,000元及人民幣30,000,000元。截至二零一二年十二月三十一日止年度根據租賃協議向江陰橙地支付款項之總金額為人民幣41,500,000元，並無超過年度限額人民幣41,500,000元。

董事認為，訂立租賃協議對本集團而言乃良好之商機，讓本集團得以於適當地點以具吸引力之租金長期租用合適物業。董事相信，江陰市之影院娛樂業務極具發展潛力，並將產生可觀回報及增加本集團收入。

Report of the Directors

董事會報告書

Mr. Wu, who is a connected person of the Company, indirectly owns 84.19% equity interest in Jiangyin Orange Land. Accordingly, Jiangyin Orange Land is a connected person of the Company and the Lease Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

The above transactions constituted continuing connected transactions of the Company under the Listing Rules and were subject to reporting, announcement and annual review requirements.

Confirmation from Directors

The Directors, including the non-executive Directors, have reviewed the continuing connected transactions mentioned under paragraphs (a) to (e) above and confirmed that the transactions were entered into in the ordinary and usual course of the business of the Group, on normal commercial terms or on terms no less favorable to the Group than terms to or from independent third parties, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have advised that nothing has come to their attention that caused them to believe the continuing connected transactions:

- (a) have not been approved by the Board;
- (b) have not been, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services;
- (c) have not been entered into, in all material respects, in accordance with the terms of the relevant agreement governing the transactions; and
- (d) the relevant cap amounts disclosed in the relevant announcement(s) of the Company, where applicable, have been exceeded during the financial year ended 31 December 2012.

Save as disclosed above, details of the other connected transactions and/or continuing connected transactions for the year ended 31 December 2012 are set out in note 32 to the financial statements. These other connected transactions and/or continuing connected transactions constituted de minimis transactions as defined in the Listing Rules and were exempt from the reporting, announcement, independent shareholders' approval, and in the case of continuing connected transactions, the annual review requirements. The independent non-executive Directors have also reviewed and confirmed that these other connected transactions and/or continuing connected transactions have been entered into in the ordinary and usual course of the business of the Group, on normal commercial terms or on terms no less favourable to the Group than terms to or from independent third parties, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

本公司之關連人士伍先生間接擁有江陰橙地之84.19%股本權益。因此，江陰橙地為本公司之關連人士，而租賃協議及據此擬進行交易構成本公司之持續關連交易。

上述交易構成上市規則項下本公司之持續關連交易，須遵守申報、公告及年度審閱規定。

董事確認

董事(包括非執行董事)已審閱上文第(a)至(e)段所述持續關連交易，並確認該等交易乃於本集團一般日常業務中，按一般商業條款或不遜於獨立第三方獲或向本集團提供之條款，並根據規管該等交易之有關協議進行，且條款均屬公平合理，符合本公司股東整體利益。

據本公司核數師所述，概無出現任何事宜致使其相信持續關連交易：

- (a) 未有獲董事會批准；
- (b) 涉及提供商品或服務之交易於各重大方面並未按照本集團定價政策；
- (c) 於各重大方面並未根據規管該等交易之相關協議條款進行；及
- (d) 超出本公司相關公佈所披露截至二零一二年十二月三十一日止財政年度之相關金額上限(如適用)。

除上文披露者外，於截至二零一二年十二月三十一日止年度進行之其他關連交易及/或持續關連交易詳情，載於財務報表附註32。該等其他關連交易及/或持續關連交易構成上市規則所界定低額交易，獲豁免遵守申報、公告、獨立股東批准及(就持續關連交易而言)年度審閱之規定。獨立非執行董事已審閱並確認該等其他關連交易及/或持續關連交易乃於本集團一般日常業務中，按一般商業條款或不遜於獨立第三方獲或向本集團提供之條款，並根據規管該等交易之有關協議進行，且條款均屬公平合理，符合本公司股東整體利益。

Report of the Directors

董事會報告書

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

EMOLUMENT POLICY

Remuneration of the employees of the Group is made/determined by reference to the market, individual performance and their respective contribution to the Group. As a long-term incentive, the 2009 Share Option Scheme is in place and the details of which are set out above and in note 28(a)(ii) to the financial statements on page 109 of this annual report.

Directors' emoluments are subject to the recommendations of the remuneration committee of the Company and the Board's approval. Other emoluments including discretionary bonus and share option, are determined by the Board with reference to Directors' duties, abilities, reputation and performance.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of the Company's issued share capital as of the date of this report.

DONATIONS

During the year ended 31 December 2012, the Group has made charitable and other donations in Hong Kong totaling HK\$19,400.

AUDITORS

The financial statements for the year ended 31 December 2012 have been audited by Messrs. KPMG ("KPMG") who will retire and being eligible, will offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint KPMG as auditors of the Company.

ON BEHALF OF THE BOARD

Wu Kebo
Chairman

Hong Kong
26 March 2013

獨立性之確認

本公司已接獲各獨立非執行董事按照上市規則第3.13條發出其每年之獨立性確認書，並認為全體獨立非執行董事均具獨立性。

薪酬政策

本集團僱員之薪酬乃經參照市場、個人表現及彼等各自對本集團的貢獻釐定。本集團已設立二零零九年購股權計劃作為長期獎勵計劃，詳情載於本年報第173頁之財務報表附註28(a)(ii)。

董事酬金須獲本公司薪酬委員會建議及獲董事會批准。其他薪酬(包括酌情花紅及購股權)經由董事會參考各董事之職務、能力、聲望及表現而釐定。

足夠公眾持股量

於本報告日期，按照本公司可公開獲取之資料及據董事所知，本公司已發行股本具有足夠公眾持股量。

捐獻

截至二零一二年十二月三十一日止年度，本集團於香港作出之慈善及其他捐款合共19,400港元。

核數師

截至二零一二年十二月三十一日止年度之財務報表已經由畢馬威會計師事務所(「畢馬威」)審核，而畢馬威將會退任，惟符合資格並將於本公司應屆股東週年大會上連任。於應屆股東週年大會上將提呈決議案以續聘畢馬威為本公司核數師。

代表董事會

主席
伍克波

香港
二零一三年三月二十六日

Corporate Governance Report 企業管治報告

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance to maintain the Group's competitiveness and lead to its healthy growth. The Company has taken steps not only to comply with code provisions as set out in The Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "CG Code") under Appendix 14 to the Listing Rules but also to aim at enhancing corporate governance of the Group as a whole.

For the year ended 31 December 2012, the Company has complied with the code provisions of the CG Code except for deviations from code provisions A.4.1 of the CG Code as summarised below:

Pursuant to code provision A.4.1 of the CG Code, non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. All non-executive Directors were not appointed for a specific term but are subject to the requirement of retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as being appointed for a specific term.

As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiries with all the Directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's code for the year ended 31 December 2012.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises five executive Directors (including the Chairman of the Board) and three independent non-executive Directors, whose biographical details are set out in the "Biographical Details of Directors and Company Secretary" on pages 4 to 7 of this annual report.

The Board is collectively responsible for overseeing the management of the business and affairs of the Group. The Board meets regularly throughout the period to discuss the overall strategies as well as operation and financial performances of the Group. Matters relating to (i) the formulation of the Group's overall strategy and directions; (ii) any material conflict of interest of substantial shareholders of the Company or Directors; (iii) approval of the Group's annual results, annual budgets, interim results and other significant operational and financial transactions; (iv) changes to the Company's capital structure; and (v) major appointments to the Board are reserved for decisions by the Board. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the executive Directors and management of the Company.

企業管治常規守則

董事會深明良好企業管治對維持本集團競爭力及推動業務穩健增長之重要性。本公司已採取措施，既遵守上市規則附錄14項下之企業管治常規守則(生效至二零一二年三月三十一日)及企業管治守則(自二零一二年四月一日起生效)(「企業管治守則」)所載守則條文，亦旨在改善本集團之整體企業管治。

除偏離企業管治守則第A.4.1條守則條文之規定外，於截至二零一二年十二月三十一日止年度，本公司一直遵守企業管治守則之守則條文規定。現概述如下：

根據企業管治守則第A.4.1條守則條文，上市發行人之非執行董事之委任須有指定任期，並須遵守重選規定。全體非執行董事並無指定任期，惟須按本公司之公司細則之相關規定，最少每三年於本公司之股東週年大會輪值退任一次，並重選連任，此舉目的與指定委任任期相同。

因此，本公司認為已採取充分措施，確保本公司之企業管治常規並不比企業管治守則之守則條文所規定者寬鬆。

董事進行證券交易

本公司已採納條款與上市規則附錄10所載上市發行人董事進行證券交易的標準守則(「標準守則」)同樣嚴格之守則。本公司已向全體董事作出具體查詢，彼等均確認，於截至二零一二年十二月三十一日止年度一直遵守標準守則及本公司之守則所載規定。

董事會

於本年報日期，董事會由五名執行董事(包括董事會主席)及三名獨立非執行董事組成。彼等之履歷詳情載於本年報第4至7頁「董事及公司秘書個人履歷」內。

董事會共同負責監督本集團業務及事務之管理工作。董事會於期間內定期會面，以討論整體策略以及本集團之營運與財務表現。有關(i)制定本集團整體策略及方向；(ii)本公司主要股東或董事之任何重大利益衝突；(iii)批准本集團年度業績、年度預算、中期業績及其他重大營運與財務交易；(iv)更改本公司之股本結構；及(v)就董事會作出重大委任之事項均由董事會決定。董事會已授權本公司執行董事及管理層負責本集團之日常管理、行政及營運，並實施及執行董事會政策及策略。

Corporate Governance Report

企業管治報告

All Directors have been given sufficient time and effort to the affairs of the Group and they have full and timely access to all relevant information regarding the Group's affairs and have unrestricted access to the advice and services of the company secretary. The Directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

Appropriate and sufficient insurance coverage has been effected by the Company in respect of Director's liabilities arising from the legal action that may be taken against the Directors in relation to corporate activities.

During the year ended 31 December 2012, Board meetings and general meeting of the Company were held and the composition of the Board and the attendance of the Directors at these meetings are as follows:

全體董事已付出足夠時間及精力處理本集團事務，彼等擁有及時取得有關本集團事務之所有相關資料之一切權力，能夠獲得公司秘書之建議及服務而不受任何限制。董事在履行職責及職務時可尋求獨立專業意見，費用由本公司承擔。

本公司已就董事進行公司活動而可能面對法律訴訟產生之責任購買合適及充足之保險。

截至二零一二年十二月三十一日止年度曾舉行董事會會議及本公司股東大會，董事會的組成及董事出席該等會議的情況如下：

Members 成員		Board Meetings Attended/Eligible to Attend 曾出席／合資格 出席董事會會議	General Meeting Attended/Eligible to Attend 曾出席／合資格 出席股東大會
<i>Executive Directors</i> 執行董事			
Wu Kebo (Chairman)	伍克波(主席)	9/9	1/1
Wu Keyan (Note 1)	伍克燕(附註1)	9/9	1/1
Mao Yimin	毛義民	9/9	1/1
Li Pei Sen	李培森	9/9	0/1
Tan Boon Pin Simon	陳文彬	9/9	1/1
<i>Independent non-executive Directors</i> 獨立非執行董事			
Leung Man Kit	梁民傑	9/9	1/1
Huang Shao-Hua George	黃少華	9/9	0/1
Wong Sze Wing	黃斯穎	9/9	1/1

Note:

1. Ms. Wu Keyan is the sister of Mr. Wu Kebo.

附註：

1. 伍克燕女士為伍克波先生之胞妹。

Corporate Governance Report

企業管治報告

At least 14 days' prior notice to the date of the meeting of the Board was given to all Directors and an agenda together with Board papers and materials were sent to all Directors no less than three days before the date of the Board meeting. All Directors were given opportunity to include in the agenda any other matters that they would like to discuss in the meeting. The Board committees also adopted and followed the foregoing procedures for the Board committee meetings. All Directors and Board committee members were urged to attend the Board meeting and the Board committee meeting in person. If any Director or Board committee member was unable to attend any such meeting in person, participation through electronic means had been arranged and made available to such Director and Board committee member.

If a Director has a potential conflict of interest in a matter being considered in the Board meeting, the Director having such potential interest in the matter shall abstain from voting. Independent non-executive Directors with no conflict of interest were present at such meeting to deal with such conflict of interest issues.

The company secretary or the staff of the company secretarial department of the Company prepared and kept detailed minutes of each Board meeting and Board committee meeting and, within a reasonable time after each meeting, the draft minutes were circulated to all Directors for comment and the final and approved version of the minutes was sent to all Directors for their records. The Board committees had also adopted and followed the same practices and procedures as used in the Board meetings.

During the year ended 31 December 2012, the total number of independent non-executive Directors met the minimum number as required under Rule 3.10(1) of the Listing Rules.

The Board has received from each independent non-executive Director a written confirmation of his/her independence and the Board considers all of them to be independent pursuant to Rule 3.13 of the Listing Rules.

To the best knowledge of the Company, except for (i) Ms. Wu Keyan who is the sister of Mr. Wu Kebo; (ii) Mr. Li Pei Sen who is the associate chairman of Orange Sky Entertainment Group (International) Holding Company Limited (a company which is 80% owned by Mr. Wu Kebo) and the interests as set out in the paragraphs headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures" and "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" in the "Report of the Directors" in this annual report, there is no other financial, business, family or other material/relevant relationship among members of the Board.

