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ORANGE SKY GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

橙天嘉禾娛樂(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1132)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

	2013	2012	Changes	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	%
		(Restated)		
The Group				
Turnover	929	798	+131	+16%
Gross profit	565	477	+88	+18%
Profit before taxation	116	87	+29	+33%
Profit attributable to equity holders	115	96	+19	+20%
Basic earnings per share	4.29 cents	3.58 cents		

- Turnover increased by 16% to HK\$929 million
- Gross profit grew by HK\$88 million to HK\$565 million
- Profit attributable to equity holders increased to HK\$115 million from HK\$96 million
- Cinema admissions we served on a full and aggregated basis was 40 million across cinema networks in Hong Kong, Mainland China, Taiwan and Singapore as a whole
- Cash on hand was HK\$535 million

* For identification purposes only

RESULTS

The Board (the “Board”) of directors (the “Directors” and each a “Director”) of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2013 together with the comparative figures. The comparative figures have been restated upon adoption of Hong Kong Financial Reporting Standard 11, *Joint Arrangements*, which is effective for annual periods beginning on or after 1 January 2013. Details of the changes are set out in note 2. The consolidated results have been reviewed by the auditors and the audit committee of the Company (the “Audit Committee”) and the figures have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s consolidated financial statements for the year and the amounts were found to be in agreement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	As at 31 December 2013 <i>HK\$'000</i>	As at 31 December 2012 <i>HK\$'000</i> (Restated)	As at 1 January 2012 <i>HK\$'000</i> (Restated)
Non-current assets			
Fixed assets			
— Investment properties	149,264	—	—
— Property, plant and equipment	1,345,280	1,043,912	848,628
	1,494,544	1,043,912	848,628
Interests in joint ventures	344,619	371,132	299,152
Interests in associates	13,713	6,876	—
Other receivables, deposits and prepayments	210,662	144,232	88,018
Club memberships	2,490	2,490	2,490
Trademark	79,785	79,785	79,785
Goodwill	73,658	73,658	73,658
Deferred tax assets	29,512	22,235	6,947
Pledged bank deposits	46,905	46,850	21,845
	2,295,888	1,791,170	1,420,523
Current assets			
Inventories	4,977	3,626	3,898
Available-for-sale equity securities	—	—	20,000
Film rights	46,741	58,071	67,363
Trade receivables	126,586	83,056	64,221
Other receivables, deposits and prepayments	160,532	142,248	121,618
Deposits and cash	534,536	575,031	606,888
	873,372	862,032	883,988

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013 (continued)

	As at 31 December 2013 HK\$'000	As at 31 December 2012 HK\$'000 (Restated)	As at 1 January 2012 HK\$'000 (Restated)
Current liabilities			
Bank loans	323,581	285,098	68,467
Trade payables	101,137	95,275	67,901
Other payables and accrued charges	155,634	162,246	157,162
Deferred revenue	162,758	106,717	91,362
Obligations under finance leases	8,988	4,905	–
Taxation payable	9,871	7,899	14,432
	<u>761,969</u>	<u>662,140</u>	<u>399,324</u>
Net current assets	<u>111,403</u>	<u>199,892</u>	<u>484,664</u>
Total assets less current liabilities	<u>2,407,291</u>	<u>1,991,062</u>	<u>1,905,187</u>
Non-current liabilities			
Bank loans	611,576	325,354	376,345
Obligations under finance leases	18,045	12,356	–
Deferred tax liabilities	12,338	12,112	8,002
	<u>641,959</u>	<u>349,822</u>	<u>384,347</u>
NET ASSETS	<u>1,765,332</u>	<u>1,641,240</u>	<u>1,520,840</u>
Capital and Reserves			
Share capital	267,982	267,982	268,419
Reserves	1,486,689	1,366,111	1,245,532
Total equity attributable to equity holders of the Company	<u>1,754,671</u>	<u>1,634,093</u>	<u>1,513,951</u>
Non-controlling interests	<u>10,661</u>	<u>7,147</u>	<u>6,889</u>
TOTAL EQUITY	<u>1,765,332</u>	<u>1,641,240</u>	<u>1,520,840</u>

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial results set out in the announcement do not constitute the Group's statutory financial statements for the year ended 31 December 2013, but are extracted from those financial statements.

