Cinderella Media Group Limited

先傳媒集團有限公司

Annual Report 2013

Stock Code: 550

Contents


Total comprehensive income: HK$180 million

Chairman's Statement

The Group recorded comprehensive income of HK$180 million in 2013, a slight drop compared to HK$189 million in the previous year.

The strong results turned in by 1010 Printing Group Limited ("1010 Printing") played a pivotal part in making up for the reduced earnings inflicted by the expiry of the Air China inflight magazine contract.

Earlier on, we recognized the inherent difficulty of operating a sustainable magazine business under the agency model and have been actively seeking out alternative business opportunities in China and elsewhere in the past several years. To-date, the initiative has been disappointing. We realized any acquisition must meet the return on investment objectives and, in the interest of our shareholders, we sometimes had to walk away from a "sub-par" proposition than to make a tentative plunge. Despite that, management is unfazed and, in conjunction with our financial advisors, is constantly seeking ways to enhance the value of our shares. The Board is proposing the distribution of the Group's 60% stake in 1010 Printing to existing Cinderella shareholders. This will make the Group a focused player in the media industry. In doing so, the public float of 1010 Printing will be increased and that will in turn improve the liquidity of 1010 Printing's shares.

In sum, 2013 has been a year of transition for the Group. To our 1,000+ staff, I would like to express the board's appreciation for their dedicated and continued contributions.

Wan Siu Kau
Chairman
Hong Kong, 26 February 2014

Management Discussion and Analysis

BUSINESS REVIEW

The inflight magazine business, anchor of our business portfolio for the past five years, sailed into strong head wind in 2013. The loss of income from Air China contract was significant. The year also saw the impact of the anti-corruption measures taken by the Central Government on sales of luxury goods in China. A report by management company, Bain and Company reported that retail sales of goods in the luxury category slowed to 2% in 2013 from 7% growth in the previous year.

Advertising spending in China continued its shift from "old economy" media: print and radio to social media such as mobile apps and internet. By one unofficial source, spending on magazines in China declined by 7% in the first half of 2013.

Sales revenue from our two inflight magazines, China Southern Airlines and China Eastern Airlines, out-formed our competitors by keeping the decline within single digit. The rest of our inflight magazine portfolio turned in mixed results: China Airlines achieved record sales and operating profits while the newly acquired Hong Kong Airlines contract registered a small trading loss in its first year of operation.

The Recruit unit performed well in a crowded market and registered a 29% increase in net profit after tax. The local recruitment advertising market continues to shrink as it moves to the mobile app platform where advertising rates are significantly lower than those charged by the web and print. The five job fairs held by Recruit in Hong Kong were well received by our advertising clients as a supplementary channel for attracting job applicants, particularly in the retail and catering sectors.

1010 Printing had an outstanding year helped by solid organic growth and contributions made by Asia Pacific Offset Limited, a wholly print management company acquired in December, 2012. 1010 Printing's sales revenue of HKD1.2 billion makes it one of the top printers in the world.

Management Discussion and Analysis

PROSPECTS

2014 has started on a weak note for our inflight magazine business, weighed by the slow down of advertising spending by luxury goods in China. We are working closely with our airline media principals to create new products that will broaden our service offering to clients.

The recently announced acquisition of JobStreet's online employment business by Seek, the Australian based owner of JobsDB, HK leading recruitment advertising website marks another step in the consolidation of the recruitment advertising industry in the region. We are monitoring the development closely.

2014 Order-in-take for 1010 Printing is meeting our sales budget. We expect another set of good results from 1010 Printing in 2014.

C. K. Lau
Executive Director
Hong Kong, 26 February 2014

FINANCIAL REVIEW

Turnover for the year ended 31 December 2013 was approximately HK$1.72 billion and represented an increase of 13% from the previous corresponding year (2012: HK$1.53 billion); whereas the advertising business and printing business accounted for 32% and 68% of the Group's revenue, representing a 33% drop and 66% growth respectively.

Other income increased by 45% to approximately HK$52.0 million in 2013 (2012: HK$35.9 million) mainly due to the increase in impairment of trade receivables written back of HK$7.7 million, gain on financial assets at fair value through profit or loss of HK$5.5 million, net foreign exchange gain of HK$1.4 million and gain on early settlement of payables to the vendors for the acquisition of Asia Pacific Offset Limited ("APOL") of HK$1.8 million.

The selling and distribution expenses increased by 82% as a result of the increase in printing business which have higher agency commission and distribution expenses. The administrative expenses increased by 24% mainly due to inclusion of APOL expenses in 2013. Other expenses represented mainly the provision for impairment on trade receivables. The decrease in other expense by 26% was due to the improvement in debtor repayment performance in the year.

The Group's profit for the year decreased by 8% to HK$173.3 million. The decrease is mainly due to the termination of Air China exclusive advertising contract in inflight magazine advertising business in 2013. The Group's total comprehensive income attributable to owners of the Company recorded a 20% drop, amounting to approximately HK$130.0 million (2012: HK$161.9 million).


Profit for the year: HK$173.3 million

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had net current assets of approximately HK$630.7 million (2012: HK$566.7 million). The Group's current ratio as at 31 December 2013, which is defined as current assets over current liabilities, was 2.8 (2012: 2.2). The financial position of the Group was healthy with total cash and bank deposits of approximately HK$415.9 million (2012: HK$450.3 million).

The Group's gearing ratio as at 31 December 2013 was 7.2 % (2012: 15.4%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity interest. Total bank borrowings and finance lease liabilities were approximately HK$65.1 million (2012: HK$125.1 million). As at 31 December 2013, borrowings of HK$30.3 million and HK$34.8 million are denominated in Hong Kong dollars and US dollars respectively. All borrowings are at floating rates and repayable within five years except an amount of HK$3.0 million being repayable after five years and subject to a repayable on demand clause. The net book amount of property, plant and equipment includes net carrying amount of approximately HK$19.0 million (2012: HK$20.9 million) in respect of assets held under finance leases.

The Group adopts centralized financing and treasury policies in order to ensure the Group funding is utilized efficiently. Conservative approach is adopted on monitoring foreign exchange exposure and interest rate risk. Forward contracts were used to hedge the foreign currency exposure in trading and capital expenditure when it was considered appropriate.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Lau Chuk Kin, aged 61, was appointed as Executive Director in October 2002. Mr. Lau was formerly the Managing Director of a leading executive search consultancy in Hong Kong. He also founded a main board listed printing company. Mr. Lau holds a Bachelor of Arts Degree from the United States and a Master of Business Administration degree from The Chinese University of Hong Kong. He is also an executive director of 1010 Printing Group Limited, a subsidiary of the Company and a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1127).

Ms. Lam Mei Lan, aged 47, was appointed as an Executive Director of the Company in October 2002. She is also the Company Secretary of the Group. During the period from July 2003 to May 2008, Ms. Lam had served as a Non-Executive Director. Ms. Lam holds a Doctor of Business Administration degree from The Hong Kong Polytechnic University. She is a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Lam has over 25 years of experience in finance and has held senior financial positions in various main board listed companies and a non-profit charitable organization in Hong Kong.

NON-EXECUTIVE DIRECTORS

Mr. Wan Siu Kau, aged 62, is the Chairman of the Company. Mr. Wan joined the Group in January 2003 as a Non-Executive Director. Mr. Wan has over 20 years of experience in the executive search industry and holds a Master of Business Administration degree from The Chinese University of Hong Kong. He was previously Managing Partner of Amrop Hever, a global executive search firm, during which period he simultaneously served as Head of Asia Pacific and Vice Chairman of the international group. He is currently an independent non-executive director of Wai Kee Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Lee Ching Ming, Adrian, aged 62, was appointed as a Non-Executive Director in June 2002. Mr. Lee graduated from The University of Hong Kong with a Bachelor of Social Sciences degree. He is an executive director and chief executive officer of Eagle Asset Management (CP) Limited and has more than 40 years of experience in banking, finance, investment, marketing and general management.

Mr. Peter Stavros Patapios Christofis, aged 69, was appointed as a Non-Executive Director in March 2000. He was the Managing Director of JCDecaux Pearl & Dean – Hong Kong from where he retired in 2003. From 2003 to 2012, he was a consultant – International Transport Media to JCDecaux. Mr. Christofis has over 40 years of advertising sales and general management experience gained in Europe, Africa and South East Asia.

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Ling Lee Ching Man, Eleanor, SBS, OBE, JP, aged 66, was appointed as an Independent Non-Executive Director in April 2000. Mrs. Ling had over 30 years of management experience with one of the largest multinational Group in Asia and is a Fellow of the Institute of Chartered Management. Mrs. Ling has retired but remains involved in public services such as the Law Reform Commission and the Medical Council. She is also active in charitable organizations eg the Maggie's Cancer Caring Centre and the Keswick Foundation. She is a Vice Patron of the Community Chest.

Mr. Cheng Ping Kuen, Franco, aged 60, was appointed as an Independent Non-Executive Director in January 2003. Mr. Cheng has over 30 years of experience in the management of private banking and investment businesses both in Hong Kong and Canada. Mr. Cheng holds a Master's degree in Business Administration from The Chinese University of Hong Kong. Prior to his retirement in 2011, he was the Managing Director and Head of North Asia – Private Wealth Management for Pictet (Asia) Limited.

Mr. Ho David, aged 65, was appointed as an Independent Non-Executive Director in February 2010. Mr. Ho has over 44 years of experience in finance and accounting. He is a fellow member of the Association of Chartered Certified Accountants of the UK, the Hong Kong Institute of Certified Public Accountants and CPA Australia. He holds a Master of Business Administration degree from the Chinese University of Hong Kong. Mr. Ho is currently an independent non-executive director of Build King Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong.

SENIOR MANAGEMENT

Ms. Lai Wing Ting, Jacklen, aged 43, is the General Manager of our recruitment advertising division. She rejoined the Group in January 2011. Ms. Lai is responsible for the recruitment magazine business of the Group. Ms Lai was responsible for the sales function of the recruitment magazine division during the period from 1995 to 2008. She has over 15 years of experience in advertising industry.

Ms. Lam Lai Chu, Rachel, aged 37, is the General Manager of our inflight magazine advertising division. She rejoined the Group in 2012. Ms. Lam was the Assistant General Manager of the inflight magazine advertising division and responsible for the sales and marketing function during the period from 2004 to 2011. She holds a Bachelor of Social Sciences degree (Hons) from the University of Hong Kong and has over 10 years of experience in sales and marketing.

Ms. Ding Yin, Minnie, aged 41, is the Deputy General Manager of our inflight magazine advertising division. She joined the Group in 2010. Ms. Ding holds a Bachelor's degree in English from Changsha Railway University. Ms. Ding is responsible for the sales and marketing function of our inflight magazine advertising division in the PRC. She has over 10 years of experience in sales and marketing.

Directors' Report

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

Principal Activities

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 42 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 27.

The Directors have declared an interim dividend of HK$0.08 (2012: HK$0.08) per share, totaling HK$26,497,000 which was paid on 13 September 2013.

The Directors recommended a final dividend of HK$0.2 (2012: final dividend of HK$0.2 and special dividend of HK$0.1) per share (the "Final Dividend"). The Directors also propose to distribute 1010 Printing Group Ltd shares in specie to shareholders on the basis of 139 shares in 1010 Printing Group Ltd for every 100 shares of the Company held by a shareholder ("Distribution in Specie"). The Final Dividend and Distribution in Specie is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 2 May 2014. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend and Distribution in Specie will be payable on 19 May 2014.

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 30 to 31 and note 35 to the financial statements respectively.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 99 of the annual report.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 33 to the financial statements.

Directors

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

Executive Directors
Mr. Lau Chuk Kin
Ms. Lam Mei Lan

Non-Executive Directors
Mr. Wan Siu Kau
Mr. Lee Ching Ming, Adrian
Mr. Peter Stavros Patapios Christofis

Independent Non-Executive Directors
Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Ho David

In accordance with No. 87 of the Company's bye-laws, Ms. Lam Mei Lan, Mr. Lee Ching Ming, Adrian and Mr. Wan Siu Kau will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Directors' Services Contract

Each of the non-executive directors in 2013 has entered into a service contract with the Company for a term of two years ending on 31 December 2015 and is subject to termination by either party giving not less than one month's prior written notice to the other.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' Interest in Contracts of Significance

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

Directors' and Chief Executives' Interests and Short Positions in the shares and Underlying Shares of the Company

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

(a)(i) Long Position in the shares of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 1)	Nil	Nil	183,632,000	183,632,000	55.24
Ms. Lam Mei Lan	2,400,000	Nil	Nil	2,400,000	0.72
Mr. Lee Ching Ming, Adrian (Note 2)	100,500	50,000	Nil	150,500	0.05
Mr. Peter Stavros Patapios Christofis	670,500	Nil	Nil	670,500	0.20
Mr. Cheng Ping Kuen, Franco	120,000	Nil	Nil	120,000	0.04

Directors' Report

(ii) Long Position in the shares of ER2 Holdings Limited ("ER2 Holdings"), an associated corporation of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of ER2 Holdings
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin	8,375	Nil	Nil	8,375	67.00
Mr. Wan Siu Kau	1,500	Nil	Nil	1,500	12.00

(iii) Long Position in the shares of 1010 Printing Group Limited ("1010 Printing"), an associated corporation of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Total Interests Percentage to the issued share capital of 1010 Printing
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (note 3)	35,371,906	Nil	475,614,392	510,986,298	66.36
Ms. Lam Mei Lan	72,688	Nil	Nil	72,688	0.01
Mr. Cheng Ping Kuen, Franco	107,299	Nil	Nil	107,299	0.01
Mr. Peter Stavros Patapios Christofis	1,000,000	Nil	Nil	1,000,000	0.13

Notes:

1. Of 183,632,000 shares, 5,678,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings and City Apex Limited respectively. As at 31 December 2013, Mr. Lau Chuk Kin beneficially owned 67% of the issued share capital of ER2 Holdings, which is the ultimate holding company of City Apex Limited. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the said shares pursuant to Part XV of the SFO.

2. Of 150,500 shares, 50,000 shares are beneficially owned by the wife of Mr. Lee Ching Ming, Adrian, who is deemed to be interested in the said shares under Part XV of the SFO.