董事會會議於董事會會議日期前給予全體董事最少十四日事前通知，並於董事會會議日期前最少三日向全體董事派發議程連同會議文件及資料。全體董事均可於議程內加入其有意於會議上討論之任何事項。董事委員會亦採用及沿用前述董事委員會會議之程序。全體董事及董事委員會成員須親身出席董事會及董事委員會會議，任何董事或董事委員會成員若未能親身出席該等會議，該等董事或董事委員會成員可透過已安排之電子方式參與會議。

倘董事與董事會會議上討論之事項有潛在利益衝突，則於有關事項有潛在利益之董事須放棄投票，由出席會議而並無利益衝突之獨立非執行董事，處理該等利益衝突事項。

本公司之公司秘書或公司秘書部員工負責編製及備存每次董事會會議及董事委員會會議之詳細會議記錄，並於每次會議後之合理時間內向全體董事傳閱會議記錄初稿，以供董事提供意見，而會議記錄最終獲批准之版本已發給全體董事作記錄。董事委員會亦已採用及沿用董事會會議採用之相同常規及程序。

截至二零一二年十二月三十一日止年度，獨立非執行董事總數符合上市規則第3.10(1)條規定之數目下限。

董事會已接獲各獨立非執行董事有關彼等之獨立身份之書面確認，董事會認為，根據上市規則第3.13條，全體獨立非執行董事均屬獨立人士。

據本公司所深知，除(i)伍克燕女士為伍克波先生之胞妹；(ii)李培森先生為伍克波先生擁有80%股權的公司橙天嘉禾娛樂(集團)有限公司之聯合董事長及本年報「董事會報告」內「董事及主要行政人員於股份、相關股份或債權證之權益及淡倉」及「主要股東及其他人士於股份及相關股份之權益及淡倉」各段所列表載權益外，董事會成員間並無任何財務、業務、家族或其他重大／關連關係。

Corporate Governance Report

企業管治報告

In case there is any newly appointed Director, he/she will be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the Listing Rules, the other relevant legal and regulatory requirements.

All the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company arranged in-house trainings for the Directors in the form of seminars and reading materials during the year ended 31 December 2012. The training topics received by all the Directors, namely Mr. Wu Kebo, Mr. Mao Yimin, Mr. Li Pei Sen, Mr. Tan Boon Pin Simon, Ms. Wu Keyan, Mr. Leung Man Kit, Mr. Huang Shao-Hua George and Ms. Wong Sze Wing, comprised latest changes in the Listing Rules including the Corporate Governance Code and statutory disclosure obligation under the Securities and Futures Ordinance.

CORPORATE GOVERNANCE FUNCTIONS

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

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- (e) to review the Company's compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

如有任何新委任董事，彼將獲提供所需入職培訓及資料，確保彼對本公司營運及業務以及彼根據上市規則、其他相關法例及法規承擔之責任有充份瞭解。

本公司鼓勵全體董事參與持續專業發展，以發展及重溫彼等之知識及技能。截至二零一二年十二月三十一日止年度，本公司為董事安排以講座及閱讀資料形式進行之內部培訓。全體董事（即伍克波先生、毛義民先生、李培森先生、陳文彬先生、伍克燕女士、梁民傑先生、黃少華先生及黃斯穎女士）接受之培訓課題包括上市規則最新變動（包含企業管治守則）以及《證券及期貨條例》中法定披露責任。

企業管治功能

董事會負責履行之企業管治職責包括：

- (a) 制定及檢討本公司之企業管治政策及常規；
- (b) 檢討及監察董事及高級管理人員之培訓及持續專業發展；
- (c) 檢討及監察本公司在遵守法律及監管規定方面之政策及常規；
- (d) 制定、檢討及監察僱員及董事之操守準則及合規手冊（如有）；及
- (e) 檢討本公司遵守上市規則附錄十四所載企業管治守則及企業管治報告之情況。

Corporate Governance Report 企業管治報告

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board, Mr. Wu Kebo, is responsible for providing leadership of the Board and ensuring all Directors are properly briefed on issues arising at the Board meeting. In addition, he is charged with the duty to ensure that the Directors receive in timely manner adequate, complete and reliable information in relation to the Group's affairs. The Chairman also encourages Directors to actively participate in and to make a full contribution to the Board so that the Board functions effectively and acts in the best interest of the Company.

Mr. Mao Yimin ("Mr. Mao") is the chief executive officer ("CEO") of the Company. Mr. Mao has been focusing on strategic planning and assessment of mergers and acquisitions opportunities for the Company.

Save for the interests of Mr. Mao as set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures" in the "Report of the Directors" in this annual report, there is no financial, business, family or other material/relevant relationship between the Chairman and the CEO of the Company.

NON-EXECUTIVE DIRECTORS

All non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as being appointed for a specific term. At the Board meeting and Board committee meeting where constructive views and comments of the non-executive Directors are given, the non-executive Directors provide independent judgment on the issues relating to the strategy, performance, conflict of interest and management process.

COMPANY SECRETARY

Mr. Yuen Kwok On ("Mr. Yuen") has been appointed as the company secretary ("Company Secretary") of the Company since 26 April 2010. The Company Secretary needs to support the Board by ensuring good information flow within the Board and that Board's policy and procedures are followed. The Company Secretary should report to the Board chairman or the chief executive on all related matters. For the year ended 31 December 2012, Mr. Yuen confirmed that he had taken no less than 15 hours of relevant professional training.

主席及首席執行官

董事會主席伍克波先生負責領導董事會，並確保全體董事已適當知悉於董事會會議提出之事宜。此外，彼負責確保董事及時收到有關本集團事宜之充分、完整及可靠資料。主席亦鼓勵董事積極參與董事會，為董事會全力作出貢獻，以使董事會有效運作，並能按本公司之最佳利益行事。

毛義民先生(「毛先生」)為本公司首席執行官(「首席執行官」)。毛先生專責策略謀劃及評估本公司的合併與收購機會。

除本年報「董事會報告」內「董事及主要行政人員於股份、相關股份或債權證之權益及淡倉」一段所載毛先生的權益外，本公司主席與首席執行官之間並無任何財務、業務、家族或其他重大／關連關係。

非執行董事

全體非執行董事並無指定任期，惟須按本公司之公司細則之相關規定，最少每三年於本公司之股東週年大會輪值退任一次，並重選連任，此舉目的與指定委任任期相同。在董事會會議以及董事委員會會議上，非執行董事提供建設性意見及建議，並為有關策略、業績、利益衝突及管理過程之事宜作出獨立判斷。

公司秘書

袁國安先生(「袁先生」)於二零一零年四月二十六日獲委任為本公司之公司秘書(「公司秘書」)。公司秘書須確保董事會成員之間資訊交流良好以及董事會政策及程序得到遵循以支援董事會。公司秘書應向董事會主席或主要行政人員匯報所有相關事宜。截至二零一二年十二月三十一日止年度，袁先生確認彼已接受不少於15小時之相關專業培訓。

Corporate Governance Report

企業管治報告

REMUNERATION OF DIRECTORS

The Board established a remuneration committee of the Company (the "Remuneration Committee") on 8 October 2004 and has formulated its written terms of reference in accordance with the CG Code, which have been uploaded on the websites of the Stock Exchange and the Company. The Remuneration Committee currently comprises one executive Director, being Mr. Wu Kebo, and two independent non-executive Directors, being Mr. Leung Man Kit and Ms. Wong Sze Wing (who also acts as the chairman of the Remuneration Committee). The principal responsibilities of the Remuneration Committee include making recommendation to the Board on the Company's policy and structure for the remuneration packages of all the Directors and senior management of the Company according to its terms of reference, including benefits in kind, pension rights and compensation payments, including any compensation payable for the loss or termination of their office or appointment. The remuneration of the Directors and senior management of the Company is determined by reference to factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance based remuneration.

The Remuneration Committee is required to consult the Chairman of the Board regarding the remuneration of the executive Directors, and members of the Remuneration Committee have access to professional advice on remuneration of executive Directors, if considered necessary.

The Remuneration Committee held one meeting during the year ended 31 December 2012 to review and make recommendation to the Board on the directors' fees of all the existing non-executive Directors and to review the remuneration package of all existing executive Directors and senior management of the Company. The Remuneration Committee also reviewed and approved the terms of service contracts of the executive Directors. The composition of the Remuneration Committee during the year ended 31 December 2012 and the attendance of the members of the Remuneration Committee to the meetings of the Remuneration Committee are as follows:

Members 成員		Meetings Attended/ Eligible to Attend 曾出席/合資格 出席會議
Wong Sze Wing (<i>Chairman</i>)	黃斯穎 (<i>主席</i>)	1/1
Wu Kebo	伍克波	1/1
Leung Man Kit	梁民傑	1/1

Details of emoluments of each Director and members of senior management (which includes the executive Directors only) are set out in note 8 to the financial statements on page 94 of this annual report.

董事酬金

董事會已於二零零四年十月八日成立本公司之薪酬委員會(「薪酬委員會」)，並根據企業管治守則書面訂明其職權範圍，職權範圍已於聯交所及本公司網站登載。薪酬委員會成員現時包括一名執行董事伍克波先生以及兩名獨立非執行董事梁民傑先生及擔任薪酬委員會主席之黃斯穎女士。薪酬委員會之主要職責包括根據其職權範圍，就本公司全體董事及高級管理人員之薪酬組合政策及架構向董事會作出建議，其中包括實物利益、退休金權利及賠償費用(包括就離職或終止職務或委任而應付之任何賠償)。本公司董事及高級管理人員之薪酬乃參照可資比較公司支付之薪金、董事及高級管理人員投入之時間及職責、本集團各地區之僱傭條件及與表現掛鈎薪酬是否適用等因素而釐定。

薪酬委員會須就執行董事之薪酬徵詢董事會主席之意見，如有需要，薪酬委員會成員可就執行董事之薪酬徵求專業意見。

薪酬委員會於截至二零一二年十二月三十一日止年度曾舉行一次會議，以檢討全體現任非執行董事之董事袍金，並檢討本公司全體現任執行董事及高級管理人員之薪酬待遇，並就此向董事會作出建議。薪酬委員會亦已檢討及批准執行董事之服務合約條款。截至二零一二年十二月三十一日止年度薪酬委員會之組成及薪酬委員會成員出席委員會會議之情況如下：

董事及高級管理人員(只包括執行董事)各自之酬金詳情，載於本年報第158頁財務報表附註8。

Corporate Governance Report 企業管治報告

NOMINATION OF DIRECTORS

The Board established a nomination committee of the Company (the "Nomination Committee") on 26 March 2012 and has formulated its written terms of reference in accordance with the CG code, which have been uploaded on the websites of the Stock Exchange and the Company. The Nomination Committee currently comprises one executive Director, being Mr. Wu Kebo (who also acts as the chairman of the Nomination Committee) and two independent non-executive Directors, being Ms. Wong Sze Wing and Mr. Leung Man Kit. The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals qualified to become Board members, assessing the independence of independent non-executive Directors and selecting or making recommendations to the Board on the selection, appointment or re-appointment of individuals nominated for directorships, in particular the chairman of the Board and the chief executive. The Nomination Committee, in making such selection and recommendation, will take into account factors such as professional qualification, experience, academic background, etc.

The members of the Nomination Committee have access to independent professional advice on the nomination of executive Directors, if considered necessary.

The Nomination Committee held one meeting during the year ended 31 December 2012 to review the Nomination Committee's terms of reference and the structure, size and composition of the Board.

董事提名

董事會於二零一二年三月二十六日成立本公司之提名委員會(「提名委員會」)，並根據企業管治守則書面訂明其職權範圍，職權範圍已於聯交所及本公司網站登載。提名委員會現時成員包括一名擔任提名委員會主席之執行董事伍克波先生以及兩名獨立非執行董事黃斯穎女士及梁民傑先生。提名委員會之主要職責包括檢討董事會架構、規模及組成；物色合資格作為董事會成員之人選；評估獨立非執行董事之獨立性並就董事人選作出甄選或向董事會作出建議，另就有關委任或重新委任個別人士擔任董事，特別是董事會主席及主要行政人員相關事宜，向董事會作出建議。提名委員會將考慮專業資格、經驗、學歷等因素作出該等甄選及建議。

如有需要，提名委員會成員可就執行董事之提名徵詢獨立專業意見。

截至二零一二年十二月三十一日止年度曾舉行一次提名委員會會議，以審閱提名委員會職權範圍及檢討董事會之架構、規模及組成。

Members 成員	Meetings Attended/ Eligible to Attend 曾出席／合資格 出席會議
Wu Kebo (<i>Chairman</i>) 伍克波 (主席)	1/1
Leung Man Kit 梁民傑	1/1
Wong Sze Wing 黃斯穎	1/1

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for preparing the financial statements that give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment in the annual/interim reports, inside information announcements and other financial disclosures. Management of the Company provides all relevant information and records so as to enable the Board to discharge its responsibilities.

審核委員會及問責

董事會有責任以持續經營之基準編製財務報表，以真確及公正反映本集團財政狀況。其亦有責任對本集團之年報／中期報告、內幕消息公告及其他財務披露作出平衡、清晰及合理之評核。本公司之管理層向董事會提供一切有關資料及記錄，以便董事會履行其職責。

Corporate Governance Report

企業管治報告

The Board established an audit committee of the Company (the "Audit Committee") on 9 October 1998 and formulated its written terms of reference in accordance with the requirements of the Listing Rules, which have been uploaded on the websites of the Stock Exchange and the Company. As at 31 December 2012, the Audit Committee's members comprised three independent non-executive Directors, being Mr. Leung Man Kit (who also acts as the chairman of the Audit Committee), Mr. Huang Shao-Hua George and Ms. Wong Sze Wing.

During the year ended 31 December 2012, two Audit Committee meetings were held and the individual attendance of the members of the Audit Committee is set out as follows:

Members 成員		Meetings Attended/ Eligible to Attend 曾出席／合資格 出席會議
Leung Man Kit (<i>Chairman</i>)	梁民傑 (<i>主席</i>)	2/2
Huang Shao-Hua George	黃少華	2/2
Wong Sze Wing	黃斯穎	2/2

The principal duties of the Audit Committee include monitoring the integrity of the financial statements of the Company, reviewing the effectiveness of Company's financial control, internal control (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget) and risk management as delegated by the Board, and making recommendations to the Board on the appointment and engagement of the external auditors for audit and non-audit services. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

During the year ended 31 December 2012, the Audit Committee reviewed the accounting principles and policies adopted by the Group and discussed and reviewed financial reporting matters including the interim and audited financial statements. In addition, the Audit Committee also reviewed the engagement of the external auditors and the adequacy and effectiveness of the Company's internal control and risk management systems and made recommendations to the Board. There was no disagreement between the Board and the Audit Committee on the selection, appointment or resignation of the external auditors.

Pursuant to Rule 3.21 of the Listing Rules, the audit committee of an issuer must comprise a minimum of three members, comprising non-executive directors only, and at least one of them is an independent non-executive Director with appropriate qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Our Directors confirm that we have complied with such requirement during the year ended 31 December 2012.