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

The impacts of these developments are discussed below:

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

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

HKFRS 11, Joint arrangements

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

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

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

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

**Impact on the results for
the year ended 31 December 2012**

	As previously reported for the year ended 31 December 2012 HK\$'000	Retrospective effect of change in accounting policy in 2013 HK\$'000	Restated results for the year ended 31 December 2012 HK\$'000
Attributable to:			
Equity holders of the Company	95,987	–	95,987
Non-controlling interests	1,717	(1,477)	240
Profit for the year	<u>97,704</u>	<u>(1,477)</u>	<u>96,227</u>
Earnings per share			
Basic	<u>3.58 cents</u>	<u>–</u>	<u>3.58 cents</u>
Diluted	<u>3.58 cents</u>	<u>–</u>	<u>3.58 cents</u>
Profit for the year	<u>97,704</u>	<u>(1,477)</u>	<u>96,227</u>
Other comprehensive income for the year:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of:			
— overseas subsidiaries	6,467	–	6,467
— overseas joint ventures	17,328	(232)	17,096
	<u>23,795</u>	<u>(232)</u>	<u>23,563</u>
Total comprehensive income for the year	<u>121,499</u>	<u>(1,709)</u>	<u>119,790</u>
Total comprehensive income attributable to:			
Equity holders of the Company	119,639	(107)	119,532
Non-controlling interests	1,860	(1,602)	258
Total comprehensive income for the year	<u>121,499</u>	<u>(1,709)</u>	<u>119,790</u>

**Impact on the financial position
as at 31 December 2012**

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

**Impact on the financial position
as at 31 December 2012**

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

**Impact on the financial position
as at 1 January 2012**

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

**Impact on the financial position
as at 1 January 2012**

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

HKFRS 12, *Disclosure of interests in other entities*

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

HKFRS 13, *Fair value measurement*

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

3 SEGMENT REPORTING

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

- Hong Kong
- Mainland China
- Taiwan
- Singapore

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

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

Segment revenue and results

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

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

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

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

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

	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										(Restated)
Revenue from external customers										
— Exhibition	176,106	223,492	674,698	524,773	457,088	430,096	399,735	362,981	1,707,627	1,541,342
— Distribution and production	74,712	73,529	41,074	6,120	4,110	11,801	9,345	14,917	129,241	106,367
— Corporate	1,252	2,314	—	—	—	—	—	—	1,252	2,314
Reportable segment revenue	252,070	299,335	715,772	530,893	461,198	441,897	409,080	377,898	1,838,120	1,650,023
Reportable segment profit after taxation	49,569	37,482	3,563	3,863	33,717	46,419	53,262	55,140	140,111	142,904
Reconciliation — Revenue										
Reportable segment revenue									1,838,120	1,650,023
Share of revenue from joint ventures in Taiwan and Singapore									(870,278)	(819,795)
Elimination of intra-segmental revenue									(5,920)	(4,018)
Others									(32,588)	(28,298)
									<u>929,334</u>	<u>797,912</u>
Reconciliation — Profit before taxation										
Reportable profit after taxation from external customers									140,111	142,904
Unallocated operating expenses, net									(25,125)	(46,917)
Non-controlling interests									191	240
Income tax									1,230	(9,527)
Profit before taxation									<u>116,407</u>	<u>86,700</u>

4 PROFIT BEFORE TAXATION

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

	2013	2012
	HK\$'000	HK\$'000
		(Restated)
(a) Finance costs		
Interest on bank loans wholly repayable		
— within five years	16,346	17,257
— after five years	30,222	15,818
	<u>46,568</u>	<u>33,075</u>
Finance charges on obligations under finance leases	2,136	494
Other ancillary borrowing costs	6,174	4,329
	<u>8,310</u>	<u>4,823</u>
Total finance costs on financial liabilities not at fair value through profit or loss	54,878	37,898
Less: Finance costs capitalised into leasehold improvements*	(7,500)	(13,000)
	<u>47,378</u>	<u>24,898</u>