3. Of 475,614,392 shares, 2,592,000 shares, 461,838,155 shares, 10,779,266 shares and 404,971 shares are beneficially owned by the Company, Recruit (BVI) Limited, a wholly owned subsidiary of the Company, City Apex Limited and ER2 Holdings respectively.

Save as disclosed above, as at 31 December 2013, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests of short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained 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.

Shares Options

Details of the movements in the share options of the Company during the year are set out in note 34 to the financial statements.

Arrangement to Purchase Shares or Debentures

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Substantial Shareholders

As at 31 December 2013, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Number of shares	Percentage to the issued share capital of the Company
		%
Mr. Lau Chuk Kin (Note 1)	183,632,000	55.24
ER2 Holdings Limited (Note 1)	183,632,000	55.24
City Apex Limited (Note 1)	177,954,000	53.53
JobStreet Corporation Berhad	26,250,000	7.90
Great Eagle Holdings Limited (Note 2)	21,638,000	6.51
Jolly Trend Limited (Note 2)	21,638,000	6.51
The Great Eagle Company, Limited (Note 3)	21,638,000	6.51
Dr. Lo Ka Shui (Note 4)	21,788,000	6.55
Chan Family Investment Corporation Limited (Note 5)	20,115,333	6.05
Tai Wah Investment Company Limited (Note 5)	18,000,000	5.41

Notes:

1. Of the 183,632,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 5,678,000 shares directly held by ER2 Holdings. City Apex Limited is owned as to 77% by ER2 Holdings and 23% by Wellsmart Assets Limited, an indirect wholly owned subsidiary of Great Eagle Holdings Limited. Each of Mr. Lau Chuk Kin and ER2 Holdings is deemed to be interested in the 177,954,000 shares owned by City Apex Limited.

2. Each of Great Eagle Holdings Limited and Jolly Trend Limited is deemed to be interested in the 21,638,000 shares owned by The Great Eagle Company, Limited.

3. Of these shares, 21,638,000 shares are duplicated in the interest described in note 2, as The Great Eagle Company, Limited is a wholly-owned subsidiary of Great Eagle Holdings Limited.

4. Dr. Lo Ka Shui was interested and/or deemed to be interested in the issued share capital of Great Eagle Holdings Limited. In addition, Dr. Lo Ka Shui has personal interest in 150,000 shares.

5. Of these shares, 1,117,333 shares are directly owned by Chan Family Investment Corporation Limited, 998,000 shares and 18,000,000 shares are respectively held by Earnyear Limited and Tai Wah Investment Company Limited. Both Earnyear Limited and Tai Wah Investment Company Limited are wholly-owned subsidiaries of Chan Family Investment Corporation Limited.

Directors' Report

Save as disclosed above, as at 31 December 2013, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

Connected Transactions

During the year ended 31 December 2013, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

Major Suppliers and Customers

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 43% and 19% of the Group's total purchases for the year ended 31 December 2013 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 22% and 8% of the Group's total sales for the year ended 31 December 2013 respectively.

At no time during the year did a Director, an associate of a Director, within the meaning of the Listing Rules, or a shareholder of the Company which to the knowledge of the Directors owns more than 5% of the Company's share capital have any interest in the Group's five largest suppliers and five largest customers.

Pre-Emptive Rights

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

Purchase, Sale or Redemption of shares

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Competing Interests

Interests of the directors of the Company in competing businesses required to be disclosed pursuant to of the Listing Rules are as follows:

Name of director	Name of Company	Nature of competing business	Nature of interest
Mr. Lau Chuk Kin	International Resources Group Limited ("IRG")	Executive search in the United Kingdom	As a director of the IRG's subsidiary in Hong Kong and having indirect interest of less than 1% in IRG

Notes:

1. Mr. Lau Chuk Kin is an indirect shareholder of IRG. He was appointed as director of Odgers Ray & Berndtson (Hong Kong) Limited, a subsidiary of IRG, since August 2008. IRG is a company providing human resources/recruitment consulting services with a focus on senior executive and board level appointments, while the Group provides staff selection service which forms only a minimal part of the Group's income as an ancillary service for promoting its recruitment website. IRG is managed by independent management in the United Kingdom. Having considered (i) the nature, scope and size of the IRG businesses; and (ii) the nature and extent of Mr. Lau's interest in IRG, the directors of the Company believe that there is a clear delineation and no competition between the businesses of the Group and IRG.

Save as disclosed in this section, none of the Directors of the Company or any of their respective associates (as defined in the Listing Rules) has any business or interest that competes or may compete with the business of the Group.

Directors' Report

Non-Competition Undertakings

On 29 June 2011, the Company and 1010 Printing entered into a non-competition deed (the "Non-competition Deed") to avoid any potential competitions between the business of the Company and 1010 Printing after the spin-off and separate listing of 1010 Printing.

The Company has received a confirmation from 1010 Printing that it has complied with the terms of the Non-Competition Deed in 2013. The Independent Non-Executive Directors of the Company have also reviewed the said confirmation and are of the view that 1010 Printing has complied with the terms of the Non-competition Deed.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained throughout the year ended 31 December 2013, the amount of public float as required under the Listing Rules.

Appointment of Independent Non-Executive Director

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 24 of the annual report.

Employees and Emolument Policy

As at 31 December 2013, the Group had around 1,095 employees (2012: 1,136). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover.

Auditor

A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Wan Siu Kau
Chairman
Hong Kong, 26 February 2014

Corporate Governance Report

The Group has adopted practices which meet the Corporate Governance Code and Corporate Governance Report for the year (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the" Stock Exchange"). The report describes its corporate governance practices, explains the applications of the principles of the Code and deviations, if any.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2013.

Board of Directors

The Board currently comprises eight Directors, of whom two are Executive Directors, three are Non-Executive Directors and three are Independent Non-Executive Directors. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of Non-Executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Each of the Non-Executive Directors has entered into a service contract with the Company for a term of two years and is subject to termination by either party giving not less than one month's prior written notice to the other.

The Board considers that all of the Independent Non-Executive Directors are independent and has received from each of them the annual confirmation of independence required by the Listing Rules.

The Board members for the year ended 31 December 2013 were:

Chairman
Mr. Wan Siu Kau

Executive Directors
Mr. Lau Chuk Kin
Ms. Lam Mei Lan

Non-Executive Directors
Mr. Wan Siu Kau
Mr. Lee Ching Ming, Adrian
Mr. Peter Stavros Patapios Christofis

Independent Non-Executive Directors
Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Ho David

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to Executive Directors and senior management of every business segment, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through Executive Directors who have attended Board meetings.

The Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

Corporate Governance Report

During the year, all Directors have been provided, on a monthly basis, with the Group's management information updates to keep them aware of the Group's affairs and facilitates them to discharge their duties under the relevant requirements of the Listing Rules.

There were 4 Board meetings and one annual general meeting ("AGM") held in 2013. Details of the attendance of each director are as follows:

	Attended/Held	
Directors	Board meeting	AGM
Mr. Wan Siu Kau *(Chairman)*	4/4	1/1
Mr. Lau Chuk Kin	4/4	1/1
Ms. Lam Mei Lan	4/4	1/1
Mr. Lee Ching Ming, Adrian	3/4	0/1
Mr. Peter Stavros Patapios Christofis	2/4	0/1
Mrs. Ling Lee Ching Man, Eleanor	4/4	0/1
Mr. Cheng Ping Kuen, Franco	4/4	0/1
Mr. Ho David	4/4	1/1

Accountability and Audit

The Directors were responsible for overseeing the preparation of the financial statements for the year ended 31 December 2013.

The Directors' responsibilities in the preparation of the financial statements and the auditor's responsibility are set out in the Independent Auditor's Report.

Internal Controls

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of the shareholders and the Group's assets.

During the year, the Company conducted reviews on the effectiveness of the internal control system. The Audit Committee reviewed the internal control report. No major issue has been identified during the course of review.

Chairman and the Chief Executive Officer

Mr. Wan Siu Kau is the chairman of the Company. The Chairman's responsibility is to oversee the functioning of the Board and the strategies and policies of the Group.

The Company has no specific title named as chief executive officer and the daily operation and management of the Company is monitored by the executive directors.

Professional Development

Every newly appointed Director will be given an induction training so as to ensure that he/she has appropriate understanding of the Group's business and his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

Corporate Governance Report

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, companies ordinance and corporate governance practices organized by professional bodies or chambers in Hong Kong. All directors are requested to provide the Company with their respective training records pursuant to the Code.

All Directors have participated in appropriate continuous professional development and refresh their knowledge and skills during the year. Such professional development was completed either by way of attending briefings, conference, forum, courses and seminars and self-reading which are relevant to the business or directors' duties.

Corporate Governance Functions

The Board delegated the Corporate Governance Functions to the compliance officer, Mr. Lau Chuk Kin. The compliance officer is responsible for the corporate governance duties as follows:

(a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

(b) To review and monitor the training and continuous professional development of 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 directors; and

(e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report

Company Secretary

The company secretary of the Company is Ms. Lam Mei Lan, a fellow member of The Hong Kong Institute of Certified Public Accountants. Ms. Lam is also an executive Director. As an employee of the Company, the company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. She has taken not less than 15 hours of relevant professional training in 2013.

Remuneration Committee

The Remuneration Committee comprises three Independent Non-Executive Directors, namely Mr. Cheng Ping Kuen, Franco, Mrs. Ling Lee Ching Man, Eleanor, and Mr. Ho David. Mr. Cheng Ping Kuen, Franco is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are posted on the Company's website. The principal functions include:

– to recommend to the Board on the Company's policies and structure for the remuneration of the Directors and senior management of the Group;

– to determine the remuneration packages of all Executive Directors and senior management of the Group;

– to review and approve the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time;

Corporate Governance Report

The principal elements of executive remuneration package include basic salary, discretionary bonus and share option. The emoluments of Executive Directors are based on skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

During the year, a meeting with 100% attendance of the Remuneration Committee's members was duly held for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the Executive Directors and the senior executives and other related matters.

Pursuant to paragraph B.1.5 of the Code, the remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out below:

Remuneration band	Number of individuals
HK$1,000,001 – HK$1,500,000	2
HK$1,500,001 – HK$2,000,000	1

Nomination Committee

The Nomination Committee of the Company was established in March 2012 comprising the Non-executive Chairman Mr. Wan Siu Kau, the Executive Director Mr. Lau Chuk Kin, and the Independent Non-executive Directors namely Mrs. Ling Lee Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Ho David. The Chairman of the Nomination Committee is Mr. Wan Su Kau. The terms of reference of the Nomination Committee are posted on the Company's website.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, selecting or making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession, and assessing the independence of the independent non-executive directors.

During the year, a meeting with 100% attendance of the Nomination Committee's members was duly held for reviewing the structure, size and composition, and assessing the independence of the independent non-executive directors of the board of directors.

Audit Committee

The Audit Committee was established in April 2000. It comprises three Independent Non-Executive Directors, namely Mrs. Ling Lee Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Ho David. The chairman of the Audit Committee is Mr. Ho David.

The terms of reference of the Audit Committee, which are in compliance with the Listing Rules, are posted on the Company's website. Under the terms of reference, the Audit Committee is responsible for overseeing the relationship between the Company and its external auditors, reviewing the Group's financial information and overseeing the Group's financial reporting, internal control and risk management systems.

Corporate Governance Report

The Audit Committee held three meetings in 2013. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mrs. Ling Lee Ching Man, Eleanor	3/3
Mr. Cheng Ping Kuen, Franco	3/3
Mr. Ho David	3/3

During the year, the Audit Committee met with senior management to review the Group's draft annual report and accounts, half-yearly report, internal audit report, risk assessment report and circulars, and provided advice and comments thereon to the Company's Board of Directors. The Audit Committee members met with internal and external auditors to discuss matters arising from the audit. The Audit Committee also discussed with the external auditor the nature and scope of the audit and reporting obligations before the audit commenced.

The Group's 2013 interim report and 2012 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the 2012 annual report, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The Audit Committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the Listing Rules.

Auditor's Remuneration

The fees in relation to the audit service provided by BDO Limited, the external auditor of the Company, for the year ended 31 December 2013 amounted to HK$1,410,000 (2012: HK$1,400,000), and those in relation to non-audit services amounted to HK$100,000 (2012:HK$150,000).

Communication with Shareholders

The Company has adopted a Shareholders' Communication Policy in March 2012 reflecting mostly the current practices of the Company for communication with its shareholders. Information will be communicated to shareholders through:

– continuous disclosure to the Stock Exchange of all material information;

– periodic disclosure through the annual and interim reports;

– notices of meetings and explanatory material;

– the annual general meetings and other general meetings; and

– the Company's website at www.cinderellagroup.com.hk

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation. The chairman of the Board attended the annual general meeting held in 2013 to answer questions and collect views of shareholders. The chairmen of the audit and nomination committees and the external auditor also attended the annual general meeting to answer questions of shareholders.

Shareholders' Rights

(i) Procedures for members to convene a special general meeting ("SGM")

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office in Bermuda and its principal place of business in Hong Kong, for the attention of the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the Shareholders concerned themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act, but any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

The written requisition must state the purposes of the general meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

The notice period to be given to all the registered Members for consideration of the proposal raised by the shareholders concerned at a SGM varies according to the nature of the proposal, as follows:

– at least twenty-one clear days' and not less than ten clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

– at least fourteen clear days' and not less than ten clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

(ii) Procedures for a member to propose a person for election as a director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.cinderellagroup.com.hk

(iii) Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the principal place of business of the Company in Hong Kong or by e-mail to enquiry@cinderellagroup.com.hk for the attention of the company secretary.