董事會於一九九八年十月九日成立本公司之審核委員會(「審核委員會」)，並根據上市規則書面訂明其職權範圍，職權範圍已於聯交所及本公司網站登載。於二零一二年十二月三十一日，審核委員會成員包括三名獨立非執行董事，即擔任審核委員會主席之梁民傑先生、黃少華先生及黃斯穎女士。

截至二零一二年十二月三十一日止年度曾舉行兩次審核委員會會議，審核委員會個別成員之出席情況如下：

審核委員會之主要職務包括監督本公司財務報表是否完整全面、按董事會授權檢討本公司之財務監控、內部監控(包括資源充足性、本公司會計及財務申報職能員工之資歷及經驗以及其培訓計劃及預算)及風險管理事宜，並就委聘外聘核數師進行審核及非審核服務向董事會作出推薦意見。審核委員會獲提供充足資源以履行其職責。

截至二零一二年十二月三十一日止年度，審核委員會已審閱本集團採納之會計原則及政策，並討論及審閱財務申報事宜，包括中期及經審核財務報表。此外，審核委員會亦審閱外聘核數師之委聘、本公司內部監控及風險管理制度是否足夠及有效，並向董事會作出建議。董事會與審核委員會就甄選、委任或罷免外聘核數師並無意見分歧。

根據上市規則第3.21條，發行人之審核委員會須包括最少三名成員並僅由非執行董事組成，而當中最少一名為具上市規則第3.10(2)條規定之合適資格或會計或相關財務管理專長之獨立非執行董事。董事確認，本公司已於截至二零一二年十二月三十一日止年度遵守有關規定。

Corporate Governance Report 企業管治報告

AUDITORS' REMUNERATION

For the year ended 31 December 2012, the fees paid/payable to the Group's auditors, Messrs. KPMG, are set out as follows:

Services Rendered 所提供服務	Fee Paid/Payable 已付/應付費用 HK\$'000 千港元
Audit Services 審核服務	1,800
Non-audit services 非審核服務	464

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities to prepare the financial statements in each financial year with support from the finance department of the Company and to ensure that the relevant accounting policies are observed and the accounting standards issued by the Hong Kong Institute of Certified Public Accountants are complied with in the preparation of such financial statements and to report the financial affairs of the Company in a true and fair manner.

The statement by the auditors of the Company regarding their responsibilities for the audit of the financial statements of the Group is set out in the Independent Auditors' Report on pages 63 to 64 of this annual report.

GOING CONCERN

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROLS

The Board has overall responsibilities for maintaining a sound and effective internal control system with the aim at (i) safeguarding the Group's assets against unauthorised use or disposition; (ii) maintaining proper accounting records; and (iii) ensuring compliance with relevant legislation and regulations. The internal control system of the Group comprises a well-established organisation structure and comprehensive policies and standards. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management function for the year ended 31 December 2012, where some findings have been identified and reported to the Board. There is no material internal control deficiency that may affect the shareholders of the Company which has come to the attention of the Audit Committee or the Board. The Directors are of the opinion that the Company has complied with code provisions C.2.1 and C.2.2 on internal controls as set out in the CG Code contained in Appendix 14 to the Listing Rules.

核數師酬金

截至二零一二年十二月三十一日止年度，已付/應付本集團核數師畢馬威會計師事務所之費用載列如下：

對財務報表之責任

董事瞭解彼等之責任為於本公司財務部門支援下，編製每個財政年度之財務報表、確保遵照有關會計政策及香港會計師公會頒佈之會計準則編製有關財務報表，並真實公平呈報本公司之財務狀況。

本公司核數師就其對本集團財務報表之審核責任之聲明，載於本年報第63至64頁之獨立核數師報告書內。

持續經營基準

董事確認，據彼等經作出一切合理查詢後所深知、全悉及確信，彼等並不知悉有任何可能對本公司持續經營能力構成重大疑問之任何重大不明朗事項或情況。

內部監控

董事會有整體責任維持穩健兼有效之內部監控制度，旨在(i)保障本集團資產不會在未經授權下遭使用或處置；(ii)維持妥善會計記錄及(iii)確保遵從有關法例及規例。本集團之內部監控系統包括完善之組織結構及周全政策與準則。董事會於截至二零一二年十二月三十一日止年度已透過審核委員會審閱本集團內部監控制度之效益，包括涉及財務、營運及守規監控與風險管理職能等所有重大監控事宜，而當中發現已向董事會匯報。審核委員會或董事會概不知悉內部監控有任何可能影響本公司股東之重大不足之處。董事認為，本公司一直遵守上市規則附錄14內企業管治守則項下有關內部監控之第C.2.1及C.2.2條守則條文規定。

Corporate Governance Report

企業管治報告

SHAREHOLDER RELATIONS

The Company has adopted a policy of disclosing clear and relevant information to the shareholders of the Company in a timely manner. The general meeting(s) of the Company provides a forum for communication between shareholders of the Company and Directors.

Review of the general meeting proceedings is carried out by the Board from time to time so as to ensure that the Company has followed the best corporate governance practices. Notice of the general meeting together with the circular setting out details of each of the proposed resolutions (including procedures for demanding a poll where required under the CG Code), voting procedures and other relevant information were delivered to all the shareholders of the Company with sufficient notice as required under the Listing Rules and the Bye-laws of the Company before the date appointed for the general meeting. At the commencement of the general meeting, procedures for demanding (where required) and conducting a poll are explained by the chairman of the meeting to the shareholders of the Company and the votes cast are properly counted and recorded by the scrutineer appointed by the Company. Poll results of the general meeting are posted on the websites of the Company and the Stock Exchange on the day of the general meeting.

During the year ended 31 December 2012, there has been no material change in the Company's memorandum of association and the Bye-laws. The updated and consolidated version of the Company's memorandum of association and the Bye-laws are available on the Company's website (<http://www.osgh.com.hk>) and the Stock Exchange's website. The Company's website (<http://www.osgh.com.hk>) also contains an "Investor Relations" section which offers timely access to the Company's press release, financial reports, announcements and circulars.

與股東之關係

本公司已採納一套可及時向本公司股東清晰披露有關資料之政策。本公司之股東大會為本公司股東與董事提供溝通平台。

股東大會之議程由董事會不時檢討，以確保本公司奉行最佳之企業管治常規。股東大會通告連同載有各項提呈之決議案、投票程序(包括根據企業管治守則規定要求進行投票表決之程序)及其他相關資料詳情之通函，於股東大會指定舉行日期前，按上市規則及本公司細則規定之充足通知期限，派送予本公司全體股東。於大會開始時，股東大會主席會向本公司股東解釋就於有需要下要求及進行投票表決之程序，而所有票數均會由本公司委任之監票員適當點算及記錄在案。股東大會之投票結果於股東大會同日在本公司網站及聯交所公佈。

截至二零一二年十二月三十一日止年度，本公司組織章程大綱及公司細則並無重大變動。本公司組織章程大綱及公司細則之更新及整合版本現載於本公司網站(<http://www.osgh.com.hk>)及聯交所網站。本公司網站(<http://www.osgh.com.hk>)亦載有「投資者關係」一節，如期登載本公司之新聞稿、財務報告、公佈及通函。

Corporate Governance Report

企業管治報告

SHAREHOLDERS' RIGHTS

Shareholders holding not less than one-tenth of the paid-up capital of the Company can deposit a written request (stating the objects of the meeting and signed by the shareholders concerned) to convene an extraordinary general meeting ("EGM") for the transaction of any business specified in the written request at the principal place of business of the Company for the attention of the Board or the Company Secretary. If the Directors do not within 21 days from the date of the deposit of the request (after being verified to be valid) proceed to convene an EGM, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may by themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

Shareholders, representing not less than one-twentieth of the total voting rights of the Company or not less than 100 shareholders as at the date of deposit of the requisition, can by written requisition request the Company to (a) give to the shareholders of the Company notice of any resolution which may properly be moved or is intended to be removed at the next annual general meeting of the Company; and (b) circulate to the shareholders a statement of not more than 1,000 words with respect to the matters referred to in any proposed resolution or the business to be dealt with at such meeting. If the requisition requires a notice of a resolution, it must be deposited at the principal place of business of the Company not less than 6 weeks before the date of the annual general meeting. In the case of any other requisition, the written requisition must be deposited at the principal place of business of the Company not less than 1 week before the date of the annual general meeting.

If a shareholder of the Company, who is duly qualified to attend and vote at the general meetings of the Company, intends to propose a person other than a Director for election as a Director at any general meeting, the shareholder concerned shall lodge with the principal place of business of the Company for the attention of the Company Secretary (i) a written notice of his/her intention to propose that person for election as a Director at the general meeting; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than seven days after the dispatch of the notice of the general meeting and ending no later than seven days prior to the date of such general meeting.

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

The shareholders of the Company may send their enquiries to the Board by addressing them to the Company Secretary or Company's Corporate Communication Department at the principal place of business of the Company situated at 16/F., The Peninsula Office Tower, Tsim Sha Tsui, Kowloon, Hong Kong or via email address: ir@goldenharvest.com.

股東權利

持有本公司繳足股本不少於十分之一之股東，可向本公司主要營業地點遞交召開股東特別大會（「股東特別大會」）以處理當中指明之任何事項之書面請求（當中指明會議目的，並由有關股東簽署），抬頭註明董事會或公司秘書收。倘若董事在該請求呈交日期（經核證為有效後）起計21天內，未有安排召開股東特別大會，有關股東或佔全體有關股東一半以上總表決權的任何股東，可自行召開股東特別大會，但如此召開之股東特別大會不得在呈交請求日期起計三個月屆滿後舉行。

於提交要求當日持有不少於本公司總表決權二十分之一或人數不少於100名之股東，可以書面形式要求本公司(a)向本公司股東發出任何可能於本公司下屆股東週年大會正式提呈或計劃取消之決議案之通知；及(b)向股東傳閱不多於1,000字之陳述，說明任何已提呈之決議案或任何將於該大會商討之事宜。如股東要求發出決議案通告，該通告必須於股東週年大會舉行日期不少於6星期前，提交至本公司主要營業地點。如屬任何其他要求，則有關書面要求必須於股東週年大會舉行日期不少於1星期前，提交至本公司主要營業地點。

如符合資格出席本公司股東大會並於會上表決之本公司股東擬於任何股東大會推選董事以外之人士為董事，有關股東須將以下文件呈交本公司主要營業地點，抬頭註明公司秘書收：(i)擬於股東大會推選有關人士為董事的書面意向通知；及(ii)該名人士表明有意接受推選的書面通知，連同所需資料，呈交文件之期限應不早於寄發召開股東大會通告後七天開始，並不得遲於該股東大會舉行日期前七天結束。

有關本公司股東建議推選人士出任董事之詳細程序，載於本公司網站。

本公司股東可將彼等之查詢寄交董事會，本公司主要營業地址為香港九龍尖沙咀半島寫字樓大廈十六樓，並註明抬頭人為公司秘書或本公司企業傳訊部，或電郵至 ir@goldenharvest.com。

Environmental, Social and Governance Report

環境、社會及管治報告

The Group continues to strive to build a long-term sustainability within its operations and the communities in which it operates.

In 2012, the focus areas of the Company's environmental, social and governance report included working conditions, satisfying customers' aspirations and community involvement.

Highlights of our focus areas are shared below.

STAKEHOLDER ENGAGEMENT

Shareholders

In 2012, the Company established its shareholder communication policy to promote effective communication with its shareholders. The shareholder communication policy is available on the Company's website (<http://www.osgh.com.hk>).

The Company organised roadshows in April and September 2012 and several private meetings with the investor community which included analysts, fund managers and other investors, to keep them abreast of the development of the Group, subject to compliance with the applicable laws and regulations. Besides, the Company's website contains an investor relations section which offers timely access to the Company's press releases, announcements, financial highlights and other business information. The Company has designated executives to maintain regular dialogue with the investors via an email account (ir@goldenharvest.com).

Customers

The Group operates in an extremely competitive cinema entertainment industry. The Group has not only designated websites, such as <http://www.goldenharvest.com> for GH cinemas in Hong Kong and <http://www.osghcinemas.com> for OSGH cinemas in PRC, but also uses social networking tools, such as Facebook (<http://www.facebook.com/ghcinemas>) and Weibo (<http://weibo.com/osgh>) to stay closely connected with our audiences to provide the latest news of "on show" and "coming soon" movies as well as ticketing information. In order to save audiences' time for purchasing movie tickets at box offices, the Group has provided online and mobile ticketing.

Employees

As at 31 December 2012, the Group has 1,395 full-time employees. Our people are core to our success and the implementation of our strategies. The Group is committed to providing staff training and development programmes designed to help its employees to enhance their knowledge and skills.

本集團時刻追求在其業務範圍及其經營所在社區的長遠可持續發展。

於二零一二年，本公司之環境、社會及管治報告專注範圍包括工作環境、滿足客戶期望及社區參與。

我們所專注範圍之摘要如下。

權益持有人參與

股東

於二零一二年，本公司訂定其股東溝通政策，以促進與股東有效溝通。股東溝通政策已登載於本公司網站 (<http://www.osgh.com.hk>)。

本公司於二零一二年四月及九月舉行多次簡介，並與各界投資者包括分析員、基金經理及其他投資者舉行多個私人會議，讓彼等可緊貼本集團最新發展，而上述事項已遵守適當法例及規例。此外，本公司網站載有投資者關係一欄，如期提供本公司之新聞稿、公佈、財務摘要及其他業務資料。本公司已指定行政人員，透過電郵賬戶 (ir@goldenharvest.com) 與投資者保持定期對話。

客戶

本公司於競爭激烈的影城娛樂行業經營。本集團不僅設有指定網站，如香港嘉禾院線網站 <http://www.goldenharvest.com> 及中國橙天嘉禾影城網站 <http://www.osghcinemas.com>，本集團亦透過社交網站如 Facebook (<http://www.facebook.com/ghcinemas>) 及微博 (<http://weibo.com/osgh>) 與觀眾緊密聯繫，提供「上映中」及「即將上映」電影之最新消息以及門票資料。為節省觀眾到影院購買門票之時間，本集團亦提供網上及流動電話購票服務。

僱員

於二零一二年十二月三十一日，本集團有 1,395 名全職僱員。人材為我們賴以成功及推行策略的關鍵。本集團致力提供員工培訓及發展課程，協助僱員提升知識及技能。

Environmental, Social and Governance Report

環境、社會及管治報告

WORKPLACE QUALITY

We are dedicated to fostering an environment that encourages staff development and advancement and creating a workplace where employees' efforts are recognised and rewarded.