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

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

(c) Other net income

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

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

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

The provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% of the estimated assessable profits for the year. No provision was made for Hong Kong Profits Tax for last year as the tax losses brought forward from previous years exceeded the estimated assessable profits for the year.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

6 EARNINGS PER SHARE

(a) Basic earnings per share

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

Weighted average number of ordinary shares (basic and diluted)

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

(b) Diluted earnings per share

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

7 TRADE RECEIVABLES

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

The Group

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

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

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, the concentration of credit risk is not considered significant. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate their fair value.

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

8 TRADE PAYABLES

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

The Group

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF ACCOUNTING POLICY

Starting from 2013, the adoption of new accounting standard HKFRS 11, *Joint Arrangements*, has changed the Group's accounting for its joint ventures in Taiwan and Singapore, which were accounted for using the proportionate consolidation method in prior periods, to the equity method. Accordingly, the comparative figures have been restated and the financial impact on the consolidated financial statements has been disclosed in note 2.

OPERATION AND FINANCIAL REVIEW

Riding on steady recovery of the global economy as well as satisfactory performance of mature cinemas in our operating territories during the year, the Group showed an impressive growth in 2013. During the year, the Group's profit attributable to equity holders increased 20% to HK\$115 million as compared with last year. The Group's turnover rose by 16% to HK\$929 million and the gross profit margin was maintained at 61% (2012: 60%). Box office receipts of the Group's multiplexes in Mainland China increased 39%. However, box office receipts of Hong Kong's cinemas recorded a decline of 28% when compared to last year due to the closure of GH Mongkok and temporary closure of two cinemas for renovation. The Group's operating EBITDA amounted to HK\$258 million, representing a rise of 44% from HK\$179 million last year. Up to the date of the announcement, the board of directors of a joint venture (Vie Show Cinemas Co. Ltd) has not approved its financial statements for the year ended 31 December 2013 and has not provided written representations in this regard as they need more time to finalise the financial statements. Therefore, the auditor of Vie Show Cinemas Co. Ltd currently was unable to issue an audit opinion in respect of the financial statements.

As at 31 December 2013, the cash and cash equivalents of the Group amounted to HK\$535 million (2012: HK\$575 million). The Group's gearing ratio increased to 30% (2012: 24%). It was mainly due to the increase in the bank borrowings for the Group's development of cinema networks in Mainland China and the purchase of office premises in Hong Kong during the year.

BUSINESS REVIEW

Film Exhibition

During the year, the Group opened 7 cinemas with 48 screens in Mainland China and 1 "the sky" cinema with 5 houses and 1 deluxe "Vivo" house in Hong Kong. As at 31 December 2013, the Group operated 77 cinemas with 574 screens across Mainland China, Hong Kong, Taiwan and Singapore. The Group's cinemas served 40 million guests, compared to 34 million guests last year. Gross box office receipts on a full and aggregated basis, were registered at HK\$2,198 million, representing a gradual growth of 11% from last year. The major Hollywood blockbusters released this year were *Iron Man 3*, *Fast & Furious 6*, *Pacific Rim* and *Marvel's Thor: The Dark World*. The major Chinese-language blockbusters were *Journey to the West: Conquering the Demons* (西遊：降魔篇), *So Young* (致我們終將逝去的青春) and *Personal Tailor* (私人訂制) in Mainland China, *Unbeatable* (激戰) in Hong Kong, *David Loman* (大尾鱸鰻) in Taiwan and *Ah Boys to Men: Part 2* (新兵正傳2) in Singapore.