Corporate Governance Report

(iv) Procedures for putting forward proposals at a general meeting

Shareholders holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting of the Company; or (ii) not less then 100 Shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the Shareholders concern and deposited at the Company's registered office in Bermuda and its principal place of business in Hong Kong for the attention of the company secretary of the Company, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Shareholders concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Shareholders concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

Independent Auditor's Report

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To the shareholders of CINDERELLA MEDIA GROUP LIMITED
先傳媒集團有限公司
(incorporated in Cayman Islands and redomiciled to Bermuda with limited liability)

We have audited the consolidated financial statements of Cinderella Media Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 27 to 98, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Li Pak Ki
Practising Certificate Number P01330

Hong Kong, 26 February 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013	2012
		HK$'000	HK$'000
Turnover	5	1,719,694	1,526,041
Direct operating costs		(1,258,859)	(1,125,083)
Gross profit		460,835	400,958
Other revenue and net income	7	52,010	35,943
Selling and distribution costs		(214,515)	(117,739)
Administrative expenses		(64,973)	(52,432)
Other expenses		(9,631)	(13,077)
Finance costs	8	(2,205)	(2,528)
Profit before income tax	9	221,521	251,125
Income tax expense	12	(48,227)	(62,207)
Profit for the year		173,294	188,918
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		6,321	73
Other comprehensive income for the year, net of tax		6,321	73
Total comprehensive income for the year		179,615	188,991
Profit for the year attributable to:			
Owners of the Company	13	125,399	161,732
Non-controlling interests		47,895	27,186
		173,294	188,918
Total comprehensive income attributable to:			
Owners of the Company		130,039	161,896
Non-controlling interests		49,576	27,095
		179,615	188,991
Earnings per share	15		
Basic		HK37.94 cents	HK49.84 cents
Diluted		HK37.86 cents	HK49.46 cents

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013	2012
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	200,905	219,404
Prepaid land lease payments	17	5,845	5,848
Investment properties	18	10,192	–
Intangible assets	20	66,117	66,487
Deferred tax assets	32	10,614	3,803
		293,673	295,542
Current assets			
Inventories	23	79,802	73,523
Trade and other receivables and deposits	24	492,709	517,167
Financial assets at fair value through profit or loss	25	1,498	870
Pledged cash and bank balances	26	33,365	7,297
Cash and cash equivalents	26	382,522	442,982
		989,896	1,041,839
Current liabilities			
Trade and other payables	27	281,099	289,277
Financial liabilities at fair value through profit or loss	28	–	718
Bank borrowings	29	64,612	118,297
Finance lease liabilities	30	526	6,227
Provision for taxation		13,007	60,591
		359,244	475,110
Net current assets		630,652	566,729
Total assets less current liabilities		924,325	862,271
Non-current liabilities			
Finance lease liabilities	30	–	526
Other payables	31	–	32,000
Deferred tax liabilities	32	17,391	15,940
		17,391	48,466
Net assets		906,934	813,805
EQUITY			
Share capital	33	66,482	65,632
Reserves		577,668	566,820
Equity attributable to owners of the Company		644,150	632,452
Non-controlling interests		262,784	181,353
Total equity		906,934	813,805

Director *Director*

Statement of Financial Position

As at 31 December 2013

	Notes	2013	2012
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	19	64,171	62,030
Current assets			
Amounts due from subsidiaries	21	325,273	339,879
Other receivables		281	288
Cash and cash equivalents	26	152,059	246,140
		477,613	586,307
Current liabilities			
Other payables		564	467
Amounts due to subsidiaries	22	270,093	343,873
		270,657	344,340
Net current assets		206,956	241,967
Net assets		271,127	303,997
EQUITY			
Share capital	33	66,482	65,632
Reserves	35	204,645	238,365
Total equity		271,127	303,997

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Employee compensation reserve	Exchange reserve	Merger reserve	Contributed surplus	Statutory reserves	Other reserve	Proposed final and special dividends	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2012	64,118	95,396	4,146	(33)	(43,897)	2,371	2,089	(16,472)	128,284	378,014	614,016	164,263	778,279
Equity-settled share-based payment expense (Note 11)	–	–	740	–	–	–	–	–	–	–	740	–	740
Exercise of share options	1,514	12,883	(2,720)	–	–	–	–	–	–	–	11,677	–	11,677
Share issue expenses	–	(41)	–	–	–	–	–	–	–	–	(41)	–	(41)
Share options lapsed	–	–	(43)	–	–	–	–	–	–	43	–	–	–
Final and special 2011 dividends paid (Note 14)	–	–	–	–	–	–	–	–	(128,284)	(1,361)	(129,645)	–	(129,645)
Interim 2012 dividend paid (Note 14)	–	–	–	–	–	–	–	–	–	(26,191)	(26,191)	–	(26,191)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(10,005)	(10,005)
Transactions with owners	1,514	12,842	(2,023)	–	–	–	–	–	(128,284)	(27,509)	(143,460)	(10,005)	(153,465)
Profit for the year	–	–	–	–	–	–	–	–	–	161,732	161,732	27,186	188,918
Other comprehensive income													
Currency translation	–	–	–	164	–	–	–	–	–	–	164	(91)	73
Total comprehensive income for the year	–	–	–	164	–	–	–	–	–	161,732	161,896	27,095	188,991
Proposed final and special 2012 dividends (Note 14)	–	–	–	–	–	–	–	–	98,589	(98,589)	–	–	–
Appropriation to statutory reserves	–	–	–	–	–	–	252	–	–	(252)	–	–	–
Balance at 31 December 2012	65,632	108,238	2,123	131	(43,897)	2,371	2,341	(16,472)	98,589	413,396	632,452	181,353	813,805

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share capital	Share premium	Employee compensation reserve	Exchange reserve	Merger reserve	Contributed surplus	Statutory reserves	Other reserve	Employee compensation reserve of subsidiary	Proposed final and special dividends	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2013	65,632	108,238	2,123	131	(43,897)	2,371	2,341	(16,472)	–	98,589	413,396	632,452	181,353	813,805
Equity-settled share-based payment expense (Note 11)	–	–	52	–	–	–	–	–	589	–	–	641	387	1,028
Exercise of share options	850	7,815	(1,637)	–	–	–	–	–	–	–	–	7,028	–	7,028
Share issue expenses	–	(31)	–	–	–	–	–	–	–	–	–	(31)	–	(31)
Final and special 2012 dividends paid (Note 14)	–	–	–	–	–	–	–	–	–	(98,589)	(717)	(99,306)	–	(99,306)
Interim 2013 dividend paid (Note 14)	–	–	–	–	–	–	–	–	–	–	(26,497)	(26,497)	–	(26,497)
Dividend paid to on-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(6,111)	(6,111)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	40,021	40,021
Loss on acquisition of non-controlling interests of subsidiaries	–	–	–	–	–	–	–	(176)	–	–	–	(176)	(2,442)	(2,618)
Transactions with owners	850	7,784	(1,585)	–	–	–	–	(176)	589	(98,589)	(27,214)	(118,341)	31,855	(86,486)
Profit for the year	–	–	–	–	–	–	–	–	–	–	125,399	125,399	47,895	173,294
Other comprehensive income														
Currency translation	–	–	–	4,640	–	–	–	–	–	–	–	4,640	1,681	6,321
Total comprehensive income for the year	–	–	–	4,640	–	–	–	–	–	–	125,399	130,039	49,576	179,615
Proposed final 2013 dividends (Note 14)	–	–	–	–	–	–	–	–	–	66,488	(66,488)	–	–	–
Balance at 31 December 2013	66,482	116,022	538	4,771	(43,897)	2,371	2,341	(16,648)	589	66,488	445,093	644,150	262,784	906,934

Merger reserve of the Group arose as a result of the Group's reorganisation in 2000 and represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Recruit (BVI) Limited. Contributed surplus of the Group arose as a result of the reduction in share capital in accordance with the Group's capital reorganisation in 2003.

Other reserve of the Group represented (1) the difference between the fair value of consideration paid to acquire additional interest in subsidiaries and the amount of adjustment to non-controlling interests and (2) the difference between the fair value of consideration received on dilution of interests in 1010 Printing Group Limited and the amount of adjustment to non-controlling interests.

In accordance with relevant regulations prevailing in the People's Republic of China ("the PRC"), certain of the Company's subsidiaries, established in the PRC, are required to appropriate no less than 10% of their net profits to the statutory reserves, until the respective balances of the fund reach 50% of the respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013	2012
		HK$'000	HK$'000
Cash flows from operating activities			
Profit before income tax		221,521	251,125
Adjustments for:			
Amortisation of prepaid land lease payments		146	143
Depreciation of property, plant and equipment		32,575	32,468
Depreciation of investment properties		178	–
Amortisation of intangible assets		370	–
Dividend income from listed equity securities		(48)	(52)
Equity-settled share-based payment expenses	34	1,028	740
Loss on disposal of a subsidiary	39	11	3
(Gain)/Loss on financial assets/liabilities at fair value through profit or loss	9	(5,478)	1,425
Impairment of trade receivables	9	9,562	13,077
Bad debt written off	9	70	–
Write-down of inventories made	9	5,071	4,896
Reversal of write-down of inventories	9	(78)	(2,900)
Interest expenses		2,205	2,528
Impairment of trade receivables written back	7	(9,633)	(1,970)
Interest income		(3,219)	(5,039)
Gain on early settlement of payables to the vendors for the acquisition of APOL		(1,760)	–
Loss/(Gain) on disposals of property, plant and equipment		2,316	(52)
Operating profit before working capital changes		254,837	296,392
Increase in inventories		(11,272)	(201)
Decrease in trade and other receivables and deposits		24,609	50,593
Change in financial assets/liabilities at fair value through profit or loss		4,132	995
Increase in trade and other payables		22,148	19,207
Cash generated from operations		294,454	366,986
Income taxes paid		(101,082)	(32,667)
Net cash from operating activities		193,372	334,319

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013	2012
		HK$'000	HK$'000
Cash flows from investing activities			
Dividend income from listed equity securities received		48	52
Increase in pledged deposits		(26,068)	(7,297)
Interest received		3,219	5,039
Proceeds on disposals of property, plant and equipment		5,464	1,527
Additions of property, plant and equipment		(28,317)	(23,341)
Net cash outflow in respect of disposal of a subsidiary	39	(307)	(461)
Acquisition of subsidiaries	40	(58,240)	(95,702)
Net cash used in investing activities		(104,201)	(120,183)
Cash flows from financing activities			
Repayments of capital element of finance lease liabilities		(6,227)	(6,057)
Interest element of finance lease payments		(108)	(276)
Proceeds of bank borrowings		–	121,259
Repayments of bank borrowings		(53,685)	(136,875)
Acquisition of non-controlling interests of subsidiaries	42	(2,618)	–
Interest on bank borrowings paid		(2,097)	(2,252)
Capital contribution from non-controlling interests of a subsidiary		40,021	–
Proceeds from shares issued on exercise of share options		7,028	11,677
Share issue expenses paid		(31)	(41)
Dividend paid to non-controlling interests		(6,111)	(10,005)
Dividends paid	14(b)	(125,803)	(155,836)
Net cash used in financing activities		(149,631)	(178,406)
Net (decrease)/increase in cash and cash equivalents		(60,460)	35,730
Cash and cash equivalents at 1 January		442,982	407,252
Cash and cash equivalents at 31 December		382,522	442,982

Notes to the Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

Cinderella Media Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company on 13 March 2000 and redomiciled to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda, with limited liability on 29 January 2003. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 26/F, 625 King's Road, North Point, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

As at 31 December 2013, the Company's ultimate holding company is ER2 Holdings Limited which was incorporated in Hong Kong and the Company's immediate holding company is City Apex Limited, which was incorporated in the British Virgin Islands.

The Company acts as an investment holding company and provides corporate management services. Details of the activities of its principal subsidiaries are set out in Note 42 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. There were no significant changes in the Group's operations during the year.

The financial statements for the year ended 31 December 2013 were approved for issue by the board of directors of the Company (the "Directors") on 26 February 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 27 to 98 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 3.

The financial statements have been prepared under historical cost convention except for certain financial assets and liabilities that are measured at fair value through profit or loss, which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in those non-controlling interest having a deficit balance.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off their costs over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and buildings	Over 50 years or the lease term, whichever is shorter
Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% – 50% or over the lease term, whichever is shorter
Computer equipment and system	33%
Motor vehicles	20%
Machinery	6.6% – 20%

The assets' depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Prepaid land lease payments

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in Note 2.12. Amortisation is calculated on straight-line method over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.7 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.8 Intangible assets

(I) GOODWILL

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Goodwill on acquisition of subsidiaries is included in intangible assets.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(II) NON COMPETITION COVENANTS

Non competition covenants acquired in business combination are recognised at fair value at the date of acquisition. Non competition covenants have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using straight-line method over the expected useful lives of two years. The amorisation expense is recognised in profit or loss and included in administrative expenses.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see Note 2.18).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below. The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(I) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in Note 2.17 to these financial statements.

(II) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment and impairment is recognised based on the classification of the financial asset.

Objective evidence of impairment of individual financial assets 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 debtors;

– A breach of contract, such as a default of delinquency in interest for 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 debtors; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group. If any such evidence exists, the impairment loss is measured and recognised as follows:

FINANCIAL ASSETS CARRIED AT AMORTISED COST

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in profit or loss of the year in which the impairment occurs.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

For financial assets other than financial assets at fair value through profit or loss and loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable 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.

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method, and in the case of work-in-progress and finished goods, cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been 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 applicable selling expenses.

When the 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 period in which the write-down or 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.

2.11 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, 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 and have a short maturity of generally within three months when acquired, less bank overdrafts which are payable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases

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 the 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.

(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 asset or, if lower, the present value of the minimum lease payments ("the initial value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance leases corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

(III) OPERATING LEASE CHARGES AS THE LESSEE

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss using straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. 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 period in which they are incurred.

(IV) ASSETS LEASED OUT UNDER OPERATING LEASES AS THE LESSOR

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

2.13 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial guarantees issued (continued)

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 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.14 Financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables, financial liabilities at fair value through profit or loss, finance lease liabilities and amounts due to group companies.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2.20).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

FINANCE LEASE LIABILITIES

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see Note 2.12).

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowing using effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently re-measured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO GROUP COMPANIES

These are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Contingent liabilities

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.

2.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services, net of rebates and discounts. 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 as follows:

– Advertising income is recognised on the date of the relevant publication issue or on time-proportion basis by reference to the period in which the advertisement is displayed in the website.

– Printing income and publication sales are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

– Service income is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

– Interest income is recognised on time-proportion basis using effective interest method.

– Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

– Dividend income is recognised when the right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Impairment of non-financial assets

Intangible assets, property, plant and equipment, investment properties and interests in subsidiaries are subject to impairment testing.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested for impairment annually. All other assets are tested for impairment whenever there are indications that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses are charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss on other assets other than goodwill is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

2.19 Employee benefits

(I) RETIREMENT BENEFIT SCHEMES

The Group participates in several staff retirement benefit schemes for employees in Hong Kong, the PRC, except Hong Kong and other countries, comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to profit or loss represents contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC and other countries are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of employees' relevant income and there are no other further obligations to the Group.

Notes to the Financial Statements

For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(I) RETIREMENT BENEFIT SCHEMES (CONTINUED)

Before 1 December 2000, the Group operated a defined contribution retirement scheme ("the ORSO Scheme") in Hong Kong for all qualified employees. The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employees' basic salary, depending on the length of service with the Group. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the ORSO Scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, retirement scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,250 and there are no other legal or constructive obligations to the Group.

(II) SHARE-BASED EMPLOYEE COMPENSATION

The Group operates three equity-settled share-based compensation plans including a share option scheme by the Company, a share option scheme and a share award scheme by 1010 Printing Group Limited, a subsidiary of the Company, for the purpose of recognising and motivating the contribution from their staff and directors. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("share-based employee compensation").

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options/shares awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based employee compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualified for recognition as asset, with a corresponding increase in the employee compensation reserve in equity of the Company and the subsidiary. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised/shares are awarded, the amount previously recognised in employee compensation reserve will be transferred to share premium. After vesting date, when the vested share options/share award are later forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(III) BONUS PLANS

The Group recognises a liability and an expense for bonuses where it has a contractual obligation or where there is a past practice that has created a constructive obligation.

(IV) SHORT-TERM EMPLOYEE BENEFITS

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset 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 being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.21 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Accounting for income taxes (continued)

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- Advertising – providing advertising services on different publications and magazines.

- Printing – printing of books and magazines.

- Investment – trading of financial assets at fair value through profit or loss.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Segment reporting (continued)

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- expenses related to share-based payments
- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segments.

Segment assets include all assets but interests in associates. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include deferred tax liabilities and liabilities incurred for financing rather than operating purposes.

No asymmetrical allocations have been applied to reportable segments.

2.23 Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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For the year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Related parties (continued)

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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3. CHANGE OF ACCOUNTING POLICIES AND ADOPTION OF NEW OR AMENDED HKFRSs

Change of accounting policies

For the year ended 31 December 2012, the cost of the Group's inventories was determined using first-in, first-out method. With effect from 1 January 2013, the Group changed its accounting policy on its inventory valuation to the weighted average method. The Group considers that the weighted average method can better reflect the cost of inventories expensed during the year as well as simplifying the inventory valuation procedures.

In accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", change in accounting policy should be accounted for retrospectively. The Directors have assessed and concluded that the change in accounting policy has had no material effect on the consolidated statement of financial position as at 1 January 2012 and 31 December 2012 in view of the short inventory turnover period of the Group during the years ended 31 December 2011 and 2012. Accordingly, the comparative figures have not been restated and the third statement of financial position as at 1 January 2012 is not presented.

Adoption of new or amended HKFRSs

During the year, the Group has adopted all the amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these amended HKFRSs did not result in material changes to the Group's accounting policies.

AMENDMENTS TO HKAS 1 (REVISED) – PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income and require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has been changed to "Statement of profit or loss and other comprehensive income". The Group has chosen to use this new title.

3. CHANGE OF ACCOUNTING POLICIES AND ADOPTION OF NEW OR AMENDED HKFRSs (continued)

Adoption of new or amended HKFRSs (continued)

HKFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in note 19. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

Notes to the Financial Statements

For the year ended 31 December 2013

3. CHANGE OF ACCOUNTING POLICIES AND ADOPTION OF NEW OR AMENDED HKFRSs (continued)

Adoption of new or amended HKFRSs (continued)

HKFRS 13 FAIR VALUE MEASUREMENT

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

AMENDMENTS TO HKFRS 7 – DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 "Financial instruments: Presentation" and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has no offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

New/revised HKFRSs that have been issued and have been early adopted

AMENDMENTS TO HKAS 36 – RECOVERABLE AMOUNT DISCLOSURES

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period.

3. CHANGE OF ACCOUNTING POLICIES AND ADOPTION OF NEW OR AMENDED HKFRSs (continued)

New/amended HKFRSs that have been issued but are not yet effective

At the date of this report, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

HKFRS 9 FINANCIAL INSTRUMENTS

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The preparation of the consolidated financial statements requires management to make judgement, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of CGUs have been determined based on value-in-use calculations, which require the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

Notes to the Financial Statements
For the year ended 31 December 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the reporting date.

(iii) Estimated impairment of receivables and advances

The policy for impairment of receivables and advances of the Group is based on, where appropriate, the evaluation of collectability and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

(iv) Depreciation

The Group depreciates property, plant and equipment and investment properties using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and investment properties.

(v) Current taxation and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision of taxation and the timing of the related tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final outcome of the tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. TURNOVER

Turnover represents the revenue from the Group's principal activities as analysed below:

	2013	2012
	HK$'000	HK$'000
Advertising income	556,152	825,976
Printing income	1,163,542	700,065
	1,719,694	1,526,041

6. SEGMENT INFORMATION

The executive directors have identified the Group's three service lines as operating segments as described in Note 2.22. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Advertising		Printing		Investment		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue								
– External sales	556,152	825,976	1,163,542	700,065	–	–	1,719,694	1,526,041
Reportable segment profit/(loss)	82,897	177,619	150,313	84,094	(48)	312	233,162	262,025
Amortisation of prepaid land lease payments	146	143	–	–	–	–	146	143
Bank interest income	847	2,393	173	110	–	–	1,020	2,503
Depreciation of property, plant and equipment	1,557	1,516	30,732	30,483	–	–	32,289	31,999
Amortisation of intangible assets	–	–	370	–	–	–	370	–
(Loss)/Gain on disposal of property, plant and equipment	–	(25)	(2,316)	77	–	–	(2,316)	52
Gain/(Loss) on financial assets/ liabilities at fair value through profit or loss	–	–	5,544	(1,682)	(66)	257	5,478	(1,425)
Impairment of trade receivables written back	3,674	1,676	5,959	294	–	–	9,633	1,970
Impairment of trade receivables	4,149	5,457	5,483	7,620	–	–	9,632	13,077
Write-down of inventories	–	–	5,689	4,896	–	–	5,689	4,896
Reportable segment assets	216,279	222,792	897,720	856,621	4,949	4,967	1,118,948	1,084,380
Additions to non-current segment assets during the year	442	517	27,562	21,932	–	–	28,004	22,449
Reportable segment liabilities	102,687	69,198	177,692	254,153	20	20	280,399	323,371

Notes to the Financial Statements

For the year ended 31 December 2013

6. SEGMENT INFORMATION (continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2013	2012
	HK$'000	HK$'000
Reportable segment revenue (Turnover)	1,719,694	1,526,041
Other revenue (Note 7)	21,948	24,515
Group revenue	1,741,642	1,550,556
Reportable segment profit	233,162	262,025
Unallocated corporate income	6,041	2,471
Equity-settled share-based payment	(1,028)	(740)
Unallocated corporate expenses	(14,449)	(10,103)
Finance costs	(2,205)	(2,528)
Profit before income tax	221,521	251,125
Reportable segment assets	1,118,948	1,084,380
Deferred tax assets	10,614	3,803
Other corporate assets	154,007	249,198
Group assets	1,283,569	1,337,381
Reportable segment liabilities	280,399	323,371
Other corporate liabilities	14,233	65,968
Deferred tax liabilities	17,391	15,940
Borrowings	64,612	118,297
Group liabilities	376,635	523,576

The Group's reportable segment revenue from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets (excluding deferred tax assets)	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
PRC	447,868	728,775	198,372	205,638
United States of America	458,720	289,390	189	92
United Kingdom	217,615	160,140	6	13
Australia	161,041	135,951	34	42
Hong Kong (domicile)	118,389	111,449	84,430	85,912
Spain	83,179	679	–	–
Germany	26,293	36,328	–	–
New Zealand	28,848	19,227	–	–
Others	177,741	44,102	28	42
	1,719,694	1,526,041	283,059	291,739

6. SEGMENT INFORMATION (continued)

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on (1) the physical location of the assets (for property, plant and equipment, prepaid land lease payments and investment properties) and (2) location of operations (for intangible assets).

7. OTHER REVENUE AND NET INCOME

	2013	2012
	HK$'000	HK$'000
Sales of scrapped paper and by-products	18,681	19,424
Interest income	3,219	5,039
Dividend income from listed equity securities	48	52
Other segment revenue (Note 6)	21,948	24,515
Net foreign exchange gain	6,200	4,773
Impairment of trade receivables written back	9,633	1,970
Bad debt recovered	176	–
Gain on disposals of property, plant and equipment	–	52
Rental income	215	–
Gain on financial assets at fair value through profit or loss	5,478	–
Gain on early settlement of payables to the vendors for the acquisition of APOL	1,760	–
Sundry income	6,600	4,633
	52,010	35,943

8. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain repayment on demand clause		
– wholly repayable within five years	1,864	2,252
– not wholly repayable within five years	233	–
Finance lease charges	108	276
	2,205	2,528

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9. PROFIT BEFORE INCOME TAX

	2013	2012
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments	146	143
Auditor's remuneration	1,748	1,662
Cost of inventories recognised as an expense	431,069	377,615
Write down of inventories	5,071	4,896
Reversal of write-down of inventories	(78)	(2,900)
Amortisation of intangible assets	370	–
Depreciation of property, plant and equipment (Note):		
– Owned assets	30,711	31,824
– Leased assets	1,864	644
Depreciation of investment properties	178	–
Employee benefit expense (Note 11)	211,168	148,873
Impairment of trade receivables	9,562	13,077
Bad debt written off	70	–
Loss on disposals of property, plant and equipment	2,316	–
Minimum lease payments paid under operating leases in respect of:		
– Rented premises and production facilities	15,080	13,911
– Internet access line	222	328
Direct operating expenses arising from investment properties that generated rental income	45	–
(Gains)/Losses on financial assets/liabilities at fair value through profit or loss	(5,478)	1,425

For the year ended 31 December 2013, auditor's remuneration for other services paid was HK$100,000 (2012: HK$150,000).

Note: Depreciation charges of HK$29,348,000 (2012: HK$27,974,000) and HK$3,227,000 (2012: HK$4,494,000) have been included in direct operating costs and administrative expenses respectively.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid or payable to the Directors are as follows:

	Fee	Salaries, allowances and discretionary bonuses	Retirement benefit scheme contributions	Equity-settled share-based payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2013					
Executive directors					
Mr. Lau Chuk Kin	–	1,800	15	–	1,815
Ms. Lam Mei Lan	–	2,100	15	–	2,115
Non-executive directors					
Mr. Lee Ching Ming, Adrian	120	–	–	–	120
Mr. Peter Stavros Patapios Christofis	120	–	–	–	120
Mr. Wan Siu Kau	120	–	–	–	120
Independent non-executive directors					
Mr. Cheng Ping Kuen, Franco	180	–	–	–	180
Mrs. Ling Lee Ching Man, Eleanor	180	–	–	–	180
Mr. Ho David	180	–	–	–	180
	900	3,900	30	–	4,830
2012					
Executive directors					
Mr. Lau Chuk Kin	–	1,800	14	–	1,814
Ms. Lam Mei Lan	–	2,249	14	110	2,373
Ms. Chow So Chu (resigned on 12 March 2012)	–	235	3	40	278
Non-executive directors					
Mr. Lee Ching Ming, Adrian	120	–	–	–	120
Mr. Peter Stavros Patapios Christofis	120	–	–	–	120
Mr. Wan Siu Kau	120	–	–	–	120
Independent non-executive directors					
Mr. Cheng Ping Kuen, Franco	180	–	–	–	180
Mrs. Ling Lee Ching Man, Eleanor	180	–	–	–	180
Mr. Ho David	180	–	–	–	180
	900	4,284	31	150	5,365

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For the year ended 31 December 2013

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Details of equity-settled share-based payments expenses relating to equity instruments granted to the Directors under the Company's share option scheme are set out in Note 34 to the financial statements.

During each of the two years ended 31 December 2013 and 2012, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2012: two) directors whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining three (2012: three) individuals during the year are as follows:

	2013	2012
	HK$'000	HK$'000
Salaries, allowances, discretionary bonuses and other benefits	8,247	4,974
Retirement benefit scheme contributions	147	136
Equity-settled share-based payments	565	55
	8,959	5,165

The emoluments fell within the following bands:

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

During each of the two years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. EMPLOYEE BENEFIT EXPENSE (including directors' emoluments)

	2013	2012
	HK$'000	HK$'000
Directors' fee	900	900
Wages, salaries and other benefits	200,865	140,332
Equity-settled share-based payments (Note 34)	1,028	740
Retirement benefit scheme contributions	8,375	6,901
	211,168	148,873

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2013	2012
	HK$'000	HK$'000
Hong Kong profits tax		
Current year	35,268	31,895
Over provision in prior years	(549)	(230)
	34,719	31,665
Overseas tax		
Current year	18,755	31,174
Over provision in prior years	–	(79)
	18,755	31,095
Deferred tax (Note 32)		
Current year	(5,247)	(553)
	48,227	62,207

Notes to the Financial Statements

For the year ended 31 December 2013

12. INCOME TAX EXPENSE (continued)

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2013	2012
	HK$'000	HK$'000
Profit before income tax	221,521	251,125
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	38,571	53,736
Tax effect of non-taxable revenue	(1,347)	(9,379)
Tax effect of non-deductible expenses	8,715	2,924
Tax effect of tax losses not recognised	742	1,185
Tax effect of temporary differences not recognised	123	171
Utilisation of previously unrecognised tax losses	(88)	(485)
Over provision in prior years	(549)	(309)
Withholding tax on undistributed earnings of PRC subsidiaries	2,060	14,364
Income tax expense	48,227	62,207

13. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$125,399,000 (2012: HK$161,732,000), profit of HK$85,884,000 (2012: HK$126,255,000) has been dealt with in the financial statements of the Company.