Working conditions

The Group has adopted a "five-day week" to promote a healthy work-life balance. The Company also understands the needs of its employees and strives to make them feel proud to be part of the Group, so its employees have been offered staff free ticket passes to watch movies without charges.

In order to recognise the hard work and achievements of our employees, the performance of Group's employees is reviewed annually and many different ways of rewards are granted as recognition and motivation. As part of the performance management system, key performance indicators are adopted to ensure that the requisite directions and standards are set and met. The Group's performance-based remuneration system involves competitive salaries, commissions, discretionary bonuses, share options and fringe benefits to provide a comprehensive compensation package.

Development and training

The Company endeavours to foster a culture of continuous learning and talent development. Employees have been encouraged to take on-the-job training with the aim to enrich their work-related skills and knowledge and also to promote their job satisfaction. Some tailor-made training courses, for example, computer courses, have periodically been conducted for our employees. Besides, the Company has put in place education subsidies and examination leave for employees seeking to deepen their work-related knowledge.

Health and safety

The Group is committed to providing a safe, effective and congenial work environment for all its employees. In order to comply with the labour standards and laws, guidelines and notices are provided to enhance the knowledge of its employees in occupational safety and health.

OPERATING PRACTICES

Satisfying customers' aspirations

Serving the needs of our patrons to let them have a wonderful viewing experience in our cinemas is our top priority. This is done through our selection of a wide variety of high quality movies for our patrons. There were over 280 movies exhibited in our cinemas in Hong Kong in the year 2012.

The Group always endeavours not only to provide high quality customer services but also to deliver high quality audio and video experience to our patrons by equipping advanced technologies, such as Motion Chair D-BOX and IMAX® screen, in our cinemas. In order to improve and maintain high standard of customer services, the Group has put in place a mystery shopper program. The programme not only helps us provide high quality services to audiences, but also lets us know whether there is any room for improvement.

工作環境質素

我們致力為員工提供推動個人發展及晉升的環境，建立嘉許和獎勵員工的工作文化。

工作環境

本集團實行「五天工作制」鼓勵健康的作息平衡。本公司亦深明僱員的需要，盡力令其因成為本集團一份子而感到驕傲，故其僱員可獲員工免費通行證，免費觀賞電影。

為肯定僱員的努力及成就，本集團每年檢討僱員表現，並透過不同方式獎勵僱員以示肯定及鼓勵。作為表現管理制度的一部分，本集團透過主要表現指標，確保已制定及達到指定的方向及指標。本集團與表現掛鈎的薪酬制度包括具競爭力的薪金、佣金、酌情花紅，購股權及額外福利，以提供全面的薪酬組合。

發展及培訓

本公司致力營造持續進修及人材發展的文化，鼓勵僱員進行在職培訓，以豐富彼等之工作相關技能及知識，增加工作滿足感。僱員亦定期參與電腦課程等切合彼等需要之培訓課程。此外，本公司為有意增進工作相關知識的僱員提供教育資助及考試假期。

健康及安全

本集團致力為全體僱員提供安全、有效率及舒適的工作環境。為遵守勞工標準及法例，僱員均可得到指引及通知，以提升對職業安全及健康的知職。

經營常規

滿足客戶期望

我們著眼於滿足顧客需要，透過為顧客選擇各類高質素電影，在我們的影城提供非凡觀賞體驗。於二零一二年，我們在香港影城放映超過280部電影。

一直以來，本集團不僅致力提供優質客戶服務，亦透過在影城配備最先進科技如Motion Chair D-BOX及IMAX®銀幕，為顧客提供高質素影音體驗。為提升及維持高水準客戶服務，本集團推行神秘顧客計劃。該計劃不僅有助我們向觀眾提供高質素服務，亦可讓我們瞭解是否存在任何改善空間。

Environmental, Social and Governance Report

環境、社會及管治報告

Consumer Protection

Protecting our audiences' privacy is one of the top priorities of our employees as we have developed an online purchase system for movie tickets and membership system on our website. To this end, we have implemented strict data protection mechanisms to protect the confidentiality of our customers' data. In addition to the Company's policy being set out in employee handbook, the Company has periodically reminded its frontline employees of the importance of personal data protection.

Anti-corruption

The Group takes its anti-corruption responsibilities very seriously. The Group has ongoing review of the effectiveness of the internal control system across the Group.

COMMUNITY INVOLVEMENT

As a responsible corporate citizen, the Group strives to support the community by participating in different charitable activities. Throughout the year 2012, the Company has donated money to charities as well as encouraged its employees to participate in community services. For instance, the Company sponsored its employees to participate in the ORBIS Moonwalkers in November 2012 for collecting donations to support the fight against global blindness. Same as last year, the Company continued to invite more than 400 primary and secondary students from schools set up by The Lok Sin Tong Benevolent Society Kowloon to enjoy *Mcdull • The Pork of Music* at GH Whampoa, Hong Kong in August 2012.

We recognise that children are the future of society. We also believe that viewing good children's films is not simply a way of recreation but may also have a positive influence on children and help them build the right view of life. Because of this, our Group sponsored a campaign called "2012 Promotion and Exhibition of Children's Films" organised by the Administration Centre of Digital Film Content of State Administration of Radio, Film and Television, China Children's Film Society, etc to promote children's films in Mainland China. The opening ceremony of the campaign was launched at one of the Group's cinemas in Beijing, namely OSGH Cinemas Beijing Wanliu, on the eve of the International Children's Day. From 1 to 7 June 2012, each of our 32 cinemas in Mainland China arranged 3 time slots per day to exhibit the children movies for free. In recognition of our contributions to the campaign, the Group has been granted the title of "caring cinemas of children's films" by the campaign hosts.

Going forward, the Group will continue to expand its activities and services in the community.

ENVIRONMENTAL PROTECTION

To promote environmental awareness, we have been committed to introducing green practices in our internal operations in the Hong Kong office. The green practices adopted included saving energy in the office, recycling office resources, minimising the use of paper, encouraging electronic communications and smart use of the Company's vehicles.

消費者保障

隨著我們於網站開發網上購票及會員系統，保障觀眾私隱為我們僱員其中一項首要處理事項。就此，我們已實施嚴謹資料保障機制，以保障客戶資料之機密。除僱員手冊載列之公司政策外，本公司已定期提示前線僱員保障個人資料之重要性。

反貪污

本集團十分重視反貪污責任。本集團一直持續審閱內部監控制度之有效性。

社區參與

作為負責任的企業公民，本集團致力透過參與不同慈善活動支援社區。於二零一二年度，本集團作出慈善捐款及鼓勵其僱員參與社區服務。例如，本公司贊助其僱員參與二零一二年十一月舉行之奧比斯盲俠行，籌得善款用於推動全球救盲行動。一如去年，本公司於二零一二年八月繼續招待九龍樂善堂400多名中小學生於香港嘉禾黃埔電影城免費觀賞《麥兜•嚙嚙伴我心》電影。

我們深知兒童是社會的未來。我們亦相信觀賞出色的兒童電影不單是娛樂消閒活動，亦可為兒童帶來正面影響，啟發他們建立正確人生觀。因此，本集團贊助一項名為「2012兒童電影推薦展映系列活動」之計劃，該計劃由國家廣播電影電視總局電影數字節目管理中心與中國兒童少年電影學會等合辦，旨在於中國內地推廣兒童電影。該計劃之啟動儀式於國際兒童節前夕在本集團於北京之其中一間影城北京橙天嘉禾影城萬柳店舉行。二零一二年六月一日至七日期間，我們於中國內地之32家影城每日安排三個時段免費放映兒童電影。主辦單位已向本集團頒授「兒童電影愛心院線」名銜，肯定我們對計劃的貢獻。

展望將來，本集團將繼續擴展其社區活動及服務。

環境保護

為推廣環保意識，我們致力就香港辦公室之內部運作推廣綠色習慣。所採納的綠色習慣包括節約辦公室能源、循環再用辦公室資源、減少用紙、鼓勵電子溝通方式及精明使用公司汽車。

Independent Auditor's Report

獨立核數師報告



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

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 65 to 128, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

獨立核數師報告

致橙天嘉禾娛樂(集團)有限公司股東

(於百慕達註冊成立的有限公司)

本核數師(以下簡稱「我們」)已審計列載於第129頁至192頁橙天嘉禾娛樂(集團)有限公司(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零一二年十二月三十一日的綜合及公司財務狀況表，截至該日止年度的綜合收益表、綜合全面收益表、綜合權益變動表及綜合現金流量表以及主要會計政策概要及其他附註解釋資料。

董事就綜合財務報表須承擔的責任

貴公司的董事須負責根據香港會計師公會頒佈的《香港財務報告準則》及香港《公司條例》的披露要求編製綜合財務報表，以令綜合財務報表作出真實而公平的反映及落實其認為編製綜合財務報表所必要的內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述。

核數師的責任

我們的責任是根據我們的審計對該等綜合財務報表作出意見。我們是按照百慕達一九八一年《公司法》第90條的規定，僅向整體股東報告。除此以外，我們的報告不可用作其他用途。我們概不就本報告的內容，對任何其他人士負責或承擔法律責任。

我們已根據香港會計師公會頒佈的《香港審計準則》進行審計。該等準則要求我們遵守道德規範，並規劃及執行審計，以合理確定綜合財務報表是否不存在任何重大錯誤陳述。

Independent Auditor's Report

獨立核數師報告

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's 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.

KPMG

Certified Public Accountants

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

26 March 2013

審計涉及執程序以獲取有關綜合財務報表所載金額及披露資料的審計憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致綜合財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製綜合財務報表以作出真實而公平的反映相關的內部控制，以設計適當的審計程序，但目的並非對公司內部控制的有效性發表意見。審計亦包括評價董事所採用會計政策的合適性及所作出會計估計的合理性，以及評價綜合財務報表的整體列報方式。

我們相信，我們所獲得的審計憑證能充足和適當地為我們的審計意見提供基礎。

意見

我們認為，該等綜合財務報表已根據《香港財務報告準則》真實而公平地反映 貴公司及 貴集團於二零一二年十二月三十一日的事務狀況及 貴集團截至該日止年度的利潤及現金流量，並已按照香港《公司條例》的披露要求妥為編製。

畢馬威會計師事務所

執業會計師

香港
中環
遮打道10號
太子大廈8樓

二零一三年三月二十六日

Consolidated Income Statement

for the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Turnover	3 & 4	1,591,971	1,369,562
Cost of sales		(643,990)	(576,287)
Gross profit		947,981	793,275
Other revenue	5(a)	38,989	26,137
Other net income	5(b)	25,156	58,936
Selling and distribution costs		(762,251)	(612,002)
General and administrative expenses		(114,376)	(103,162)
Other operating expenses		(9,436)	(26,624)
Profit from operations		126,063	136,560
Finance costs	6(a)	(26,877)	(19,126)
Share of loss of an associate		(449)	–
Profit before taxation	6	98,737	117,434
Income tax	7(a)	(1,033)	(22,563)
Profit for the year		97,704	94,871
Attributable to:			
Equity holders of the Company		95,987	95,943
Non-controlling interests		1,717	(1,072)
Profit for the year		97,704	94,871
Earnings per share	11		
Basic		3.58 cents	3.64 cents
Diluted		3.58 cents	3.63 cents

The notes on pages 73 to 128 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	2012 HK\$'000	2011 HK\$'000
Profit for the year	97,704	94,871
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of:		
Overseas subsidiaries	6,467	14,703
Overseas jointly controlled entities	17,328	(7,544)
	23,795	7,159
Available-for-sale equity securities:		
Deficit on revaluation	–	(20,526)
Impairment losses recognised	–	20,526
Net movement in the fair value reserve	–	–
Total comprehensive income for the year	121,499	102,030
Total comprehensive income attributable to:		
Equity holders of the Company	119,639	102,857
Non-controlling interests	1,860	(827)
Total comprehensive income for the year	121,499	102,030

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

The notes on pages 73 to 128 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Fixed assets	12	1,413,351	1,206,446
Interest in an associate	14	6,876	–
Available-for-sale equity securities	16	–	149
Prepaid rental	17	74,840	28,472
Club memberships		2,490	2,490
Rental and other deposits		119,046	106,631
Trademark	18	79,785	79,785
Goodwill	19	73,658	73,658
Deferred tax assets	27(b)	22,547	7,335
Pledged bank deposits	23	69,296	48,010
		1,861,889	1,552,976
Current assets			
Inventories	20	5,789	6,137
Available-for-sale equity securities	16	–	20,000
Film rights	21	59,081	68,640
Trade receivables	22(a)	111,418	84,226
Other receivables, deposits and prepayments	22(b)	156,159	133,043
Amounts due from jointly controlled entities	15(a)	1,119	200
Deposits and cash	23	729,261	705,664
		1,062,827	1,017,910
Current liabilities			
Bank loans	24	323,204	127,252
Trade payables	26(a)	165,647	120,205
Other payables and accrued charges	26(b)	211,671	205,920
Deferred revenue	26(c)	178,439	153,199
Obligations under finance lease	25	4,905	–
Taxation payable	27(a)	21,221	29,778
		905,087	636,354
Net current assets		157,740	381,556
Total assets less current liabilities		2,019,629	1,934,532

Consolidated Statement of Financial Position

at 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Non-current liabilities			
Bank loans	24	325,354	376,345
Deposits received		8,830	9,891
Obligations under finance lease	25	12,356	–
Deferred tax liabilities	27(b)	28,478	24,713
		375,018	410,949
NET ASSETS			
		1,644,611	1,523,583
CAPITAL AND RESERVES			
	28		
Share capital		267,982	268,419
Reserves		1,366,111	1,245,425
Total equity attributable to equity holders of the Company		1,634,093	1,513,844
Non-controlling interests		10,518	9,739
TOTAL EQUITY		1,644,611	1,523,583

Approved and authorised for issue by the Board of Directors on 26 March 2013.

Wu Kebo
Director

Mao Yimin
Director

The notes on pages 73 to 128 form part of these financial statements.

Statement of Financial Position

at 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Non-current asset			
Interests in subsidiaries	13	1,538,756	1,447,497
Current assets			
Amount due from a subsidiary	13	1,560	1,560
Prepayments		439	448
Deposits and cash	23	20	2,056
		2,019	4,064
Current liabilities			
Payables and accrued charges		427	604
Net current assets		1,592	3,460
NET ASSETS		1,540,348	1,450,957
CAPITAL AND RESERVES			
	28		
Share capital		267,982	268,419
Reserves		1,272,366	1,182,538
TOTAL EQUITY		1,540,348	1,450,957

Approved and authorised for issue by the Board of Directors on 26 March 2013.