OPERATING STATISTICS OF THE GROUP'S CINEMAS

	Mainland		Taiwan	Singapore
	China	Hong Kong		
Number of cinemas*	49 (<i>note</i>)	6	11	11
Number of screens*	354	24	109	87
Admissions (<i>million</i>)	12.9	2.0	15.3	9.7
Net average ticket price (<i>HK\$</i>)	39	69	62	58

* as at 31 December 2013

Note: 2 more cinemas in Mainland China have completed construction and are applying for licenses, which are expected to open in April/May 2014

The Group is committed to provide a high-class, comfortable and diversified viewing experience for our valuable audiences. All screens in the Group's operating regions have been fully installed with digital equipment, of which over 60% are 3D compatible. The Group has installed 2 digital IMAX® screens in Tianjin multiplex and Changzhou multiplex and ultra-high resolution SONY 4K Projection System in most of our Mainland China multiplexes. In Hong Kong, the Group introduced its very first “the sky” new concept cinema at Olympian City and giant screen at Ocean Centre, both cinemas are equipped with the most advanced panorama Dolby Atmos sound system and D-Box Motion Chairs. In Taiwan, the Group is the exclusive digital IMAX® operator and has 6 digital IMAX® screens. During the year, 1 traditional screen has been converted to a 4DX theatre equipped with motion seats plus special effects such as wind, fog, lighting and scents; a new business-class multiplex served by a dedicated catering team was also introduced. In Singapore, the Group operates 6 Gold Class multiplexes with private lounges and plush electronic recliner seats installed to accommodate our VIPs and members.

Apart from providing the best visual and audio experience to our audiences, the Group also offers a wide variety of quality food and beverages to cater for rapid changing consumer expectations on ancillary movie-going experience.

Non-box office receipts on a full and aggregated basis totalled HK\$783 million, representing a growth of 7% compared to last year. In Mainland China, a new candy counter branded “L’Oranger” was introduced during the year, selling different types of sweet products like macaroons, cakes, tarts and chocolate with a relatively higher price point. In Taiwan, we introduced self-made popcorn in some cinemas which allows customers to participate in part of the food making process so as to enhance their joyful experience at our cinemas. With all these new and innovative business trials, we aim at strengthening our non-box office income growth and ultimately drive the overall profitability for cinema operation.

Mainland China

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN MAINLAND CHINA

	2013	2012
Number of cinemas*	49 (note)	42
Number of screens*	354	306
Admissions (<i>million</i>)	12.9	8.3
Net average ticket price (<i>RMB</i>)	31	35
Gross box office receipts ticket price (<i>RMB million</i>)#	438	315

* *as at 31 December 2013*

before deduction of government taxes and charges

Note: 2 more cinemas in Mainland China have completed construction and are applying for licenses, which are expected to open in April/May 2014

In 2013, the market gross box office receipts of urban areas in Mainland China increased to RMB21.8 billion by 27% while the Group's gross box office receipts generated by multiplexes in Mainland China increased by 39% compared with last year. During the year, the Group opened 7 new cinemas with 48 screens in the cities of Beijing, Dongguang, Fushun, Jinan, Maanshan, Nantong and Yancheng. Thanks to a strong Chinese films line-up during the year, growing demand for a high quality entertainment experience and favorable policies implemented by the Chinese government, the Group's multiplexes in Mainland China served approximately 13 million patrons, representing 56% growth from last year. The average ticket price dropped from RMB35 to RMB31 because fewer 3D films with higher ticket prices were released during the year and more discount promotions were offered for our newly opened multiplexes as well as special group ticket promotion campaigns to maintain our competitiveness with other cinema operators. We shall further refine and upgrade our cinema service by offering a better value for money experience to drive the growth of the average ticket price and increase our concessionary sales income with better margins. The contribution from the exhibition business in Mainland China to the Group is still under pressure due to the incubation period of newly opened cinemas.

Hong Kong

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN HONG KONG

	2013	2012
Number of cinemas*#	6	6
Number of screens*#	24	26
Admissions (<i>million</i>)	2.0	2.9
Net average ticket price (<i>HK\$</i>)	69	66
Gross box office receipts ticket price (<i>HK\$ million</i>)	139	193

* as at 31 December 2013

Mongkok GH Cinema was closed in February 2013 while “the sky “ at Olympian City was opened in late December 2013