14. DIVIDENDS AND DISTRIBUTION

(a) Dividends attributable to the year:

	2013	2012
	HK$'000	HK$'000
Interim dividend of HK$0.08 (2012: HK$0.08) per share	26,497	26,191
Proposed final dividend of HK$0.2 (2012: HK$0.2) per share	66,488	65,726
Proposed special dividend of Nil (2012: HK$0.1) per share	–	32,863
	92,985	124,780

The Company proposed the distribution in specie ("Distribution in Specie") of shares in 1010 Printing Group Limited, which is held by the Company and Recruit (BVI) Limited, a directly wholly owned subsidiary of the Company, to its shareholders on the basis of 139 shares in 1010 Printing Group Limited for every 100 ordinary shares of the Company held by the shareholders as at the record date.

Final dividend, special dividend and Distribution in Specie proposed after the reporting date have not been recognised as a liability at the reporting date, but reflected as an appropriation of retained earnings for the years ended 31 December 2013 and 2012 to proposed final and special dividends reserve except for the proposed special dividend in the form of a distribution in specie for the year ended 31 December 2013 as the fair values of those shares at the date of distribution are not yet known.

The proposed final dividend, special dividend and Distribution in Specie are to be distributed subsequent to the reporting date and are subject to the approval of the Company's equity holders in the forthcoming annual general meeting.

14. DIVIDENDS AND DISTRIBUTION (continued)

(b) Dividends approved and paid during the year:

	2013	2012
	HK$'000	HK$'000
Interim dividend of HK$0.08 (2012: HK$0.08) per share	26,497	26,191
Final dividend of HK$0.2 (2012: HK$0.2) per share in respect of the previous financial year	65,726	64,142
Additional final dividend in respect of the previous financial year	717	1,361
Special dividend of HK$0.1 (2012: HK$0.2) per share in respect of the previous financial year	32,863	64,142
	125,803	155,836

15. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	125,399	161,732

	Number of shares	
	2013	2012
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	330,551	324,506
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	661	2,467
Weight average number of ordinary shares for the purpose of diluted earnings per share	331,212	326,973

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16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Computer equipment and system	Motor vehicles	Machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012								
Cost	19,748	5,299	5,027	43,716	36,215	2,206	248,837	361,048
Accumulated depreciation	(263)	(3,432)	(3,217)	(22,841)	(31,856)	(865)	(68,816)	(131,290)
Net book amount	19,485	1,867	1,810	20,875	4,359	1,341	180,021	229,758
Year ended 31 December 2012								
Opening net book amount	19,485	1,867	1,810	20,875	4,359	1,341	180,021	229,758
Exchange differences	25	1	5	2	5	1	61	100
Additions	–	419	701	1,590	1,092	–	19,539	23,341
Acquisition of subsidiaries (Note 40)	–	56	18	1	97	14	–	186
Disposals	–	(20)	(10)	(6)	–	–	(1,439)	(1,475)
Disposal of a subsidiary (Note 39)	–	(4)	(29)	–	(5)	–	–	(38)
Depreciation	(519)	(753)	(742)	(4,939)	(3,114)	(391)	(22,010)	(32,468)
Closing net book amount	18,991	1,566	1,753	17,523	2,434	965	176,172	219,404
At 31 December 2012								
Cost	19,775	5,703	5,707	44,882	37,287	2,226	266,950	382,530
Accumulated depreciation	(784)	(4,137)	(3,954)	(27,359)	(34,853)	(1,261)	(90,778)	(163,126)
Net book amount	18,991	1,566	1,753	17,523	2,434	965	176,172	219,404
Year ended 31 December 2013								
Opening net book amount	18,991	1,566	1,753	17,523	2,434	965	176,172	219,404
Exchange differences	71	(2)	18	3	5	17	3,797	3,909
Additions	–	382	673	8,485	1,125	2,024	15,628	28,317
Disposals	–	(4)	(56)	(679)	(2)	(254)	(6,785)	(7,780)
Transfer to investment properties (Note 18)	(10,370)	–	–	–	–	–	–	(10,370)
Depreciation	(401)	(739)	(717)	(5,037)	(1,983)	(524)	(23,174)	(32,575)
Closing net book amount	8,291	1,203	1,671	20,295	1,579	2,228	165,638	200,905
At 31 December 2013								
Cost	9,052	6,024	6,206	50,886	38,368	3,149	278,257	391,942
Accumulated depreciation	(761)	(4,821)	(4,535)	(30,591)	(36,789)	(921)	(112,619)	(191,037)
Net book amount	8,291	1,203	1,671	20,295	1,579	2,228	165,638	200,905

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Net book amount of property, plant and equipment as at 31 December 2013 includes the net carrying amount of HK$19,012,000 (2012: HK$20,876,000) held under finance leases.

As at 31 December 2013, the Group's leasehold land and buildings were situated in the PRC and Hong Kong and were held under medium-term leases.

As at 31 December 2013, certain of the Group's leasehold land and buildings with net book amount of HK$5,344,000 (2012: HK$16,042,000) were pledged to secure bank borrowings granted to the Group and certain of the Group's property, plant and equipment with net book amount of HK$442,000 (2012: HK$186,000) were collateralised against the banking facilities granted to the Group. Details are set out in Note 29.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January		
Cost	6,315	6,264
Accumulated amortisation	(467)	(320)
Net book amount	5,848	5,944
Opening net book amount	5,848	5,944
Exchange differences	143	47
Amortisation	(146)	(143)
Closing net book amount	5,845	5,848
At 31 December		
Cost	6,470	6,315
Accumulated amortisation	(625)	(467)
Net book amount	5,845	5,848

As at 31 December 2013, the Group's prepaid land lease payments represented up-front payments to acquire the right of use of land in the PRC, which was held under a medium-term lease.

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18. INVESTMENT PROPERTIES

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties.

Changes in the carrying amounts presented in the statement of financial position can be summarised as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January		
Cost	–	–
Accumulated depreciation	–	–
Net book amount	–	–
Opening net book amount	–	–
Transfer from property, plant and equipment (Note 16)	10,370	–
Depreciation	(178)	–
Closing net book amount	10,192	–
At 31 December		
Cost	10,370	–
Accumulated depreciation	(178)	–
Net book amount	10,192	–

All of the investment properties as at 31 December 2013 were pledged to secure bank borrowings granted to the Group (2012: Nil) (Note 29).

As at 31 December 2013, the Group's investment properties were situated in Hong Kong and were held under medium-term leases.

As at 31 December 2013, the fair value of the investment properties was approximately HK$17,900,000 which is a level 3 recurring fair value measurement and was based on the valuation performed by an independent professional valuer. For investment properties which are subject to tenancy, the fair value was estimated using an investment approach by taking into account the current passing rent of these properties being held under existing tenancy and the revisionary potential of the tenancy if they have been or would be let to tenant. For investment properties which are not subject to tenancy but hold for appreciation, the fair value was estimated using a comparison approach assuming sale in its existing state with the benefit of vacant possession by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have been made to account for the differences between the properties and the comparables in terms of other relevant factors. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	64,171	62,030

Details of principal subsidiaries are set out in Note 42 to the financial statements.

Non-controlling interests

1010 Printing Group Limited, a 60.32% owned subsidiary of the Company, has material non-controlling interests (NCI). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of 1010 Printing Group Limited, before intra-group eliminations, is presented below:

	2013	2012
	HK$'000	HK$'000
For the year ended 31 December		
Revenue	1,163,542	700,065
Profit for the year	121,421	68,150
Total comprehensive income	125,620	67,925
Profit allocated to NCI	47,895	27,186
Dividends paid to NCI	6,111	10,005
Cash flows from operating activities	128,736	141,179
Cash flows from investing activities	(106,234)	(123,295)
Cash flows from financing activities	(6,857)	1,244
Net cash inflows	15,645	19,128
As at 31 December		
Current assets	625,341	576,751
Non-current assets	282,993	283,672
Current liabilities	(245,894)	(374,364)
Non-current liabilities	(967)	(34,102)
Net assets	661,473	451,957
Accumulated non-controlling interests	262,784	181,353

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20. INTANGIBLE ASSETS
Group

	Goodwill	Non competition covenants	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2012			
Gross carrying amount	23,733	–	23,733
Accumulated impairment	(14,119)	–	(14,119)
Net carrying amount	9,614	–	9,614
Net carrying amount as at 1 January 2012	9,614	–	9,614
Acquired through business combination (Note 40)	56,132	741	56,873
Net carrying amount at 31 December 2012	65,746	741	66,487
At 31 December 2012			
Gross carrying amount	79,865	741	80,606
Accumulated impairment	(14,119)	–	(14,119)
Net carrying amount	65,746	741	66,487
Net carrying amount as at 1 January 2013	65,746	741	66,487
Amortisation	–	(370)	(370)
Net carrying amount at 31 December 2013	65,746	371	66,117
At 31 December 2013			
Gross carrying amount	79,865	741	80,606
Accumulated amortisation and impairment	(14,119)	(370)	(14,489)
Net carrying amount	65,746	371	66,117

Goodwill is allocated to the Group's CGU. A summary of goodwill allocation is presented below:

	2013	2012
	HK$'000	HK$'000
Express Ocean Investment Limited and O.G. Printing Productions Limited	9,614	9,614
Asia Pacific Offset Limited ("APOL")	56,132	56,132
	65,746	65,746

20. INTANGIBLE ASSETS (continued)

The recoverable amount for the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the printing business in which the CGU operates. The discount rates used for value-in-use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

The key assumptions used for value-in-use calculations are as follows:

	Express Ocean Investment Limited and O.G. Printing Productions Limited		APOL	
	2013	2012	2013	2012
Growth rate	0%	7%	0%	0%
Pre-tax discount rate	12%	12%	18%	19%

Apart from the considerations described above in determining the value-in-use of the CGU, management is not aware of any other probable changes that would necessitate changes in the key assumptions. Management determines that the CGU containing goodwill does not suffer any impairment.

Non competition covenants arose from the acquisition of APOL on 28 December 2012. In accordance with HKFRS 3 "Business Combination", the Group recognised APOL's assets, liabilities and contingent liabilities which included intangible assets at the acquisition date. The fair value of non competition covenants on the completion date of the acquisition was determined based on a valuation performed by an independent professional valuer, Ascent Partners Valuation Service Limited.

Non competition covenants have definite useful lives and are amortised on a straight-line basis over their expected useful lives of two years.

21. AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	2013	2012
	HK$'000	HK$'000
Amounts due from subsidiaries		
– Interest-free	356,633	338,549
– Interest bearing at 2.25% plus 3 months' HIBOR rate per annum	–	33,500
	356,633	372,049
Less: Impairment losses	(31,360)	(32,170)
	325,273	339,879

Amounts due from subsidiaries are unsecured and repayable on demand.

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22. AMOUNTS DUE TO SUBSIDIARIES – COMPANY

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

23. INVENTORIES – GROUP

	2013	2012
	HK$'000	HK$'000
Raw materials	56,788	49,231
Work-in-progress	22,737	23,002
Finished goods	277	1,290
	79,802	73,523

During the year, the Group wrote down the carrying values of inventories of HK$5,071,000 (2012: HK$4,896,000) and reversed a write-down of inventories of HK$78,000 (2012: HK$2,900,000) as a result of an increase in the estimated net realisable value of the inventories. These amounts were included in "direct operating costs" in profit or loss.

As at 31 December 2013, the Group's inventories of HK$17,317,000 (2012: HK$11,529,000) were collateralised against the banking facilities as set out in Note 29.

24. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	447,856	490,791
Less: Provision for impairment of trade receivables	(12,909)	(15,374)
Trade receivables – net	434,947	475,417
Other receivables and deposits	57,762	41,750
	492,709	517,167

As at 31 December 2013, the Group's trade and other receivables of HK$139,365,000 (2012: HK$151,383,000) were collateralised against the banking facilities as set out in Note 29.

24. TRADE AND OTHER RECEIVABLES AND DEPOSITS (continued)

Movement in the provision for impairment loss on trade receivables is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Balance at the beginning of the year	15,374	5,288
Amounts written off during the year	(2,534)	(1,067)
Impairment loss recognised during the year	9,562	13,077
Impairment loss recovered during the year	(9,633)	(1,970)
Exchange differences	140	46
Balance at the end of the year	12,909	15,374

The Group recognised provision for impairment of trade receivables based on the accounting policy stated in Note 2.9.

During the year, the Group recovered a bad debt of HK$176,000 and made a bad debt write off of HK$70,000 in profit or loss.

Ageing analysis of trade receivables, net of provision as at 31 December 2013, based on the invoice date, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0 – 30 days	104,805	108,386
31 – 60 days	77,914	96,945
61 – 90 days	65,521	73,981
91 – 120 days	102,614	73,309
121 – 150 days	46,819	67,497
Over 150 days	37,274	55,299
Total trade receivables	434,947	475,417

The Group allows a credit period from 7 to 150 days (2012: 7 to 180 days) to its customers.

The Directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

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24. TRADE AND OTHER RECEIVABLES AND DEPOSITS (continued)

All trade receivables are subject to credit risk exposure. At each of the reporting dates, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2013, the Group determined trade receivables of HK12,909,000 (2012: HK$15,374,000) as impaired and as a result, impairment loss of HK$9,562,000 (2012: HK$13,077,000) has been recognised. The impaired trade receivables are due from the customers experiencing financial difficulties.

At 31 December 2013, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. Ageing analysis of trade receivables past due but not impaired is as follows:

	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	295,851	349,428
1 – 30 days past due	75,465	70,845
31 – 90 days past due	57,342	47,924
Over 90 days past due but less than one year	6,289	7,220
	139,096	125,989
	434,947	475,417

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, 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 to be fully recoverable. The Group did not hold any collateral in respect of these balances.

Other receivables and deposits as at 31 December 2013 included deposits paid to airlines of HK$19,685,000 (2012: HK$21,361,000) in accordance with the relevant agreements of the inflight business.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2013	2012
	HK$'000	HK$'000
Held for trading		
Equity securities, listed in Hong Kong	804	870
Forward foreign exchange contracts	694	–
Fair value	1,498	870

The fair values of the Group's investments in listed equity securities have been measured as described in Note 43.

Forward foreign exchange contracts were considered by management as part of economic hedging arrangements but had not been formally designated as hedges in accordance with HKAS 39. These foreign exchange contracts were stated at fair value as described in Note 43.