Wu Kebo
Director

Mao Yimin
Director

The notes on pages 73 to 128 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

Note	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Reserve funds HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2012	268,419	665,625	5,934	8,396	80,000	13,430	38,744	433,296	1,513,844	9,739	1,523,583
Profit for the year	-	-	-	-	-	-	-	95,987	95,987	1,717	97,704
Other comprehensive income	-	-	-	-	-	-	23,652	-	23,652	143	23,795
Total comprehensive income	-	-	-	-	-	-	23,652	95,987	119,639	1,860	121,499
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,081)	(1,081)
Equity-settled share-based transactions 28(a)(ii)	-	-	1,837	-	-	-	-	-	1,837	-	1,837
Shares repurchased 28(a)(iii)	(437)	(790)	-	437	-	-	-	(437)	(1,227)	-	(1,227)
Transfer to/(from) reserves	-	-	-	-	-	4,536	-	(4,536)	-	-	-
At 31 December 2012	267,982	664,835	7,771	8,833	80,000	17,966	62,396	524,310	1,634,093	10,518	1,644,611

Note	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Equity component of convertible notes HK\$'000	Reserve funds HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2011	254,374	630,856	5,515	6,422	80,000	2,874	7,454	31,830	344,923	1,364,248	11,554	1,375,802
Profit for the year	-	-	-	-	-	-	-	-	95,943	95,943	(1,072)	94,871
Other comprehensive income	-	-	-	-	-	-	-	6,914	-	6,914	245	7,159
Total comprehensive income	-	-	-	-	-	-	-	6,914	95,943	102,857	(827)	102,030
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(988)	(988)
Transfer to retained profits on lapse of share options 28(a)(ii)	-	-	(380)	-	-	-	-	-	380	-	-	-
Lapse of non-vesting share options 28(a)(ii)	-	-	(2,384)	-	-	-	-	-	-	(2,384)	-	(2,384)
Equity-settled share-based transactions 28(a)(ii)	-	-	3,183	-	-	-	-	-	-	3,183	-	3,183
Issuance of convertible note	-	-	-	-	-	8,120	-	-	-	8,120	-	8,120
Conversion of convertible notes 28(a)(i)	16,019	38,792	-	-	-	(10,994)	-	-	-	43,817	-	43,817
Shares repurchased 28(a)(iii)	(1,974)	(4,023)	-	1,974	-	-	-	-	(1,974)	(5,997)	-	(5,997)
Transfer to/(from) reserves	-	-	-	-	-	-	5,976	-	(5,976)	-	-	-
At 31 December 2011	268,419	665,625	5,934	8,396	80,000	-	13,430	38,744	433,296	1,513,844	9,739	1,523,583

The notes on pages 73 to 128 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Operating activities			
Profit before taxation		98,737	117,434
Adjustments for:			
Interest income	5(a)	(12,596)	(3,650)
Finance costs	6(a)	26,877	19,126
Depreciation of fixed assets	12	126,539	96,798
Loss on disposals of property, plant and equipment	6(c)	3,364	3,749
Gain on disposals of available-for-sale equity securities, net	5(b)	(7,911)	(28,484)
Fair value loss on a financial derivative instrument		–	246
Impairment losses on available-for-sale equity securities		–	20,526
Equity-settled share-based payment expenses		1,837	799
Exchange loss/(gain), net		4,517	(5,110)
Share of loss of an associate		449	–
Operating profit before changes in working capital		241,813	221,434
Decrease/(increase) in inventories		451	(2,641)
Decrease in film rights		9,685	18,364
Increase in trade receivables		(25,907)	(50,991)
Increase in other receivables, deposits and prepayments		(21,683)	(44,272)
Increase in trade payables		42,523	33,539
Increase in other payables and accrued charges		2,516	100,282
Increase in deferred revenue		21,964	56,032
(Increase)/decrease in prepaid rental		(46,269)	1,819
Increase in rental and other deposits		(10,509)	(44,140)
Cash generated from operations		214,584	289,426
Interest received		11,953	3,361
Finance costs paid		(38,629)	(18,257)
Interest element of finance lease rental paid		(494)	–
Overseas tax paid		(26,204)	(27,122)
Overseas tax refunded		3,626	–
Net cash generated from operating activities		164,836	247,408

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000
Investing activities			
Payment for the purchase of property, plant and equipment		(287,856)	(613,289)
Proceeds from disposals of property, plant and equipment		616	124
Proceeds from disposals of available-for-sale equity securities		27,911	233,885
(Payment to)/advance from jointly controlled entities		(919)	1,008
(Decrease)/increase in deposits received		(1,388)	4,770
Increase in pledged bank deposits		(20,450)	(19,089)
Investment in an associate		(1,208)	–
Advance to an associate		(6,117)	–
Net cash used in investing activities		(289,411)	(392,591)
Financing activities			
Advance of new bank loans		311,068	449,762
Repayment of bank loans		(169,348)	(51,382)
Payment for shares repurchased	28(a)(iii)	(1,227)	(5,997)
Dividends paid to non-controlling interests		(1,081)	(988)
Capital element of finance lease rental paid		(1,821)	–
Net cash generated from financing activities		137,591	391,395
Net increase in cash and cash equivalents		13,016	246,212
Cash and cash equivalents at 1 January		705,664	457,677
Effect of foreign exchange rate changes		10,581	1,775
Cash and cash equivalents at 31 December	23	729,261	705,664

MAJOR NON-CASH TRANSACTION

On 3 June 2011, the convertible notes of HK\$54,144,000 (equivalent to RMB48,000,000) were converted into the Company's ordinary shares, creating a total of 160,189,348 new ordinary shares at a conversion price of HK\$0.338 per share.

The notes on pages 73 to 128 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2012

1 CORPORATE INFORMATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(ii) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of the amendments are relevant to these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 34).

(b) Basis of preparation of the financial statements

(i) The consolidated financial statements include the financial statements of the Company and its subsidiaries and the Group's share of the financial statements of the Group's associate and jointly controlled entities for the year ended 31 December 2012. The results of subsidiaries and jointly controlled entities are consolidated and proportionately consolidated, respectively, from the date of acquisition, being the date on which the Group obtains control or joint control, and continue to be consolidated and proportionately consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial instruments classified as available-for-sale which are stated at their fair values as explained in the note 2(g).

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

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

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

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

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

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

(d) Joint venture companies

A joint venture company is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint venture companies *(continued)*

A joint venture company is treated as:

- (i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company (note 2(c));
- (ii) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company (note 2(e));
- (iii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company (note 2(e)); or
- (iv) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

(e) Associates and jointly controlled entities

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

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

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the proportionate consolidation method. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains and losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and jointly controlled entities *(continued)*

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

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

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associate and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. Subsequently, investments in debt and equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (note 2(m)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(x)(viii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(x)(vii). When these investments are derecognised or impaired in note 2(m), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

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

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

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

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

— Buildings	2.0%–6.7%
— Leasehold improvements	Over the remaining terms of leases
— Machinery and equipment	6.5%–20.0%
— Furniture and fixtures	8.3%–20.0%
— Motor vehicles	20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

(j) Club memberships

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trademark

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

(l) Leased assets

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

(i) Classification of assets leased to the Group

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

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

Prepaid land lease payments under an operating lease are amortised on a straight-line basis over the period of the lease term.

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets

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

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

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

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

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

- For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(m)(ii).
- For unquoted equity securities, other receivables and financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the asset and the estimated future cash flows, discounted at the market rate of return for a similar asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets *(continued)*

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

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

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

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

(ii) Impairment of other assets

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

- fixed assets;
- trademark;
- club memberships;
- film rights; and
- goodwill.

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

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets *(continued)*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

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

(iii) Interim financial reporting and impairment

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

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

(n) Inventories

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

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Film rights

(i) Film rights

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

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

(ii) Film production in progress

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

(iii) Self-produced programmes

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

(iv) Investments in film/drama production

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

(p) Trade and other receivables

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

(q) Cash and cash equivalents

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

(r) Trade and other payables

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

(s) Interest-bearing borrowings

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

(t) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Convertible notes *(continued)*

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component of the convertible note is recognised in a capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

(u) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Paid leave carried forward

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

(iv) Employment Ordinance long service payments

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits *(continued)*

(v) Retirement benefit schemes

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

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

(v) Income tax

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

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

(ii) Other provisions and contingent liabilities

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition

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

- (i) Income from box office takings is recognised when the services have been rendered to the buyers;
- (ii) Income from film distribution and screen advertising is recognised at the time when the services are provided;
- (iii) Income from promotion, advertising, advertising production and agency fees and consultancy services is recognised upon the provision of the services;
- (iv) Income from investments in film/drama production is recognised when the films or television programmes are released for distribution;
- (v) Income from confectionery sales and audio visual sales is recognised, at the point of sales when the confectionery and audio visual products are given to the customers;
- (vi) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned;
- (vii) Interest income is recognised as it accrues using the effective interest method;
- (viii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established;
- (ix) Income from tickets booking is recognised upon the provision of the services;
- (x) Income from gift voucher purchases is recognised when customers exchange them for goods/services or upon expiry; and
- (xi) Income from membership fees is recognised in profit or loss in the accounting period covered by the membership terms.

(y) Translation of foreign currencies

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Borrowing costs

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

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

(aa) Related parties

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

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

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

- (1) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (3) Both entities are joint ventures of the same third party.
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (6) The entity is controlled or jointly controlled by a person identified in (i).
- (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(bb) Segment reporting

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

3 TURNOVER

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

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

4 SEGMENT REPORTING

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

- Hong Kong
- Mainland China
- Taiwan
- Singapore

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

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

Segment revenue and results

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

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

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

Management evaluates performance primarily based on operating profit including the proportionate consolidated results of jointly controlled entities of each segment. Intra-segment pricing is generally determined at arm's length basis.

Notes to the Financial Statements

for the year ended 31 December 2012

4 SEGMENT REPORTING (CONTINUED)

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

	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000								
Segment revenue										
Revenue from external customers										
— Exhibition	223,492	201,300	524,773	328,309	430,096	369,114	362,981	349,765	1,541,342	1,248,488
— Distribution and production	73,529	57,681	6,120	87,307	11,801	4,057	14,917	12,848	106,367	161,893
— Corporate	2,314	2,127	—	—	—	—	—	—	2,314	2,127
Reportable segment revenue	299,335	261,108	530,893	415,616	441,897	373,171	377,898	362,613	1,650,023	1,412,508
Reportable segment profit	37,482	14,000	3,863	27,832	46,419	36,601	55,140	50,247	142,904	128,680
Reconciliation — Revenue										
Reportable segment revenue									1,650,023	1,412,508
Elimination of intra-segmental revenue									(20,014)	(13,990)
Others									(38,038)	(28,956)
									1,591,971	1,369,562
Reconciliation — Profit before taxation										
Reportable profit from external customers									142,904	128,680
Unallocated operating expenses, net									(46,917)	(32,737)
Non-controlling interests									1,717	(1,072)
Income tax									1,033	22,563
Profit before taxation									98,737	117,434

Notes to the Financial Statements

for the year ended 31 December 2012

5 OTHER REVENUE AND OTHER NET INCOME

(a) Other revenue

	2012 HK\$'000	2011 HK\$'000
Interest income from bank deposits	12,596	3,650
Income from the grant of cinema management and operational rights, net (note 32(v))	–	7,031
Miscellaneous income	26,393	15,456
	38,989	26,137

(b) Other net income

	2012 HK\$'000	2011 HK\$'000
Gain on settlements of claims, net	6,080	763
Gain on disposals of available-for-sale equity securities, net	7,911	28,484
Compensation income from a contractor for delays in construction progress (note)	12,491	15,021
Exchange (loss)/gain, net	(1,326)	14,668
	25,156	58,936

Note:

During the year ended 31 December 2012, the Group reached agreement with a contractor in respect of compensation for delay in construction progress together with punitive damages relating to cinemas in Mainland China. In addition to reimbursement of expenses of HK\$28,870,000 (2011: HK\$46,030,000), an amount of HK\$12,491,000 (2011: HK\$15,021,000) representing compensation of punitive damages was recorded as other net income for the year ended 31 December 2012.

Notes to the Financial Statements

for the year ended 31 December 2012

6 PROFIT BEFORE TAXATION

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

	2012 HK\$'000	2011 HK\$'000
(a) Finance costs		
Interest on bank loans wholly repayable		
— within five years	19,236	9,567
— after five years	15,818	7,577
	35,054	17,144
Interest on convertible notes	—	155
Finance charges on obligations under finance lease	494	—
Other ancillary borrowing costs	4,329	1,827
	39,877	19,126
Total finance costs on financial liabilities not at fair value through profit or loss	39,877	19,126
Less: Finance costs capitalised into fixed assets*	(13,000)	—
	26,877	19,126

* The finance costs have been capitalised at rates ranging from 5.25% to 8.46% per annum (2011: Nil).