During the year, the Hong Kong market as a whole recorded box office receipts of HK\$1.62 billion, slightly up by 4% from HK\$1.56 billion last year. The Group's cinemas in Hong Kong recorded lower box office receipts at HK\$139 million this year (2012: HK\$193 million) due to the closure of GH Mongkok with 8 screens in February 2013, two-month partial closure of GH Tsing Yi and two-month full closure of Grand Ocean for renovation. Excluding GH Mongkok, the total box office receipts of the other cinemas increased by approximately 14% which indeed outperformed the general market growth for the year. In late December 2013, the Group opened its very first new concept cinema “the sky” at Olympian City, a high-end 6-house cinema all equipped with the most advanced Dolby Atmos sound system; a “Vivo” deluxe house with comfortable electronic recliner seats together with unlimited serving of soft drinks and popcorn to our audiences; wide-range food and beverage choices offered to our patrons make “the sky” stand out from other competitors. Affirmed by an overwhelming and positive response from the market, the Group is evaluating other suitable locations in the region to open “the sky” to further enhance our corporate image and competitiveness in the industry.

Taiwan

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN TAIWAN

	2013	2012
Number of cinemas*	11	11
Number of screens*	109	109
Admissions (<i>million</i>)	15.3	13.9
Net average ticket price (<i>NTD</i>)	238	244
Gross box office receipts ticket price (<i>NTD million</i>)	3,639	3,391

* as at 31 December 2013

Taipei City's market box office receipts showed a mild rise by 5% from NTD3,616 million to NTD3,795 million. The Group's 35.71%-owned Vie Show cinema circuit recorded 7% and 10% growth in box office receipts and admissions respectively as compared with last year. The growth was mainly due to the satisfactory performance of Hsinchu Big City which opened in April 2013. The slight decline in average ticket price was mainly due to the effect of fewer popular 3D films with higher ticket prices released during the year. The market share of Vie Show in Taiwan remained at about 42%. During the year, Vie Show has converted 1 traditional screen to the first 4DX multiplex in Taiwan. The Group's share of profit for the year from Vie Show declined to HK\$34 million. The decrease of film royalty income contributed to the drop in both revenue and profit for the year 2013. In addition, increases in rental and utilities expenses also contributed to the operating pressure within the region.

Singapore

OPERATING STATISTICS OF THE GROUP'S CINEMAS IN SINGAPORE

	2013	2012
Number of cinemas*	11	11
Number of screens*	87	87
Admissions (<i>million</i>)	9.7	9.1
Net average ticket price (<i>S\$</i>)	9.3	9.2
Gross box office receipts ticket price (<i>S\$ million</i>)	91	83

* as at 31 December 2013

The Singapore market's box office receipts totalled S\$204 million in 2013, mildly up from S\$194 million last year. The Group's 50%-owned Golden Village cinema circuit maintained its leading position with market share of 45% by reporting box office receipts of S\$91 million for the year with approximately 10% growth compared with last year. Newly opened GV City Square in November 2012, newly renovated GV Jurong Point and GV Plaza Singapura performed well and contributed satisfactory results to the Group. During the year, GV Grand was temporarily closed for renovation from September to October 2013 which affected the bottom line in the short term. Excluding the impact of tax credits from settlement of a tax dispute and reversal of tax provisions due to the retrospective application of new tax legislation amounting to HK\$6 million in aggregate in 2012, the Group's share of profit for the year from Golden Village increased to HK\$53 million by 8% compared to last year.

Film & TV Programme Distribution and Production

It was a fruitful year for the Group's film & TV programme distribution and production business. This business sector recorded revenue of HK\$129 million (2012: HK\$110 million) and distributed over 127 films in Mainland China, Hong Kong, Singapore and Taiwan. In Mainland China, the Group's invested film *No Man's Land* was finally released in early December 2013 after a four-year censorship approval which has become a hot topic for

discussion before official launch. *No Man's Land* recorded RMB24 million box office receipts on the first day launch and topped the box office throne. The accumulated box office receipts finally reached over RMB250 million and generated satisfactory earnings to the Group. For distribution, the Group distributed good quality overseas films such as *Colombiana* and *Iron Lady* in Mainland China, with gross box office receipts over RMB55 million in total. In Hong Kong, the Group distributed several well-received Chinese films like *Out Of Inferno*, *Rigor Mortis* and *The White Storm* during the year. The Group will continue to expand our distribution business across Asia-Pacific regions and Mainland China by sourcing more quality films from both overseas film festival and local productions. In addition, the Chinese TV drama series *諜戰深海* contributed positive returns to the Group during the year. The Group's film library of more than 140 films and TV titles with perpetual distribution rights continued to contribute steady licensing income to the Group.