26. PLEDGED CASH AND BANK BALANCES AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Bank and cash balances	267,435	438,965	69,564	246,140
Cash at brokers	4,898	4,017	831	–
Short-term deposits	110,189	–	81,664	–
Cash and cash equivalents	382,522	442,982	152,059	246,140

Short-term bank deposits of the Group as at 31 December 2013 earned interest at the rates ranging from 1.30% to 1.80% per annum. These deposits had maturity of 7 to 90 days and were eligible for immediate cancellation without penalty but any interest for the last deposit period would be forfeited. The Directors considered that the fair value of short-term bank deposits was not materially different from its carrying amount because of the short maturity period on its inception.

Included in bank and cash balances of the Group is HK$92,249,000 (2012: HK$87,835,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

As at 31 December 2013, the Group's cash at banks and in hand of HK$33,365,000 (2012: HK$7,297,000) were collateralised against the banking facilities as set out in Note 29.

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27. TRADE AND OTHER PAYABLES – GROUP

	2013	2012
	HK$'000	HK$'000
Trade payables	127,189	138,454
Other payables and accruals	153,910	150,823
	281,099	289,277

As at 31 December 2013, ageing analysis of trade payables based on invoice date is as follows:

	2013	2012
	HK$'000	HK$'000
0 – 30 days	56,458	51,345
31 – 60 days	29,799	34,716
61 – 90 days	21,503	25,325
91 – 120 days	11,284	8,595
Over 120 days	8,145	18,473
	127,189	138,454

Credit terms granted by suppliers are 30 days to 90 days save for the net balance payable to a major business partner of the Group which is settled on a half yearly (2012: half yearly) basis according to the terms of an agreement signed with this business partner.

All amounts are short-term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair values.

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

As at 31 December 2012, this related to forward foreign exchange contracts which were considered by management as part of economic hedging arrangements but had not been formally designated as hedges in accordance with HKAS 39. These foreign exchange contracts were stated at fair value as described in Note 43.

29. BANK BORROWINGS – GROUP

	2013	2012
	HK$'000	HK$'000
Current portion		
– Bank loans due for repayment within one year	23,139	24,636
– Bank loans due for repayment after one year which contain a repayment on demand clause	41,473	93,661
Total bank borrowings	64,612	118,297

The current portion includes bank borrowings of HK$41,473,000 (2012: HK$93,661,000) which are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and classified as current liabilities is expected to be settled within one year.

Assuming that the banks do not invoke the clause for repayment on demand and based on the repayment dates as scheduled in the loan agreements, the Group's bank borrowings which are due for repayment as at each of the reporting dates are as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	23,139	50,440
In the second year	21,859	25,804
In the third to fifth year	16,598	37,873
Wholly repayable within five years	61,596	114,117
Beyond the fifth year	3,016	4,180
	64,612	118,297

Bank borrowings as at 31 December 2013 included (1) bank loans of HK$55,776,000, which are secured by either the corporate guarantee from the Company or a subsidiary of the Company; and (2) bank loan of HK$8,836,000, which is secured by the corporate guarantee from a subsidiary of the Company, the personal guarantee from the non-controlling shareholder of that subsidiary, the Group's leasehold land and buildings of HK$5,344,000 (Note 16) and the Group's investment properties of HK$10,192,000 (Note 18). These bank borrowings are repayable in three years to seven years through monthly instalments.

As at 31 December 2013, the general banking facilities granted to one of the Company's subsidiaries were secured by a charge over proceeds from documentary credit and an all-monies debenture over the assets and an undertaking of the subsidiary.

29. BANK BORROWINGS – GROUP (continued)

Bank borrowings as at 31 December 2012 included (1) bank loans brought forward from 2011 with original principal amounts of HK$115.6 million, which included bank borrowings of HK$24 million under the loan guarantee schemes sponsored by the Government of the Hong Kong Special Administrative Region, and a new borrowing of HK$56.3 million obtained during the year. These bank borrowings were repayable in three years to seven years through monthly instalments; and (2) trade finance facilities of HK$16.7 million which was repayable within one year. Bank borrowings of HK$108,285,000 were secured by either the corporate guarantee from the Company or a subsidiary of the Company. Another bank borrowing of HK$10 million was secured by the corporate guarantee from a subsidiary of the Company, the personal guarantee from the non-controlling shareholder of that subsidiary and the Group's leasehold land and buildings of HK$16,042,000 (Note 16).

As at 31 December 2012, bank borrowing of HK$12,000 of one of the Company's subsidiaries was secured by a charge over proceeds from documentary credit and an all-monies debenture over the assets and an undertaking of the subsidiary. The subsidiary's secured bank borrowing was subject to the fulfilment of covenants relating to the subsidiary's net asset position, as were commonly found in lending arrangements with financial institutions. Should the subsidiary breach the covenants, the drawn down facilities would become payable on demand. At the end of each reporting period, none of the covenants relating to drawn down facilities had been breached.

Effective interest rate of the bank borrowings ranged from 1.44% to 2.54% (2012: 1.52% to 2.35%) per annum for the year.

30. FINANCE LEASE LIABILITIES – GROUP

	2013	2012
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	527	6,335
Due in the second to fifth year	–	527
	527	6,862
Future finance charges on finance leases	(1)	(109)
Present value of finance lease liabilities	526	6,753
Present value of minimum lease payments:		
Due within one year	526	6,227
Due in the second to fifth year	–	526
	526	6,753
Less: Portion due within one year included under current liabilities	(526)	(6,227)
Non-current portion included under non-current liabilities	–	526

The Group entered into finance leases for various items of machineries. These leases run for initial periods of four years (2012: four years). These leases do not have options to renew or any contingent rental provisions.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default of repayment by the Group.

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31. OTHER PAYABLES – GROUP

As at 31 December 2012, the balance represented the outstanding payable to the vendors for the acquisition to APOL by the Group and was repayable on 28 December 2014.

On 27 December 2013, the Group entered into a supplemental agreement with the vendors to decrease the outstanding payable from HK$32,000,000 to HK$30,240,000 while the repayment date was changed from 28 December 2014 to 28 December 2013. The balance was fully settled during the year. The gain on early settlement of HK$1,760,000 was recognised in the profit or loss during the year.

32. DEFERRED TAX

Deferred taxation is calculated on temporary differences under liability method using the rates of taxation prevailing in the countries in which the Group operates.

Group

Movements of major deferred tax liabilities/(assets) recognised in the statement of financial position during the current and prior year are as follows:

	Accelerated tax depreciation	Fair value adjustments arising from acquisition of subsidiaries	Impairment of trade receivables	Write-down of inventories	Provision of staff benefit costs	Non competition covenants	Temporary difference on withholding tax on undistributed profits of PRC subsidiaries	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	12,820	634	–	–	–	–	–	13,454
(Credited)/Charged to profit or loss	(11,954)	(17)	–	(1,495)	(1,451)	–	14,364	(553)
Acquisition of subsidiaries (Note 40)	(29)	–	(857)	–	–	122	–	(764)
At 31 December 2012 and 1 January 2013	837	617	(857)	(1,495)	(1,451)	122	14,364	12,137
Exchange differences	(41)	–	–	(37)	(35)	–	–	(113)
(Credited)/Charged to profit or loss	(568)	–	–	(1,168)	(5,571)	–	2,060	(5,247)
At 31 December 2013	228	617	(857)	(2,700)	(7,057)	122	16,424	6,777

For the purpose of presentation in the statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013	2012
	HK$'000	HK$'000
Deferred tax assets	(10,614)	(3,803)
Deferred tax liabilities	17,391	15,940
	6,777	12,137

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32. DEFERRED TAX (continued)

Group (continued)

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investment enterprises established in the PRC. Effective from 1 January 2008, a lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate to the Group is 10%. The Group is liable to withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of earnings generated from 1 January 2008.

Company

No deferred tax has been provided in the financial statements of the Company as there are no temporary differences.

At the reporting date, the major components of unrecognised deductible temporary differences are as follows:

	Group		Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Difference between depreciation and depreciation allowance	(443)	(1,065)	–	–
Unutilised tax losses	18,239	15,160	5,910	4,197
	17,796	14,095	5,910	4,197

The deductible temporary differences have not been recognised in the financial statements as it is not probable that future taxable profit will be available against which these deductible temporary differences can be utilised. All tax losses and deductible temporary differences of the Group and the Company have no expiry dates under the current tax legislation.

As at 31 December 2013, deferred tax liabilities of HK$774,000 (2012: HK$176,000) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's subsidiaries established in the PRC as the Group controls the dividend policy of these subsidiaries and the Directors are of the opinion that profits will not probably be distributed in the foreseeable future.

33. SHARE CAPITAL

	2013		2012	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	HK$'000	'000	HK$'000
Authorised:				
Ordinary shares of HK$0.20 each	500,000	100,000	500,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.20 each				
At 1 January	328,160	65,632	320,592	64,118
Shares issued upon exercise of share options (Note 34)	4,250	850	7,568	1,514
At 31 December	332,410	66,482	328,160	65,632

34. SHARE-BASED EMPLOYEE COMPENSATION

Share option scheme of the Company

The share option scheme ("the Share Option Scheme") was adopted by the Company pursuant to its resolution passed on 13 July 2007 and expires on 12 July 2017. The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing the value of the Group and its shares for the benefit of the Company and its shareholders as a whole. The board of directors may, at its discretion, offer to directors, employees of any member of the Group, any advisors and service providers of any member of the Group, options to subscribe for the shares in the Company at a price not less than the highest of: (i) the closing price of the shares of the Company on the SEHK on the date of offer of the option; (ii) the average of the closing prices of the shares on the SEHK for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option irrespective of numbers of share options granted. The options vest on the condition that the grantee is a director or employee of any member of the Group or any advisor and service provider of any member of the Group from the date of options grant to the commencement date of the exercisable period of the options.

The options are exercisable at any time during the period to be determined and notified by the Directors to the grantee at the time of making an offer in respect of any particular option which shall not expire later than ten years from the date of grant.

The share-based employee compensation is to be settled by the issue of the Company's ordinary shares. The Group has no legal or constructive obligation to repurchase or settle the options other than in the Company's ordinary shares.

Details of the share options granted under the Share Option Scheme are as follows:

Date of grant	Number of options granted	Vesting period	Exercisable period	Exercise price per share
				HK$
11.06.2010	2,190,000	11.06.2010 to 10.06.2011	11.06.2011 to 10.06.2015	1.600
11.06.2010	2,190,000	11.06.2010 to 10.06.2012	11.06.2012 to 10.06.2015	1.600
23.06.2010	4,860,000	23.06.2010 to 22.06.2011	23.06.2011 to 22.06.2015	1.636
23.06.2010	4,860,000	23.06.2010 to 22.06.2012	23.06.2012 to 22.06.2015	1.636
16.12.2011	250,000	16.12.2011 to 15.12.2012	16.12.2012 to 15.12.2016	2.000
16.12.2011	250,000	16.12.2011 to 15.12.2013	16.12.2013 to 15.12.2016	2.000

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34. SHARE-BASED EMPLOYEE COMPENSATION (continued)

Share option scheme of the Company (continued)

The following table shows the movements in the outstanding options granted under the Share Option Scheme:

Grantees	Number of share options Outstanding at 1 January 2013	Exercised during the year	Outstanding at 31 December 2013
Employees	5,624,000	(4,250,000)	1,374,000
Weighted average exercise price	HK$1.663	HK$1.643	HK$1.654

Grantees	Number of share options Outstanding at 1 January 2012	Exercised during the year	Lapsed during the year	Transfer during the year*	Outstanding at 31 December 2012
Directors	4,500,000	(2,400,000)	–	(2,100,000)	–
Employees	8,804,000	(5,168,000)	(112,000)	2,100,000	5,624,000
Total	13,304,000	(7,568,000)	(112,000)	–	5,624,000
Weighted average exercise price	HK$1.594	HK$1.543	HK$1.600	–	HK$1.663

* For the year ended 31 December 2012, Ms. Chow So Chu resigned as director of the Company but continued to be employed by the Company as consultant. Accordingly, the share options granted to her have been reclassified.

Notes:

(i) No new share options were granted during the years ended 31 December 2012 and 2013.

(ii) The following significant assumptions were used to derive the fair values of the options granted under the Share Option Scheme, using the Black-Scholes option pricing model:

Date of grant	16.12.2011	23.6.2010
Expected volatility	41.28%	43.60%
Expected life (in years)	4	4
Risk-free interest rate (being the approximate yield of Exchange Fund on the grant date)	0.728%	1.298%
Expected dividend yield	5%	4.94%

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated in the measurement of fair value.

(iii) Share-based employee compensation expense in respect of share option scheme of HK$52,000 (2012: HK$740,000) was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 with a corresponding credit in equity. No liabilities were recognised as these were all equity-settled share-based payment transactions.

(iv) As at 31 December 2013, 1,374,000 (2012: 5,374,000) share options are exercisable and the weighted average exercise price of these share options is HK$1.654 (2012: HK$1.65).

(v) As at 31 December 2013, the weighted average remaining contractual life for the outstanding share options is 633 days (2012: 949 days).

(vi) The weighted average closing price of the shares of the Company quoted on the Stock Exchange immediately before the dates on which the options were exercised was HK$2.714 (2012: HK$3.102).

34. SHARE-BASED EMPLOYEE COMPENSATION (continued)

Share option scheme of a subsidiary

A new share option scheme ("the 1010 Share Option Scheme") was adopted by 1010 Printing Group Limited, a subsidiary of the Company, pursuant to its resolution passed on 22 April 2013 and effective for a period of ten years commencing from the adoption date. The purpose of the 1010 Share Option Scheme is to reward participants who have contributed to the 1010 Printing Group Limited and its subsidiaries ("1010 Group") and to encourage participants to work towards enhancing the value of the 1010 Group and its shares for the benefit of 1010 Printing Group Limited and its shareholders as a whole. The board of directors of 1010 Printing Group Limited may, at its discretion, offer to directors, employees of any member of the 1010 Group, any advisors and service providers of any member of the 1010 Group, options to subscribe for the shares in the 1010 Printing Group Limited at a price not less than the highest of: (i) the closing price of the shares of the 1010 Printing Group Limited on the SEHK on the date of offer of the option; (ii) the average of the closing prices of the shares on the SEHK for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option irrespective of numbers of share options granted. The options vest on the condition that the grantee is a director or employee of any member of the 1010 Group or any advisor and service provider of any member of the 1010 Group from the date of options grant to the commencement date of the exercisable period of the options.