	2012 HK\$'000	2011 HK\$'000
(b) Staff costs (excluding directors' emoluments (note 8))		
Salaries, wages and other benefits (note (i))	195,213	172,920
Contributions to defined contribution retirement plans	7,129	6,307
Equity-settled share-based payments	—	(1,071)
	202,342	178,156

	2012 HK\$'000	2011 HK\$'000
(c) Other items		
Cost of inventories	47,231	40,606
Cost of services provided	559,563	474,014
Depreciation of fixed assets	126,539	96,798
Amortisation of film rights (note (ii))	37,196	61,667
Auditors' remuneration	3,455	4,369
Operating lease charges in respect of land and buildings		
— minimum lease payments	213,861	176,902
— contingent rentals	46,059	38,329
Impairment losses on available-for-sale equity securities (note (iii))	—	20,526
Fair value loss on a financial derivative instrument (note (iii))	—	246
Loss on disposals of property, plant and equipment	3,364	3,749
Gain on disposals of available-for-sale equity securities, net	(7,911)	(28,484)
Rental income less direct outgoings	(25,824)	(16,861)
Dividend income from a listed investment	(566)	(330)

Notes to the Financial Statements

for the year ended 31 December 2012

6 PROFIT BEFORE TAXATION (CONTINUED)

Notes:

- (i) The amount includes provision for long service payments.
- (ii) The amortisation of film rights for the year is included in "Cost of sales" in the consolidated income statement.
- (iii) The impairment losses on available-for-sale equity securities and fair value loss on a financial derivative instrument were included in "Other operating expenses" in the consolidated income statement.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012 HK\$'000	2011 HK\$'000
The Group		
<i>Current income tax</i>		
Provision for overseas tax	3,392	5,978
Over-provision in respect of prior years	(1,796)	(251)
	1,596	5,727
<i>Deferred tax — overseas (note 27(b))</i>		
Reversal of temporary differences	(11,123)	(171)
	(9,527)	5,556
Jointly controlled entities		
<i>Current income tax</i>		
Provision for overseas tax	18,772	16,428
Over-provision in respect of prior years*	(7,070)	(707)
	11,702	15,721
<i>Deferred tax — overseas (note 27(b))</i>		
Origination and reversal of temporary differences	(1,142)	1,286
	10,560	17,007
	1,033	22,563

* During the year ended 31 December 2012, the tax credit principally related to settlement of a tax dispute and reversal of provisions made in prior periods due to the retrospective application of new tax legislation in Singapore.

Notes to the Financial Statements

for the year ended 31 December 2012

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

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

Notes:

- (i) No provision has been made for Hong Kong Profits Tax as the tax losses brought forward from previous years exceed the estimated assessable profits for the year (2011: HK\$Nil).
- (ii) The provision for the PRC Corporate Income Tax of the subsidiaries established in the PRC is calculated at 25% (2011: 25%) of the estimated taxable profits for the year.

The State Council Notice GuoFa (2007) No. 39 Notice on the Implementation of the Transitional Preferential Corporate Income Tax Policies (國法(2007)39號《國務院關於實施企業所得稅過渡優惠政策的通知》) ("Circular 39") provided a five-year transitional period effective from 1 January 2008 for those enterprises which were established before 16 March 2007 and which were entitled to a preferential lower tax rate under the then effective tax laws and regulations. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively. Accordingly, a wholly-owned subsidiary of the Group, located in the Shenzhen Special Economic Zone is subject to income tax at 24% and 25% for 2011 and 2012 respectively.

- (iii) Taxation for overseas subsidiaries and jointly controlled entities is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.
- (iv) The China tax law imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt for such withholding tax. As at 31 December 2012, the Group has not provided for income taxes on accumulated earnings generated by its Mainland China subsidiaries for the years ended 31 December 2012 and 2011 since it is probable that they will not be distributed to the immediate holding company outside Mainland China in the foreseeable future.

During the year ended 31 December 2012, the Group has provided HK\$4,110,000 (2011: HK\$3,818,000) for income taxes on accumulated earnings generated by its jointly controlled entity in Taiwan which will be distributed to the Group in the foreseeable future.

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

	2012 HK\$'000	2011 HK\$'000
Profit before taxation	98,737	117,434
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	12,167	21,309
Tax effect of non-deductible expenses	11,550	10,886
Tax effect of non-taxable income	(16,372)	(10,827)
Tax effect of unused tax losses not recognised	2,650	8,859
Tax effect of previously unrecognised prior years' tax losses utilised this year	(4,694)	(10,385)
Tax effect of temporary differences unrecognised, net	376	(139)
Tax effect of loss attributable to an associate	112	-
Provision for Taiwan withholding tax for the year	4,110	3,818
Over-provision in prior years	(8,866)	(958)
Actual tax expense	1,033	22,563

Notes to the Financial Statements

for the year ended 31 December 2012

8 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Equity-settled share-based payments HK\$'000 (Note)	2012 Total HK\$'000	2011 Total HK\$'000
Executive directors						
WU, Kebo	–	1,364	–	1,837	3,201	3,604
LI, Pei Sen	–	240	–	–	240	244
TAN, Boon Pin Simon	–	490	–	–	490	834
WU, Keyan	–	567	14	–	581	570
MAO, Yimin	–	2,191	92	–	2,283	1,423
CHANG, Tat Joel	–	–	–	–	–	(580)
Independent non-executive directors						
LEUNG, Man Kit	330	–	–	–	330	340
HUANG, Shao-Hua George	220	–	–	–	220	210
WONG, Sze Wing	220	–	–	–	220	220
	770	4,852	106	1,837	7,565	6,865

Note:

These represent the estimated value of share options granted to the director under the Group's share option schemes. The value of these share options is measured according to the Group's accounting policies for equity-settled share-based payment transactions as set out in note 2(u)(ii) to the financial statements.

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, two (2011: two) are directors whose emoluments are disclosed in note 8 to the financial statements. The aggregate of the emoluments in respect of the other three (2011: three) are as follows:

	2012 HK\$'000	2011 HK\$'000
Salaries and other emoluments	4,349	3,511
Retirement scheme contributions	69	36
	4,418	3,547

The emoluments of the three (2011: three) individuals with the highest emoluments are within the following bands:

	2012 Number of individuals	2011 Number of individuals
HK\$Nil–HK\$1,499,999	2	3
HK\$1,500,000–HK\$2,000,000	1	–

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a profit of HK\$88,781,000 (2011: HK\$216,065,000) which has been dealt with in the financial statements of the Company.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$95,987,000 (2011: HK\$95,943,000) and the weighted average number of ordinary shares of 2,680,372,144 (2011: 2,634,942,987) shares, in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic and diluted)

	2012	2011
Issued ordinary shares at 1 January	2,684,194,248	2,543,739,900
Effect of convertible notes converted	–	93,041,484
Effect of shares repurchased	(3,822,104)	(1,838,397)
Weighted average number of ordinary shares (basic) at 31 December	2,680,372,144	2,634,942,987
Effect of conversion of convertible notes	–	14,848,601
Effect of deemed issue of shares under the Company's share option scheme	–	16,937
Weighted average number of ordinary shares (diluted) at 31 December	2,680,372,144	2,649,808,525

Notes to the Financial Statements

for the year ended 31 December 2012

11 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$95,987,000 (2011: HK\$96,098,000) and the weighted average number of ordinary shares of 2,680,372,144 (2011: 2,649,808,525) shares, calculated as follows:

Profit attributable to equity holders of the Company (diluted)

	2012 HK\$'000	2011 HK\$'000
Profit attributable to equity holders	95,987	95,943
After tax effect of effective interest on the liability component of convertible notes	–	155
Profit attributable to equity holders (diluted)	95,987	96,098

The weighted average number of ordinary shares (diluted) at 31 December 2012 and 2011 is set out in note 11(a) to the financial statements.

12 FIXED ASSETS

The Group

	Property, plant and equipment							Total HK\$'000
	Leasehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	
Cost or valuation:								
At 1 January 2012	70,272	91,645	716,915	429,456	51,133	4,223	295,747	1,659,391
Additions	–	–	115,537	103,151	11,342	–	89,860	319,890
Disposals	–	–	(6,356)	(14,088)	(1,598)	–	(73)	(22,115)
Transfers	–	–	121,390	32,476	3,796	–	(157,662)	–
Exchange adjustments	3,982	4,172	4,725	(15)	129	(113)	18,614	31,494
At 31 December 2012	74,254	95,817	952,211	550,980	64,802	4,110	246,486	1,988,660
Representing:								
Cost	74,254	95,817	952,211	550,980	64,802	4,110	246,486	1,988,660
Accumulated depreciation and amortisation:								
At 1 January 2012	3,649	33,579	247,343	141,466	24,397	2,511	–	452,945
Charge for the year	867	3,797	57,983	56,572	6,636	684	–	126,539
Written back on disposals	–	–	(5,131)	(11,455)	(1,549)	–	–	(18,135)
Exchange adjustments	226	1,900	6,798	4,444	703	(111)	–	13,960
At 31 December 2012	4,742	39,276	306,993	191,027	30,187	3,084	–	575,309
Net book value:								
At 31 December 2012	69,512	56,541	645,218	359,953	34,615	1,026	246,486	1,413,351

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12 FIXED ASSETS (CONTINUED)

The Group (continued)

	Property, plant and equipment							Total HK\$'000
	Leasehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	
Cost or valuation:								
At 1 January 2011	70,272	72,812	433,271	261,656	45,181	4,062	187,790	1,075,044
Additions	-	-	133,785	148,864	7,155	-	323,485	613,289
Disposals	-	-	(6,974)	(28,915)	(5,881)	-	-	(41,770)
Transfers	-	18,833	155,141	46,731	4,447	-	(225,152)	-
Exchange adjustments	-	-	1,692	1,120	231	161	9,624	12,828
At 31 December 2011	70,272	91,645	716,915	429,456	51,133	4,223	295,747	1,659,391
Representing:								
Cost	70,272	91,645	716,915	429,456	51,133	4,223	295,747	1,659,391
Accumulated depreciation and amortisation:								
At 1 January 2011	2,810	30,785	202,992	131,555	23,682	1,755	-	393,579
Charge for the year	868	2,836	50,609	35,775	6,066	644	-	96,798
Written back on disposals	-	-	(5,800)	(26,680)	(5,417)	-	-	(37,897)
Exchange adjustments	(29)	(42)	(458)	816	66	112	-	465
At 31 December 2011	3,649	33,579	247,343	141,466	24,397	2,511	-	452,945
Net book value:								
At 31 December 2011	66,623	58,066	469,572	287,990	26,736	1,712	295,747	1,206,446

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14 INTEREST IN AN ASSOCIATE

	The Group	
	2012 HK\$'000	2011 HK\$'000
Share of net assets	759	–
Amount due from an associate	6,117	–
	6,876	–

Amount due from an associate is unsecured, interest-free, has no fixed terms of repayment and is not expected to be recovered within one year.

The following list contains particulars of the associate, which is a unlisted corporate entity:

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

Summary financial information on the associate

	Assets HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Revenue HK\$'000	Loss HK\$'000
2012					
100 per cent	30,236	(28,688)	1,548	163	(916)
Group's effective interest	14,816	(14,057)	759	80	(449)

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15 AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

(a) Amounts due from jointly controlled entities

Amounts due from jointly controlled entities of HK\$1,119,000 at 31 December 2012 (2011: HK\$200,000) are unsecured, interest-free and have no fixed repayment terms. The carrying amounts of these amounts due from jointly controlled entities approximate their fair values.

(b) Details of the jointly controlled entities of the Group are set out in note 35(b) to the financial statements.

(c) Summary financial information on jointly controlled entities — Group's effective interest:

	2012 HK\$'000	2011 HK\$'000
Non-current assets	441,851	431,605
Current assets	201,665	134,123
Non-current liabilities	(25,196)	(26,602)
Current liabilities	(243,817)	(237,231)
Net assets	374,503	301,895
Income	802,882	727,873
Expenses	(696,034)	(639,332)
Total comprehensive income for the year	106,848	88,541

16 AVAILABLE-FOR-SALE EQUITY SECURITIES

	The Group	
	2012 HK\$'000	2011 HK\$'000
Available-for-sale equity securities:		
— Listed investment in Hong Kong, at fair value (<i>note</i>)	—	20,000
— Listed investment in Australia, at fair value	—	149
	—	20,149
Market value of listed investments	—	20,149
Representing:		
Non-current assets	—	149
Current assets	—	20,000
	—	20,149

Note:

At 31 December 2011, the Group held 10,000,000 shares in Overseas Chinese Town (Asia) Holdings Limited ("Overseas Chinese"), a company listed in Hong Kong. During the year ended 31 December 2012, the Group disposed all its shares in Overseas Chinese and recorded a gain of HK\$7,911,000 (2011: loss of HK\$875,000).

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17 PREPAID RENTAL

Included in the prepaid rental as at 31 December 2012 was an amount of RMB40,000,000 (equivalent to approximately of HK\$49,320,000) in respect of the lease for a property in Mainland China from a related company for the purpose of theatre operation. Further details are disclosed in note 32(ix) to the financial statements.

18 TRADEMARK

	The Group 2012 HK\$'000	2011 HK\$'000
Cost and carrying amount		
At 1 January and 31 December	79,785	79,785

Trademark represented the perpetual license for the use of the brand name "Golden Harvest" which takes the form of sign, symbol, name, logo, design or any combination thereof.

The directors are of the opinion that the Group's trademark has an indefinite useful life for the following reasons:

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

Vigers Appraisal & Consulting Limited ("Vigers Appraisal"), a firm of independent professional qualified valuers, has confirmed, in their valuation of the Group's trademark, that the fair value of the trademark exceeded its carrying value as at 31 December 2012. Accordingly, no impairment loss was recorded at 31 December 2012.

19 GOODWILL

	The Group 2012 HK\$'000	2011 HK\$'000
Cost and carrying amount		
At 1 January and 31 December	73,658	73,658

Impairment tests for cash-generating units containing goodwill

In accordance with the Group's accounting policies, the Group has assessed the recoverable amount of goodwill for the cash-generating units ("CGU") and determined that such goodwill was not impaired at 31 December 2012 and 2011.

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19 GOODWILL (CONTINUED)

Impairment tests for cash-generating units containing goodwill *(continued)*

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

	The Group 2012 HK\$'000	2011 HK\$'000
Distribution and production — Mainland China	73,658	73,658

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

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

20 INVENTORIES

Inventories which are carried at cost of HK\$5,789,000 at 31 December 2012 (2011: HK\$6,137,000) comprised largely goods for resale.

The carrying amount of inventories sold and recognised as an expense to the consolidated income statement of the Group was HK\$47,231,000 (2011: HK\$40,606,000).

21 FILM RIGHTS

	The Group 2012 HK\$'000	2011 HK\$'000
Film rights — completed	47,822	52,681
Investment in film production	6,471	10,384
	54,293	63,065
Film production in progress, at cost	4,788	5,575
	59,081	68,640

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

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

Film production in progress represents films under production.

In accordance with note 2(o) to the financial statements, the Group performed impairment tests at 31 December 2012 and 2011 by comparing the attributable carrying amounts of the film rights/self-produced programmes with the recoverable amounts.

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21 FILM RIGHTS (CONTINUED)

The Group assessed the recoverable amounts of the film production in progress based on the present value of estimated discounted future cash flows from the film production in progress. No impairment loss has been recognised in this respect for the years ended 31 December 2012 and 2011.