The options are exercisable at any time during the period to be determined and notified by the directors of 1010 Printing Group Limited to the grantee at the time of making an offer in respect of any particular option which shall not expire later than ten years from the date of grant.

The share-based employee compensation is to be settled by the issue of the ordinary shares of 1010 Printing Group Limited. The 1010 Group has no legal or constructive obligation to repurchase or settle the options other than in the ordinary shares of 1010 Printing Group Limited. During the year, there is no share option issued under the 1010 Share Option Scheme.

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34. SHARE-BASED EMPLOYEE COMPENSATION (continued)

Share award scheme of a subsidiary

During the year, a new share award scheme ("1010 Share Award Scheme") was adopted by 1010 Printing Group Limited. The purpose of the 1010 Share Award Scheme was to recognise and motivate the contribution of participants and to incentivise them to further the operation and development of 1010 Group and to attract suitable personnel for the 1010 Group. The 1010 Share Award Scheme shall be valid and effective for a term of ten years commencing from the adoption date. During the year, 10,360,000 share awards were granted to 21 employees. The market value of the share awards on the grant date which represented the fair value of those shares amounted to HK$9,531,000. Equity-settled share-based payment expenses in respect of share award scheme of HK$976,000 have been recognised in profit or loss for the year.

Date of approval by Board	Date of award	Awarded sum	Number of shares purchased	Number of awarded shares	Average fair value per share	Number of awarded shares vested during the year	Vesting period
		HK$'000			HK$		
30/12/2013	28/1/2014	920	N/A	1,000,000	0.97	–	2 months
30/12/2013	31/12/2014	3,873	N/A	4,210,000	0.97	–	13 months
30/12/2013	28/1/2015	920	N/A	1,000,000	0.97	–	14 months
30/12/2013	28/12/2015	3,680	N/A	4,000,000	0.97	–	25 months
30/12/2013	31/12/2015	138	N/A	150,000	0.97	–	25 months

35. RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 30 to 31.

	Company					
	Share premium	Employee compensation reserve	Contributed surplus	Proposed final and special dividends	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	95,396	4,146	20,290	128,284	8,968	257,084
Equity-settled share-based payment expense	–	740	–	–	–	740
Exercise of share options	12,883	(2,720)	–	–	–	10,163
Final 2011 dividends paid (Note 14)	–	–	–	(128,284)	(1,361)	(129,645)
Share issue expenses	(41)	–	–	–	–	(41)
Share options lapsed	–	(43)	–	–	43	–
Profit for the year	–	–	–	–	126,255	126,255
Interim 2012 dividend paid (Note 14)	–	–	–	–	(26,191)	(26,191)
Proposed final and special 2012 dividends (Note 14)	–	–	–	98,589	(98,589)	–
At 31 December 2012 and 1 January 2013	108,238	2,123	20,290	98,589	9,125	238,365
Equity-settled share-based payment expense	–	52	–	–	–	52
Exercise of share options	7,815	(1,637)	–	–	–	6,178
Final 2012 dividends paid (Note 14)	–	–	–	(98,589)	(717)	(99,306)
Share issue expenses	(31)	–	–	–	–	(31)
Profit for the year	–	–	–	–	85,884	85,884
Interim 2013 dividend paid (Note 14)	–	–	–	–	(26,497)	(26,497)
Proposed final 2013 dividends (Note 14)	–	–	–	66,488	(66,488)	–
At 31 December 2013	116,022	538	20,290	66,488	1,307	204,645

The Company's reserves available for distribution comprise its contributed surplus and retained earnings.

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For the year ended 31 December 2013

35. RESERVES (continued)

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

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

36. OPERATING LEASE COMMITMENTS

Group

AS LESSOR

As at 31 December 2013, the total future minimum lease receivables of the Group under non-cancellable operating leases in respect of rented office premises are receivable as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	234	–
In the second to fifth years, inclusive	121	–
	355	–

The Group leases out its investment properties under operating lease arrangements with terms ranging from one to two years. None of the leases include contingent rentals.

AS LESSEE

As at 31 December 2013, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	Rented premises and production facilities		Internet access line	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	13,883	14,508	130	198
In the second to fifth years inclusive	45,317	48,256	48	–
Over five years	13,782	22,371	–	–
	72,982	85,135	178	198

The Group leases a number of properties and production facilities and internet access line under operating leases. The leases run for an initial period ranged from one to eight years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

Company

The Company does not have operating lease commitments as at 31 December 2012 and 2013.

37. CAPITAL COMMITMENTS

	Group		Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Contracted but not provided for in respect of acquisition of property, plant and equipment	950	902	–	–

38. CORPORATE GUARANTEES

	Group		Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Corporate guarantees given and utilised	–	–	–	5,970

As at 31 December 2012, the Company provided corporate guarantees to its wholly owned subsidiaries for the banking facilities to the extent of HK$12,000,000, of which HK$5,970,000 was utilised.

In the opinion of the directors of the Company, no material liabilities will arise from the above guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Company is immaterial.

39. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed its entire interests in Cin Concept Limited to independent third parties at the consideration of HK$2. Its net assets at the date of disposal are as follows:

	HK$'000
Trade and other receivables	399
Cash and cash equivalents	307
Trade and other payables	(57)
Provision for taxation	(89)
Amount due to intermediate holding company	(157)
Amount due to immediate holding company	(392)
	11
Loss on disposal of a subsidiary	(11)
Total consideration satisfied by cash	–
Net cash outflow arising on disposal:	
Cash consideration	–
Cash and cash equivalents disposed of	(307)
	(307)

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For the year ended 31 December 2013

39. DISPOSAL OF A SUBSIDIARY (continued)

During the year ended 31 December 2012, the Group disposed its entire interests in 上海獵英人才服務有限公司 to independent third parties at the consideration of RMB2. Its net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	38
Trade and other receivables	140
Cash and cash equivalents	461
Trade and other payables	(624)
Provision for taxation	(12)
	3
Loss on disposal of a subsidiary	(3)
Total consideration satisfied by cash	–
Net cash outflow arising on disposal:	
Cash consideration	–
Cash and cash equivalents disposed of	(461)
	(461)

40. BUSINESS COMBINATION

On 12 December 2012, the Group entered into the share transfer agreement with independent third parties to acquire the entire issued share capital of APOL at a consideration of HK$160 million. APOL was engaged in the business of printing, binding, colour separation and other printed and non-printed books, magazines and other printed material. The acquisition of this company allowed the Group to broaden its client base in the Europe and the United States of America.

The acquisition was completed on 28 December 2012. On 28 December 2012, the Group owned 93.33% equity interest in APOL whilst the remaining equity interest in APOL was transferred to the Group on 28 December 2013. According to the share transfer agreement, the Group had already obtained all the rights for the entire equity interest of APOL (including the right to all dividends declared) since 28 December 2012. Goodwill of HK$56,132,000 arose on the acquisition of APOL, reflecting the benefits of revenue growth and future market development of APOL which will contribute to the Group's existing printing services. Amounts of HK$100 million and HK$28 million were paid in December 2012 and February 2013 respectively. According to the share transfer agreement, the remaining consideration of HK$32 million shall be payable on 28 December 2014. On 27 December 2013, the Group entered into a supplemental agreement, pursuant to which:

(a) the remaining consideration of HK$32 million shall be lowered by 5.5% from HK$32,000,000 to HK$30,240,000; and

(b) the due date of the remaining consideration shall be changed from 28 December 2014 to the subsequent completion date (i.e. 28 December 2013).

An amount of HK$30,240,000 was settled in December 2013. Accordingly, gain on early settlement of payables for the acquisition of APOL amounted to HK$1,760,000 has been recognised in other income (Note 7).

The acquired business contributed revenue of HK$1,191,000 and profit after income tax of HK$67,000 to the Group for the period from 28 December 2012 to 31 December 2012.

40. BUSINESS COMBINATION (continued)

Had the acquisition occurred on 1 January 2012, the Group's revenue and profit after income tax would have been HK$2,007,802,000 and HK$226,238,000 respectively for the year ended 31 December 2012. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

Details of net assets acquired were as follows:

	HK$'000
Purchase consideration – cash paid	100,000
Other payables (included in trade and other payables under current liabilities)	28,000
Other payable (under non-current liabilities)	32,000
Fair value of net assets acquired (see below)	(103,868)
Goodwill (Note 20)	56,132
Purchase consideration settled in cash	(100,000)
Cash and cash equivalents acquired	4,298
Cash outflow on acquisition of subsidiaries	(95,702)

Assets and liabilities arising from this acquisition were as follows:

	Fair value	Acquiree's carrying amount
	HK$'000	HK$'000
Property, plant and equipment	186	186
Intangible assets – non competition covenants	741	–
Deferred tax assets	886	886
Inventories	11,444	11,444
Trade and other receivables	153,165	153,165
Cash and cash equivalents	4,298	4,298
Trade and other payables	(56,950)	(56,950)
Bank borrowings	(12)	(12)
Provision for taxation	(9,768)	(9,768)
Deferred tax liabilities	(122)	–
Net assets acquired	103,868	103,249

The fair value of trade and other receivables at the date of acquisition amounted to HK$153,165,000 which was also the gross contractual amounts of these trade and other receivables acquired. None of the contractual cash flows of the above amount was estimated to be uncollectible.

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41. RELATED PARTY TRANSACTIONS AND BALANCES
Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed in Notes 21 and 22 to the financial statements, details of other significant transactions between the Group and other related parties during the year are disclosed as follows:

(a) Related party transactions

Name of related party	Nature of transactions	2013	2012
		HK$'000	HK$'000
Related company			
OGP Management Corporation	Rental expenses	–	631

For the year ended 31 December 2012, rental expenses were charged by a related company, OGP Management Corporation, in which the non-controlling interest of a subsidiary has controlling interest, for leasing of office premises. The lease runs for a period of one year and the monthly rental was determined at the market rate at the date when the lease arrangement was entered into.

The above related party transactions constituted exempted connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the SEHK.

(b) Compensation of key management personnel
The key management personnel of the Group are the directors of the Company. The remuneration of the key management personnel is determined by the remuneration committee having regard to the performance of the individuals and market trends. Details of the remuneration paid to them are set out in Note 10(a) to the financial statements.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/establishment and type of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
1010 Printing Group Limited 匯星印刷集團有限公司	9 March 2011	Bermuda, limited liability company	Ordinary	HK$7,700,000 (2012: HK$5,000,000)	60.32% (2012: 59.98%)	Investment holding, Hong Kong
1010 Group Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$81,000,000	60.32% (2012: 59.98%)	Investment holding, Hong Kong
1010 Printing International Limited 匯星印刷國際有限公司	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	60.32% (2012: 59.98%)	Printing, Hong Kong
1010 Printing (UK) Limited *	2 January 2007	United Kingdom, limited liability company	Ordinary	GBP1,000	60.32% (2012: 59.08%)	Printing agency, United Kingdom
1010 Printing Asia Limited	3 April 2007	Hong Kong, limited liability company	Ordinary	HK$1	60.32% (2012: 59.98%)	Printing, Hong Kong
1010 Printing Limited 匯星印刷有限公司	5 February 2010	Hong Kong, limited liability company	Ordinary	HK$1	60.32% (2012: 59.98%)	Printing, Hong Kong

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/establishment and type of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
1010 Printing (Australia) Pty Limited *	10 October 2008	Australia, limited liability company	Ordinary	AUD2	60.32% (2012: 59.98%)	Provision for printing services, Australia
Express Ocean Investment Limited 飛洋投資有限公司	5 May 2008	Hong Kong, limited liability company	Ordinary	HK$2,000	48.26%# (2012: 47.98%)	Property investment, Hong Kong
O.G. Printing Productions Limited 海濤製作有限公司	11 August 1989	Hong Kong, limited liability company	Ordinary	HK$500,000	60.32% (2012: 47.98%#)	Provision of graphic design services, Hong Kong
Oceanic Graphic International Inc.	12 August 2011	United States of America, limited liability company	Ordinary	US$100,000	60.32% (2012: 47.98%#)	Printing, United States of America
惠州市匯星印刷有限公司*	28 January 2011	PRC, sino-foreign equity enterprise	N/A	RMB150,000,000 (registered capital)	29.56%## (2012: 29.39%)	Production and distribution of books and periodicals, PRC
Central Publisher Limited 卓越出版社有限公司	26 September 1997	Hong Kong, limited liability company	Ordinary	HK$1,000	100%	Publishing and investment trading, Hong Kong
Recruit (BVI) Limited	15 March 2000	British Virgin Islands, limited liability company	Ordinary	US$10,000	100%	Investment holding, Hong Kong
Recruit (China) Holdings Limited 才庫(中國)控股有限公司	3 November 2004	British Virgin Islands, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
Recruit Group Limited	8 January 2007	British Virgin Islands, limited liability company	Ordinary	US$10,000	100%	Investment holding, Hong Kong
Recruit Human Resources Group Limited 才庫招聘資源有限公司	7 April 2005	British Virgin Islands, limited liability company	Ordinary	US$2,564,102	100%	Investment holding, Hong Kong
Recruit Information Technology Limited 才庫媒體集團有限公司	7 November 2003	Hong Kong, limited liability company	Ordinary	HK$1,000	100%	Provision of website development and information technology services, Hong Kong
Recruit & Company Limited (formerly known as Recruit Management Services Limited 才庫管理有限公司)	13 April 2006	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of corporate management service, Hong Kong
CinMedia Limited 先傳媒有限公司	26 July 2004	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of advertising services, Hong Kong
台灣先傳媒有限公司 CinMedia (Taiwan) Limited	12 January 2010	Taiwan, limited liability company	Ordinary	TWD250,000	100%	Provision of advertising services, Taiwan
Mega Form Inc. Limited 大豐興業有限公司	2 July 2008	Hong Kong, Limited liability company	Ordinary	HK$1	100%	Investment holding, Hong Kong
Media Services Limited (formerly known as Recruit Advertising Limited 才庫廣告有限公司)	30 April 1999	Hong Kong, limited liability company	Ordinary	HK$52,000,000	100%	Provision of advertising services, Hong Kong
Easking Limited 宜勁有限公司	15 September 2004	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of advertising services, Hong Kong
廣州海瑩廣告有限公司* Arabesque Advertising Limited	1 February 2005	PRC, limited liability company	N/A	HK$1,900,000 (registered capital)	100%	Provision of advertising services, PRC
才庫企業管理顧問(上海)有限公司* Recruit Management Consulting (Shanghai) Company Limited	5 January 2005	PRC, limited liability company	N/A	US$2,000,000 (registered capital)	100%	Investment holding and provision of corporate management service, PRC
海蘊廣告(上海)有限公司* Iguazu (Shanghai) Advertising Company Limited	8 December 2008	PRC, limited liability company	N/A	US$300,000 (registered capital)	100%	Provision of advertising services, PRC

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42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/establishment and type of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
Eastern Inflight Magazine Productions Limited 中國香港航機雜誌製作有限公司	12 February 2004	British Virgin Islands, limited liability company	Ordinary	US$100	100%	Provision of advertising services, Hong Kong
Southern Inflight Magazine Production Limited 東南航機雜誌製作有限公司	19 April 2005	Anguilla, limited liability company	Ordinary	US$1	100%	Provision of advertising services, Hong Kong
上海海譽廣告有限公司*	20 May 2011	PRC, limited liability company	N/A	RMB1,000,000 (registered capital)	100%	Provision of advertising services, PRC
Asia Pacific Offset Limited	15 December 1978	Hong Kong, limited liability company	Ordinary	HK$150,000	60.32%### (2012: 55.98%)	Provision of printing services, Hong Kong

* BDO Limited is not the statutory auditors of the accounts of these companies. The English translation of Chinese names of PRC subsidiaries, if any, is included for identification only and should not be regarded as their official English translation.

^ All principal subsidiaries are indirectly held by the Company except for Recruit (BVI) Limited.

\# The Group's interests in these companies were held by the Company's subsidiary, 1010 Printing Group Limited which held 80% of the issued shares of each of these companies.

\## The Group's interest in this company are 49% held directly by 1010 Printing International Limited, a subsidiary of the Company, and 51% held on trust by a third party on behalf of 1010 Printing International Limited. In the opinion of the Directors, 1010 Printing International Limited has full control on this company by way of contractual agreements entered into among 1010 Printing International Limited, the company and the registered shareholders. Accordingly, the company is a wholly owned subsidiary of 1010 Printing International Limited.

\### As at 31 December 2012, 93.33% equity interest in this company was owned by a subsidiary of the Company. The remaining 6.67% equity interest would be acquired on 28 December 2013. As the Group had obtained full control and all the rights for the entire equity interest of this company on 28 December 2012, the company was deemed as a wholly owned subsidiary of the Company as at 31 December 2012. During the year, the remaining 6.67% equity interest was acquired by the Group.

During the year, 1010 Printing Group Limited, a subsidiary of the Company, increased its share capital by (1) issuing 200,000,000 shares by way of rights issue at a subscription price of HK$0.50 per share on the basis of two new shares for every five existing shares held by shareholders on 14 March 2013; and (2) issuing 70,000,000 shares by way of one bonus share for every ten existing shares held by shareholders on 2 May 2013. The Group received capital contribution from non-controlling interests of HK$40,021,000 from the rights issue of 1010 Printing Group Limited.

During the year, the Company increased its shareholdings in 1010 Printing Group Limited from 59.98% to 60.32% by acquiring 2,592,000 shares of 1010 Printing Group Limited at the consideration of HK$2,141,000. This transaction resulted in loss on acquisition of non-controlling interests of HK$55,000, which is included in "other reserve" in the equity and attributed to the owners of the Company.

During the year, 1010 Printing Group Limited, a 60.32% owned subsidiary of the Company, increased its shareholdings in O.G. Printing Productions Limited and Oceanic Graphic International Inc. from 80% to 100% and increased its shareholdings in 1010 Printing (UK) Limited from 98.5% to 100% at the total consideration of HK$477,000. These transactions resulted in loss on acquisition of non-controlling interests of HK$121,000, which is included in "other reserve" in the equity and attributed to the owners of the Company.

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

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

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	Group		Company	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Current assets				
Financial assets at fair value through profit or loss – held for trading	1,498	870	–	–
Loans and receivables:				
– Trade and other receivables	442,357	483,555	–	–
– Amounts due from subsidiaries	–	–	325,273	339,879
– Pledged cash and bank balances	33,365	7,297	–	–
– Cash and cash equivalents	382,522	442,982	152,059	246,140
	859,742	934,704	477,332	586,019
Financial liabilities				
Current liabilities				
Financial liabilities at fair value through profit or loss – held for trading	–	718	–	–
Financial liabilities measured at amortised cost:				
– Trade and other payables	281,099	289,277	564	467
– Amounts due to subsidiaries	–	–	270,093	343,873
– Bank borrowings	64,612	118,297	–	–
– Finance lease liabilities	526	6,227	–	–
Non-current liabilities				
Financial liabilities measured at amortised cost:				
– Finance lease liabilities	–	526	–	–
– Other payables	–	32,000	–	–
	346,237	447,045	270,657	344,340

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

For the year ended 31 December 2013

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (continued)

		2013 – Group			
		Level 1	Level 2	Level 3	Total
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Listed securities held for trading	(a)	804	–	–	804
Forward foreign exchange contracts	(b)	–	694	–	694
Net fair values		804	694	–	1,498

		2012 – Group			
		Level 1	Level 2	Level 3	Total
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Assets/(Liabilities)					
Listed securities held for trading	(a)	870	–	–	870
Forward foreign exchange contracts	(b)	–	(718)	–	(718)
Net fair values		870	(718)	–	152

There have been no significant transfers between levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value remain unchanged compared to the previous reporting periods.

(a) Listed securities

The listed debt and equity securities are denominated in Hong Kong dollars. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) Derivatives

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximizes the use of observable market inputs e.g. market currency and interest rates (Level 2). Most derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts.

44. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial instrument risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by closely monitoring the individual exposure.

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to a variety of risks which resulted from its operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out as follows:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's financial assets are summarised in Note 43 above.

The directors of the Company consider the Group does not have a significant concentration of credit risk. The top five customers accounted for less than 35% of total sales during the year. In this regard, the Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The Group also continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group for a number of years and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 24 to the financial statements.

The Group has deposited its cash with various banks and brokers. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major reputable banks and financial institutions located in Hong Kong and the PRC.

Notes to the Financial Statements

For the year ended 31 December 2013

44. FINANCIAL RISK MANAGEMENT (continued)

(b) Currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Most of the sales transactions of the Group are denominated in United States Dollars ("US$"), Australian Dollars ("AUD"), RMB and HK$ and there are expenses and capital expenditures denominated in US$, RMB and HK$. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly US$, AUD and RMB.

To mitigate the impact of exchange rate fluctuations, the Group continuously assesses and monitors the exposure to foreign currency risk. During the year, management of the Group had used foreign currency forward contracts to hedge the exposure to foreign exchange risk when the need arises.

Foreign currency denominated financial assets of the Group are as follows:

2013	US$'000	RMB'000	AUD'000
Trade and other receivables	41,386	12,293	4,154
Cash and cash equivalents	14,480	111,812	2,945
Bank borrowings	(4,500)	–	–
Trade and other payables	(3,305)	(45,410)	(69)
	48,061	78,695	7,030
Notional amounts of forward foreign exchange contracts	4,724	6,207	(5,000)
	52,785	84,902	2,030

2012	US$'000	RMB'000	AUD'000
Trade and other receivables	37,068	17,959	5,256
Cash and cash equivalents	16,317	108,160	622
Trade and other payables	(2,669)	(5,967)	(61)
	50,716	120,152	5,817
Notional amounts of forward foreign exchange contracts	(1,030)	–	2,000
	49,686	120,152	7,817

The following table illustrates the sensitivity of the net results for the year and retained earnings with regard to the Group's foreign currency denominated financial assets and liabilities at the reporting date and the reasonably possible changes in the foreign exchange rates in the next twelve months to which the Group has significant exposure at the reporting date, based on the assumption that other variables are held constant. Changes in foreign exchange rates have no impact on the Group's other components of equity.

44. FINANCIAL RISK MANAGEMENT (continued)

(b) Currency risk (continued)

Group

	2013		2012	
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		HK$'000		HK$'000
US$	0.1%	408	0.6%	2,301
	(0.1%)	(408)	(0.6%)	(2,301)
RMB	2.4%	2,567	0.8%	1,182
	(2.4%)	(2,567)	(0.8%)	(1,182)
AUD	13.9%	1,919	1.3%	803
	(13.9%)	(1,919)	(1.3%)	(803)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(c) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for deposits held in banks, certain bank borrowings and finance lease contracts. Cash at bank earns interest at floating rates based on the daily bank deposit rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. The terms of repayment of bank borrowings and obligations under finance leases are set out in Notes 29 and 30 to the financial statements respectively.

During the year, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationships with its bankers 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 long term. The Group has net current assets of HK$630,652,000 (2012: HK$566,729,000) and net assets of HK$906,934,000 (2012: HK$813,805,000) as at 31 December 2013. In the opinion of directors, the Group's exposure to liquidity risk is limited.

Notes to the Financial Statements

For the year ended 31 December 2013

44. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

The following table details the remaining contractual maturities at each of the reporting dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the reporting date) and the earliest date the Group may be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity is required to pay, that is if the banks were to invoke the unconditional rights to call the loans with immediate effect.

Group

	Carrying amount	Total contractual undiscounted cash flow	Within three months or on demand	More than three months but less than one year	More than one year but less than five years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2013					
Non-derivative financial liabilities					
Trade and other payables	281,099	281,099	272,433	8,666	–
Finance lease liabilities	526	527	527	–	–
Bank borrowings	64,612	64,612	64,612	–	–
	346,237	346,238	337,572	8,666	–
As at 31 December 2012					
Non-derivative financial liabilities					
Trade and other payables	321,277	321,277	321,277	–	–
Finance lease liabilities	6,753	6,862	1,584	4,751	527
Bank borrowings	118,297	118,297	118,297	–	–
	446,327	446,436	441,158	4,751	527
Derivative financial liabilities					
Gross settled forward foreign exchange contacts – cash outflow/(inflow)	718	718	777	(59)	–
	718	718	777	(59)	–

44. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

The table that follows summarises the maturity analysis of those term loans with repayment on demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment and such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

Group

	Carrying amount	Total contractual undiscounted cash flow	Within three months or on demand	More than three months but less than one year	More than one year but less than five years	Over five years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Term loans subject to repayment on demand clause based on scheduled repayments:						
31 December 2013	64,612	67,291	6,156	18,286	39,772	3,077
31 December 2012	118,297	123,072	23,832	28,714	66,199	4,327

Company

	Carrying amount	Total contractual undiscounted cash flow	Within three months or on demand	More than three months but less than one year	More than one year but less than five years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2013					
Other payables	564	564	564	–	–
Amounts due to subsidiaries	270,093	270,093	270,093	–	–
	270,657	270,657	270,657	–	–
As at 31 December 2012					
Other payables	467	467	467	–	–
Amounts due to subsidiaries	343,873	343,873	343,873	–	–
	344,340	344,340	344,340	–	–
Financial guarantees issued					
Maximum amount guaranteed	5,970	5,970	5,970	–	–

Notes to the Financial Statements

For the year ended 31 December 2013

44. FINANCIAL RISK MANAGEMENT (continued)

(e) Other pricing risk

The Group has invested in listed equity securities which are measured at fair value at each reporting date. Therefore, the Group is exposed to equity price risk. The Group monitors the price movements and takes appropriate action when it is required. Sensitivity of the Group's profit after tax and retained earnings to a reasonable change in the equity price is assessed to be immaterial. Changes in equity prices have no impact on other components of equity.

(f) Fair values

The directors of the Company consider the fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amounts.

45. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

- To support the Group's stability and growth; and

- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2012 and 2013 amounted to approximately HK$813,805,000 and HK$906,934,000 respectively, which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

Financial Summary

For the year ended 31 December 2013

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new or amended HKFRSs as appropriate, is set out below:

FINANCIAL RESULTS

	Financial year ended 31 December				
	2009	2010	2011	2012	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	698,119	1,152,539	1,425,492	1,526,041	1,719,694
Profit before income tax	101,772	182,311	214,776	251,125	221,521
Income tax expense	(8,940)	(12,810)	(22,836)	(62,207)	(48,227)
Profit for the year	92,832	169,501	191,940	188,918	173,294
Attributable to:					
Owners of the Company	80,490	157,528	173,842	161,732	125,399
Non-controlling interests	12,342	11,973	18,098	27,186	47,895
Profit for the year	92,832	169,501	191,940	188,918	173,294

	As at 31 December				
	2009	2010	2011	2012	2013
	HK'$000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	594,780	836,064	1,145,522	1,337,381	1,283,569
Total liabilities	(209,637)	(287,073)	(367,243)	(523,576)	(376,635)
Total equity	385,143	548,991	778,279	813,805	906,934

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lau Chuk Kin
Ms. Lam Mei Lan

Non-Executive Directors
Mr. Wan Siu Kau *(Chairman)*
Mr. Lee Ching Ming, Adrian
Mr. Peter Stavros Patapios Christofis

Independent Non-Executive Directors
Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Ho David

COMPANY SECRETARY
Ms. Lam Mei Lan *FCPA, FCCA*

COMPLIANCE OFFICER
Mr. Lau Chuk Kin

AUTHORISED REPRESENTATIVES
Mr. Lau Chuk Kin
Ms. Lam Mei Lan

AUDIT COMMITTEE
Mr. Ho David *(Chairman)*
Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco

REMUNERATION COMMITTEE
Mr. Cheng Ping Kuen, Franco *(Chairman)*
Mrs. Ling Lee Ching Man, Eleanor
Mr. Ho David

NOMINATION COMMITTEE
Mr. Wan Siu Kau *(Chairman)*
Mr. Lau Chuk Kin
Mr. Ho David
Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco

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