The amount of production in progress expected to be recovered after one year is HK\$2,413,000 (2011: HK\$4,624,000).

22 RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group 2012 HK\$'000	2011 HK\$'000
Trade receivables	111,535	84,343
Less: Allowance for doubtful debts	(117)	(117)
	111,418	84,226

(i) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group 2012 HK\$'000	2011 HK\$'000
Within 1 month	46,721	52,259
1 to 2 months	51,496	26,965
2 to 3 months	3,813	2,963
Over 3 months	9,388	2,039
	111,418	84,226

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

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

(ii) Impairment losses of trade receivables

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

There were no movements in the allowance for doubtful debts during the years ended 31 December 2012 and 2011. As at 31 December 2012, the allowance for doubtful debt is HK\$117,000 (2011: HK\$117,000).

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22 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (continued)

(ii) Impairment losses of trade receivables (continued)

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

	The Group	
	2012	2011
	HK\$'000	HK\$'000
Neither past due nor impaired	102,030	52,259
Less than three months past due	3,970	29,928
Past due over three months	5,418	2,039
	9,388	31,967
	111,418	84,226

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

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

(iii) At 31 December 2012, trade receivables of the Group included amounts of HK\$5,137,000 (2011: HK\$1,601,000) due from related companies which were unsecured, interest-free and expected to be recoverable within one year.

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

23 DEPOSITS AND CASH

	The Group		The Company	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits at banks	401,060	333,559	–	–
Cash at bank and in hand	397,497	420,115	20	2,056
	798,557	753,674	20	2,056
Less: Pledged deposits				
— for bank loans	(46,850)	(22,216)	–	–
— for bank guarantees	(22,446)	(25,794)	–	–
Total pledged deposits	(69,296)	(48,010)	–	–
Cash and cash equivalents	729,261	705,664	20	2,056

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23 DEPOSITS AND CASH (CONTINUED)

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

Deposits and cash as at 31 December 2012 include HK\$332,840,000 (2011: HK\$193,737,000) equivalent placed with banks in Mainland China, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

24 BANK LOANS

(a) At 31 December 2012, the bank loans were repayable as follows:

	The Group	
	2012	2011
	HK\$'000	HK\$'000
Within 1 year or on demand	323,204	127,252
After 1 year but within 2 years	130,409	164,857
After 2 years but within 5 years	169,074	184,608
After 5 years	25,871	26,880
	325,354	376,345
	648,558	503,597

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

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

(b) At 31 December 2012, the bank loans were secured by:

- (i) the property, plant and equipment of a jointly controlled entity (note 12);
- (ii) the time deposits of jointly controlled entities of HK\$Nil (2011: HK\$371,000);
- (iii) the time deposits of subsidiaries of HK\$46,850,000 (2011: HK\$21,845,000); and
- (iv) corporate guarantees from the Company.

(c) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 29(b) to the financial statements. As at 31 December 2012, none of the covenants relating to drawn down facilities had been breached (2011: Nil).

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24 BANK LOANS (CONTINUED)

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

	The Group	
	2012 '000	2011 '000
Singapore dollars	5,250	8,250
New Taiwan dollars	17,855	35,710
Renminbi	225,750	129,500
Hong Kong dollars	332,103	285,527

25 OBLIGATIONS UNDER FINANCE LEASE

At 31 December 2012, the Group had obligations under finance lease repayable as follows:

	The Group			
	2012		2011	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	4,905	6,636	–	–
After 1 year but within 2 years	7,162	8,317	–	–
After 2 years but within 5 years	5,194	5,565	–	–
	12,356	13,882	–	–
	17,261	20,518	–	–
Less: Total future interest expenses		(3,257)		–
Present value of lease obligations		17,261		–

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26 TRADE AND OTHER PAYABLES, ACCRUED CHARGES AND DEFERRED REVENUE

(a) Trade payables

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

	The Group	
	2012	2011
	HK\$'000	HK\$'000
Current to 3 months	131,161	107,975
Within 4 to 6 months	16,274	1,287
Within 7 to 12 months	2,006	1,049
Over 1 year	16,206	9,894
	165,647	120,205

At 31 December 2012, trade payables of the Group included amounts of HK\$233,000 (2011: HK\$2,462,000) due to related companies which were unsecured, interest-free and repayable on demand.

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

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2012	2011
	HK\$'000	HK\$'000
Provision for overseas taxation for the year	22,164	22,406
Tax paid for the year	(26,204)	(27,122)
Balance of overseas tax provision relating to prior years	25,261	34,494
	21,221	29,778

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

(b) Deferred tax assets and liabilities recognised:

	2012 HK\$'000	2011 HK\$'000
Net deferred tax liability recognised in the consolidated statement of financial position	28,478	24,713
Net deferred tax asset recognised in the consolidated statement of financial position	(22,547)	(7,335)
	5,931	17,378

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

	Depreciation allowance in excess of the related depreciation HK\$'000	Tax losses recognised HK\$'000	Withholding tax on unremitted earnings HK\$'000	Others HK\$'000	Total HK\$'000
Deferred tax arising from:					
At 1 January 2011	15,439	(2,728)	4,184	(367)	16,528
Exchange adjustments	(50)	(230)	–	15	(265)
Charged/(credited) to profit or loss (note 7(a))	1,322	(3,989)	3,818	(36)	1,115
At 31 December 2011	16,711	(6,947)	8,002	(388)	17,378
At 1 January 2012	16,711	(6,947)	8,002	(388)	17,378
Exchange adjustments	885	(55)	–	(12)	818
Charged/(credited) to profit or loss (note 7(a))	(1,230)	(15,233)	4,110	88	(12,265)
At 31 December 2012	16,366	(22,235)	12,112	(312)	5,931

(c) Deferred tax assets not recognised

At 31 December 2012, the Group has not recognised deferred tax assets in respect of accumulated tax losses of approximately HK\$564,843,000 (2011: \$578,856,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation except the balances of HK\$11,546,000 (2011: HK\$7,408,000) which can be only carried forward for five years under the laws of the relevant jurisdiction.

(d) Deferred tax liabilities not recognised

At 31 December 2012, there was no significant unrecognised deferred tax liability (2011: HK\$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or jointly controlled entities as the Group has no significant liability to additional tax should such amounts be remitted.

At 31 December 2012, the Company does not have any other material deferred taxation assets and liabilities (2011: HK\$Nil).

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28 SHARE CAPITAL AND RESERVES

(a) Share capital

Note	2012		2011	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	6,000,000,000	600,000	6,000,000,000	600,000
Ordinary shares, issued and fully paid:				
At 1 January	2,684,194,248	268,419	2,543,739,900	254,374
Conversion of convertible notes (i)	–	–	160,189,348	16,019
Shares repurchased (iii)	(4,375,000)	(437)	(19,735,000)	(1,974)
At 31 December	2,679,819,248	267,982	2,684,194,248	268,419

Notes:

(i) Convertible notes

On 24 May 2011, the Company issued tranches of zero coupon convertible notes ("Convertible Notes") in amount of HK\$45,120,000 (equivalent to RMB40,000,000) to Orange Sky Entertainment Group (International) Holding Company Limited ("Orange Sky") as part of the consideration for the acquisition of transferred assets and liabilities of a subsidiary. The Convertible Notes were convertible at the option of the note holder into ordinary shares of the Company on or before 24 December 2015 at a price of HK\$0.388 per share. If the conversion right was not exercised by the note holder, the Convertible Notes not converted would be redeemed on 31 December 2015 at the principal amount of the notes. The Convertible Notes were unsecured.

The fair value of the liability portion of the Convertible Notes was estimated at the issuance date using the Group's prevailing borrowing rate and an equivalent market interest rate for a similar note without a conversion portion by Vigers Appraisal. The residual amount was assigned as the equity component and included in shareholders' equity.

On 3 June 2011, the Convertible Notes with principal amounts in aggregate of HK\$54,144,000 were converted into the Company's ordinary shares, creating a total of 160,189,348 new ordinary shares at a conversion price of HK\$0.338 per share.

(ii) Share option scheme

Equity-settled share-based transactions

Pursuant to an ordinary resolution of the Company passed on 11 November 2009, the Company terminated the old share option scheme (the "Old Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme"). The Old Share Option Scheme was initially valid and effective from 30 November 2001 and expired on 30 October 2011. The purpose of the Old Share Option Scheme was to provide incentives and rewards to eligible participants who contributed to the success of the Group's operation. The purpose of the New Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants. Eligible participants of the share option scheme include the Company's directors, including independent non-executive directors, and other employees of the Group and shareholders of the Company.

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

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

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28 SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital *(continued)*

Notes: (continued)

(ii) Share option scheme *(continued)*

Equity-settled share-based transactions (continued)

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

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

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

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

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28 SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (continued)

Notes: (continued)

(ii) Share option scheme (continued)

Adjustments to share options and exercise prices

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

There were no movements in share options during the year. The outstanding share options held by directors of the Company and other employees of the Group as at 31 December 2012 are shown in the following table:

Name or category of participant	Date of grant of share options	Pre-adjusted exercise price HK\$	Post-adjusted exercise price HK\$	Exercise period	Number of share options outstanding as at 1 January 2012 and 31 December 2012
Director					
Huang Shao-Hua George	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	200,000
Wu Kebo	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	60,000,000
Wu Keyan	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	700,000
Li Pei Sen	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	200,000
Leung Man Kit	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	200,000
Tan Boon Pin Simon	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	1,200,000
Other participants					
In aggregate	23 September 2009	4.53	0.453	23 September 2009 to 22 September 2014	1,050,000
					63,550,000

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

Notes to the Financial Statements

for the year ended 31 December 2012

28 SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (continued)

Notes: (continued)

(ii) Share option scheme (continued)

Fair value of share options and assumptions

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

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

* adjusted for subdivision of shares

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

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

At the end of the reporting period, the Company had 63,550,000 share options outstanding under the Old Share Option Scheme and the New Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 63,550,000 additional ordinary shares of the Company, representing approximately 2.37% of the Company's shares in issue as at the end of the reporting period, and additional share capital of HK\$6,355,000 and share premium account of HK\$22,433,000 (before issue expenses).

(iii) Shares repurchased

During the year, the Company acquired 4,375,000 shares (2011: 19,735,000 shares) through purchases on the open market. The total amount paid to acquire the shares during the year was HK\$1,227,000 (2011: HK\$5,997,000).

Notes to the Financial Statements

for the year ended 31 December 2012

28 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves

(i) The Group

Details of the movements in reserves of the Group during the years ended 31 December 2012 and 2011 are set out in the consolidated statement of changes in equity.

(ii) The Company

	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Equity component of convertible notes HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2011	630,856	5,515	6,422	271,644	2,874	16,468	933,779
Profit for the year	-	-	-	-	-	216,065	216,065
Transfer to retained profits on lapse of share options	-	(380)	-	-	-	380	-
Equity-settled share-based transactions	-	3,183	-	-	-	-	3,183
Lapse of non-vesting share options	-	(2,384)	-	-	-	-	(2,384)
Issuance of convertible note	-	-	-	-	8,120	-	8,120
Conversion of convertible notes	38,792	-	-	-	(10,994)	-	27,798
Shares repurchased	(4,023)	-	1,974	-	-	(1,974)	(4,023)
At 31 December 2011	665,625	5,934	8,396	271,644	-	230,939	1,182,538

	Share premium HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2012	665,625	5,934	8,396	271,644	230,939	1,182,538
Profit for the year	-	-	-	-	88,781	88,781
Equity-settled share-based transactions	-	1,837	-	-	-	1,837
Shares repurchased	(790)	-	437	-	(437)	(790)
At 31 December 2012	664,835	7,771	8,833	271,644	319,283	1,272,366

Notes to the Financial Statements

for the year ended 31 December 2012

28 SHARE CAPITAL AND RESERVES (CONTINUED)

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Share option reserve

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

(iii) Capital redemption reserve

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

(iv) Contributed surplus

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

(v) Equity component of convertible notes

Equity component of convertible notes represents the value of the equity component of the unexercised convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 2(t) to the financial statements.

(vi) Reserve funds

In accordance with the relevant regulations in the PRC and Taiwan, the Company's subsidiaries and jointly controlled entities established therein are required to transfer a certain percentage of their profits after tax to the reserve funds until the balance reaches 50% and 100% of the registered capital, respectively. Subject to certain restrictions set out in the relevant PRC and Taiwan regulations, the reserve funds may be used either to offset losses, or for capitalisation by way of paid-up capital.

(vii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and jointly controlled entities. The reserve is dealt with in accordance with the accounting policy set out in note 2(y) to the financial statements.

(d) Distributability of reserves

At 31 December 2012, the aggregate amount of reserves available for distribution to equity holders of the Company representing retained profits, amounted to HK\$319,283,000 (2011: HK\$230,939,000). In addition, the Company's share premium account, capital redemption reserve and contributed surplus in aggregate of HK\$945,312,000 (2011: HK\$945,665,000), as at 31 December 2012 may be distributed to shareholders of the Company in certain circumstance prescribed by Section 54 of the Companies Act 1981 of Bermuda.

(e) Capital management

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

28 SHARE CAPITAL AND RESERVES (CONTINUED)

(e) Capital management (continued)

The Group's strategy is to maintain the gearing ratio below 35%. In order to maintain or adjust the ratio, the Group may raise new equity financing or sell assets to reduce debt. The gearing ratio at 31 December 2012 and 2011 are as follows:

	2012 HK\$'000	2011 HK\$'000
Bank loans	648,558	503,597
Obligations under finance lease	17,261	–
Total external borrowings	665,819	503,597
Total assets	2,924,716	2,570,886
Gearing ratio	22.8%	19.6%

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

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

(b) Liquidity risk

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

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29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

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

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

The Group

	As at 31 December 2012					
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
Trade payables	165,647	165,647	165,647	–	–	–
Other payables and accrued charges	211,671	211,671	211,671	–	–	–
Bank loans	648,558	754,083	286,969	212,082	227,790	27,242
Obligations under finance lease	17,261	20,518	6,636	8,317	5,565	–
	1,043,137	1,151,919	670,923	220,399	233,355	27,242

	As at 31 December 2011					
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
Trade payables	120,205	120,205	120,205	–	–	–
Other payables and accrued charges	205,920	205,920	205,920	–	–	–
Bank loans	503,597	588,394	155,178	187,929	215,954	29,333
	829,722	914,519	481,303	187,929	215,954	29,333

The Company

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

Notes to the Financial Statements

for the year ended 31 December 2012

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Currency risk

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

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

(i) Exposure to currency risk

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

The Group

	Exposure to foreign currencies					
	2012			2011		
	Hong Kong dollars '000	Renminbi '000	Singapore dollars '000	Hong Kong dollars '000	Renminbi '000	Singapore dollars '000
Other receivables, deposits and prepayments	-	10,835	14	-	59	1,506
Deposits and cash	-	186,533	1,867	-	284,905	6,333
Other payables and accrued charges	-	(4,009)	(35)	-	(1,279)	-
Deferred revenue	-	(988)	-	-	(5,443)	-
Intercompany borrowings	(290,228)*	104,461	-	(276,030)*	-	-
Net exposure to currency risk	(290,228)	296,832	1,846	(276,030)	278,242	7,839

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

Notes to the Financial Statements

for the year ended 31 December 2012

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Currency risk *(continued)*

(ii) Sensitivity analysis

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

	2012		2011	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained earnings HK\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after taxation and retained earnings HK\$'000
Renminbi	5%	18,300	5%	17,112
	(5)%	(18,300)	(5)%	(17,112)
Singapore dollars	5%	585	5%	2,352
	(5)%	(585)	(5)%	(2,352)
Hong Kong dollars	5%	(14,511)	5%	(13,801)
	(5)%	14,511	(5)%	13,801

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. The analysis has been performed on the same basis as for 2011.

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

(d) Interest rate risk

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Interest rate risk (continued)

(i) Interest rate profile

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

	2012		2011	
	Effective rate %	HK\$'000	Effective rate %	HK\$'000
Variable rate borrowings:				
Bank loans (note 24)	1.7–7.6	648,558	1.8–7.4	503,597
Obligations under finance lease (note 25)	10.5	17,261	–	–

(ii) Sensitivity analysis

At 31 December 2012, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and total equity by approximately HK\$5,306,000 (2011: HK\$4,067,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 1% increase/decrease represents management's assessment of a reasonable possible change in interest rates over the period until the next annual end of the reporting period. The analysis has been performed on the same basis as for 2011.

(e) Fair values

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

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2012. Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

(ii) Financial instruments carried at fair value

The following table represents the carrying value of financial instruments measured at fair value at the end of the reporting date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Notes to the Financial Statements

for the year ended 31 December 2012

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair values (continued)

(ii) Financial instruments carried at fair value (continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2011				
<i>Assets</i>				
Available-for-sale investments:				
— Listed	20,149	—	—	20,149

During the years ended 31 December 2012 and 2011, there were no significant transfers between instruments in Level 1, Level 2 and Level 3.

The movement during the year ended 31 December 2011 in the balance of Level 3 fair value measurements is as follows:

	2011 HK\$'000
Options	
At 1 January	246
Proceeds from writing options	—
Changes in fair value recognised in profit or loss during the year	(246)
At 31 December	—

The remeasurement of the financial derivative instrument was included in "Other operating expenses" in the consolidated income statement.

30 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2012 not provided for in the financial statements in respect of the acquisition of fixed assets are as follows:

	2012 HK\$'000	2011 HK\$'000
Contracted for:		
Mainland China	78,215	129,799
Taiwan	10,935	14,507
Singapore	3,267	2,565
	92,417	146,871
Authorised but not contracted for:		
Mainland China	1,167,863	799,889
Taiwan	—	5,926
Singapore	1,258	16,185
	1,169,121	822,000
	1,261,538	968,871

Notes to the Financial Statements

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30 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

(i) As lessor

At 31 December 2012, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2012 HK\$'000	2011 HK\$'000
Leases on premises expiring		
— within one year	33,866	34,850
— after one year but within five years	42,468	68,783
	76,334	103,633

The Group leases certain of its buildings under operating leases. The leases typically run for one to five years. None of the leases include contingent rentals.

(ii) As lessee

At 31 December 2012, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012 HK\$'000	2011 HK\$'000
Leases on premises expiring		
— within one year	359,153	247,068
— after one year but within five years	1,096,707	770,097
— after five years	1,747,738	1,130,728
	3,203,598	2,147,893

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

Certain non-cancellable operating leases are subject to contingent rent payments, which are charged at 3% to 28% (2011: 3% to 28%) of their monthly or annual gross box office takings in excess of the base rents as set out in the respective lease agreements. In addition, 10% of the theatre confectionary sales and advertising income are also charged as payments under certain leases.

31 CONTINGENT LIABILITIES

At 31 December 2012, the Company had issued guarantees to banks in respect of banking facilities granted to certain subsidiaries and a jointly controlled entity amounting to HK\$1,012,254,000 (2011:HK\$778,921,000) and HK\$31,700,000 (2011: HK\$30,000,000) respectively. At 31 December 2012, banking facilities of HK\$614,920,000 (2011: HK\$459,285,000) and HK\$31,700,000 (2011: HK\$30,000,000) had been utilised by the subsidiaries and a jointly controlled entity respectively.

At 31 December 2012, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of bank guarantees as their fair values cannot be reliably measured and no transaction price was incurred.

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

Notes to the Financial Statements

for the year ended 31 December 2012

32 MATERIAL RELATED PARTY TRANSACTIONS

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

	Note	2012 HK\$'000	2011 HK\$'000
Office rental paid	(i)	4,728	3,480
Service fee income from a jointly controlled entity	(ii)	975	1,143
Consultancy fee income from jointly controlled entities	(iii)	–	673
Income from leasing of cinema facilities	(iv)	2,066	168
Grant of cinema management and operational rights income	(v)	–	7,440
Cinema in-foyer advertising income	(vi)	1,056	482
Cinema screen advertising fee income	(vii)	13,889	7,569
Cinema marketing service fee expense	(viii)	1,026	362
Rental deposit and prepayment for leasing of property	(ix)	51,170	–

Notes:

- (i) This represents office rental expenses for three office areas paid to related companies, which are owned by Mr. Wu Kebo, a director and a substantial shareholder of the Group. The rental expenses were charged on nominal commercial terms.
- (ii) This represents service fees for ticketing system maintenance and enhancement received from a jointly controlled entity of the Group. The fees were charged on normal commercial terms.
- (iii) The consultancy fees were received from two jointly controlled entities of the Group charged on normal commercial terms.
- (iv) This represents income received from a related company for leasing certain cinema facilities. The fee was charged on normal commercial terms.
- (v) Pursuant to a cinema management agreement dated 15 December 2011 with a company wholly-owned by Mr. Wu Kebo, the Group recorded income of HK\$7,440,000 from the grant of cinema management and operational rights in respect of a cinema in Beijing for the year ended 31 December 2011.
- The terms of the cinema management agreement were negotiated on normal commercial terms.
- (vi) This represents the PRC cinemas in-foyer advertising income received from a subsidiary of Orange Sky, a substantial shareholder of the Group. The fee was charged on normal commercial terms.
- (vii) This represents cinema screen advertising income received from two subsidiaries of Orange Sky for granting exclusive rights for screen advertising air-time in the Group's Hong Kong and PRC cinemas. The fees were charged on normal commercial terms.
- (viii) This represents marketing service fee paid to two related companies for providing promotional service for the PRC cinemas. The fee was charged on normal commercial terms.
- (ix) This represents a rental deposit and prepayment paid to a related company, which is indirectly held by Mr. Wu Kebo. As at 31 December 2012, the Group had paid a rental deposit and rental prepayment of HK\$1,849,500 and HK\$49,320,000 respectively. The terms of the rental agreement were negotiated on normal commercial terms.

The transactions shown in notes (i), (iv), (v), (vi), (vii), (viii) and (ix) above with the related companies constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The continuing connected transactions were either properly approved by the independent shareholders or were constituted to be the de minimis transactions as defined in the Listing Rules. The disclosures required by chapter 14A of the Listing Rules are provided in section "Continuing connected transactions" of the Report of the Directors.

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

Notes to the Financial Statements

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33 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Key sources of estimation uncertainty

(i) Assessment of useful economic lives of fixed assets

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

(ii) Assessment of impairment of assets

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

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

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

(iv) Assessment of impairment of film rights

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

(v) Assessment of impairment of goodwill

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

(vi) Deferred tax assets

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

Notes to the Financial Statements

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34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, <i>Presentation of financial statements — Presentation of items of other comprehensive income</i>	1 July 2012
HKFRS 10, <i>Consolidated financial statements</i>	1 January 2013
HKFRS 11, <i>Joint arrangements</i>	1 January 2013
HKFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
HKFRS 13, <i>Fair value measurement</i>	1 January 2013
HKAS 27, <i>Separate financial statements (2011)</i>	1 January 2013
HKAS 28, <i>Investments in associates and joint ventures</i>	1 January 2013
Revised HKAS 19, <i>Employee benefits</i>	1 January 2013
<i>Annual Improvements to HKFRSs 2009–2011 Cycle</i>	1 January 2013
Amendments to HKFRS 7, <i>Financial instruments: Disclosures — Disclosures — Offsetting financial assets and financial liabilities</i>	1 January 2013
Amendments to HKAS 32, <i>Financial instruments: Presentation — Offsetting financial assets and financial liabilities</i>	1 January 2014
HKFRS 9, <i>Financial instruments</i>	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position, except HKFRS 11, *Joint arrangements*.

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

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for the year ended 31 December 2012

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

The application of HKFRS 11 will change the Group's accounting for its jointly controlled entities which are currently accounted for using proportionate consolidation and the new policy will be adopted in accordance with the relevant transition provisions. The expected financial effect on the consolidated statements of financial position as at 1 January 2012 and 31 December 2012 and the consolidated income statement for the year ended 31 December 2012, to be included as restated comparative amounts in the Group's 2013 annual financial statements, is as follows:

	Estimated impact on the financial position as at 1 January 2012			Estimated impact on the financial position as at 31 December 2012		
	As currently reported as at 1 January 2012	Retrospective effect of change in accounting policy in 2013	Restated balance as at 1 January 2012	As currently reported as at 31 December 2012	Retrospective effect of change in accounting policy in 2013	Restated balance as at 31 December 2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	1,552,976	(132,453)	1,420,523	1,861,889	(70,719)	1,791,170
Current assets	1,017,910	(133,922)	883,988	1,062,827	(200,795)	862,032
Current liabilities	(636,354)	237,030	(399,324)	(905,087)	242,947	(662,140)
Non-current liabilities	(410,949)	26,602	(384,347)	(375,018)	25,196	(349,822)
Net assets	1,523,583	(2,743)	1,520,840	1,644,611	(3,371)	1,641,240

	Estimated impact on the results for the year ended 31 December 2012		
	As currently reported for the year ended 31 December 2012	Retrospective effect of change in accounting policy in 2013	Restated balance for the year ended 31 December 2012
	HK\$'000	HK\$'000	HK\$'000
Turnover	1,591,971	(794,059)	797,912
Gross profit	947,981	(470,857)	477,124
Share of profits of joint ventures	—	105,371	105,371
Profit before taxation	98,737	(12,037)	86,700
Profit for the year	97,704	(1,477)	96,227

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for the year ended 31 December 2012

35 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

(a) Subsidiaries

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

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

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	Group's effective interest	Principal activities
北京橙天嘉禾影視製作有限公司 [^]	PRC	Registered capital RMB3,000,000	100%	Investment, production and distribution of motion pictures and acts as an advertising agent
City Entertainment Corporation Limited	Hong Kong	300,000,000 shares of HK\$1 each	100%	Investment Holding
Gala Film Distribution Limited	Hong Kong	49,990,000 shares of HK\$1 each and 10,000 non-voting deferred shares [#] of HK\$1 each	100%	Distribution of motion pictures
Golden Harvest Cinemas Holding Limited	British Virgin Islands	1 share of US\$1	100%	Investment holding
Golden Harvest Entertainment International Limited	British Virgin Islands	1,000 shares of US\$1 each	100%	Investment holding
Golden Harvest Films Distribution Holding Limited	British Virgin Islands	1 share of US\$1	100%	Investment holding
Golden Harvest (Marks) Limited	British Virgin Islands	1 share of US\$1	100%	Holding of trademark
Orange Sky Golden Harvest Cinemas (China) Company Limited ^{^^}	PRC	Registered capital RMB 450,000,000	100%	Theatre operation and investment holding
Golden Harvest Treasury Limited	British Virgin Islands	1 share of US\$1	100%	Provision of finance to group companies
Golden Screen Limited	Hong Kong	8,750,000 shares of HK\$1 each	100%	Investment holding
Golden Sky Pacific Limited	Hong Kong	2 shares of HK\$1 each	100%	Investment holding
M Cinemas Company Limited	Hong Kong	7,000,000 shares of HK\$10 each	100%	Theatre operation
Orange Sky Golden Harvest Entertainment Company Limited	Hong Kong	100 shares of HK\$1 each and 114,000,000 non-voting deferred shares [#] of HK\$1 each	100%	Investment holding

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for the year ended 31 December 2012

35 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) Subsidiaries (continued)

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2012

35 SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (CONTINUED)

(b) Jointly controlled entities

The following list contains the particulars of jointly controlled entities, all of which are unlisted corporate entities, which affected the results or assets of the Group:

Name of jointly controlled entity	Form of business structure	Place of incorporation/ operation	Particulars of issued and paid up capital	Group's effective interest	Principal activity
Dartina Development Limited	Incorporated	Hong Kong	31,200,082 shares of HK\$1 each	50%	Investment holding
Golden Village Entertainment (Singapore) Pte Ltd.	Incorporated	Singapore	11,000,000 shares of S\$1 each	50%	Investment holding
Golden Village Pictures Pte Ltd.	Incorporated	Singapore	2 shares of S\$1 each	50%	Distribution of motion pictures
Golden Village Holding Pte Ltd.	Incorporated	Singapore	15,504,688 shares of S\$1 each	50%	Investment holding
Golden Village Multiplex Pte Ltd.	Incorporated	Singapore	8,000,000 shares of S\$1 each	50%	Theatre operation
Vie Show Cinemas Co. Ltd.	Incorporated	Taiwan	80,000,000 shares of NTD10 each	35.71%	Theatre operation and investment holding

Orange Sky
ENTERTAINMENT GROUP



嘉禾



Golden Harvest

Orange Sky Golden Harvest Entertainment (Holdings) Limited

橙天嘉禾娛樂(集團)有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 1132)