PROSPECTS

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

As at 28 March 2014, the Group operated 49 cinemas with 354 screens in Mainland China and 4 cinemas with 28 screens are in various stages of internal renovation and are in the pipeline for opening. By end of 2015, the Group expects to operate 29 cinemas with 220 screens in various cities in Mainland China based on lease agreements signed as at 28 March 2014. The captioned numbers above may vary due to the actual handover date, the progress of internal renovation, application for relevant licences and the entering of new lease agreements during the period. In Taiwan, the Group plans to renovate one cinema and open two new cinemas in Maoli and Tainan in the second half of 2014. In Singapore, the Group also plans to renovate one cinema and open a 11 screens cinema in the last quarter of 2014. To drive our box office income, the Group will put more effort in increasing the numbers of admission by introducing and providing higher quality service, advance and comfortable dynamic viewing experiences and various food & beverage choices to attract more patrons. The Group will also try to develop new business models which can increase our non-box office income and customer spending per person. In addition, standardisation of work and operation process as well as cost control policies will also help to improve the profitability in specific regions.

The outlook for 2014 is that the Group will continue to expand the scale of distribution and production business through sourcing a variety of movie genres for distribution and reviewing quality scripts for Chinese language film and TV drama series co-production. The Group will participate in small-medium scale Chinese language film production. The remake of "Golden Harvest Classic Movie Series" project has already started in 2013. For instance, *Fly me to the Polaris 2* is not just the extension of Cecilia Cheung and Richie's version of *Fly Me to Polaris*, but a more contemporary story with new production crews using pioneer ultra-high-definition Sony 4K digital filming techniques. The film is in full swing preparatory phase and is expected to reach our audiences in 2014.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained a stable financial position throughout the year. It financed its operations from internal funding, bank borrowings and accumulated retained earnings. As at 31 December 2013, the Group had cash and cash equivalents amounting to HK\$535 million (2012: HK\$575 million). The Group's outstanding bank loans totalled HK\$935 million (2012: HK\$610 million). The increase in bank loans was mainly for financing various cinema projects in Mainland China and office premises purchased in Hong Kong. As at 31 December 2013, the Group's gearing ratio, calculated on the basis of external borrowings over total assets stood at 30% (2012: 24%). As at 31 December 2013, the group has HK\$47 million pledged cash balance to secure its borrowings. Management will continue to monitor the gearing structure and make necessary adjustments in light of changes in the Group's development plan and economic conditions to minimise the potential risk. Currently, the Group has strong liquidity and reasonable financial leverage. In order to cope with the rapid expansion, the Group will utilise the available bank loan facilities to finance the cinema projects in Mainland China and other investment opportunities. The Group believes that its current cash holding and available banking facilities will be sufficient to fund its working capital requirement and its financial position remains sound for continuous expansion.

The Group's assets and liabilities are principally denominated in Hong Kong dollar and Renminbi, except for certain assets and liabilities associated with the investments in Singapore and Taiwan. The overseas joint ventures of the Group are operating in their local currencies and subject to minimal exchange rate risk. Management will continue to assess the exchange rate risk exposure, and will consider possible hedging measures in order to minimise the risk at reasonable costs. The Group did not have any significant contingent liabilities or off-balance sheet obligations as at 31 December 2013 (2012: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group had 1,426 (2012: 1,395) permanent employees. The Group remunerates its employees mainly by reference to industry practice. In addition to salaries, commissions and discretionary bonuses, incentive share options may be granted to certain employees subject to individual performance. The Group also operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance and as at 31 December 2013, there was no forfeited contribution arising from employees leaving the retirement benefit scheme.

FINAL DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year ended 31 December 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). The Company has made specific enquiries with all the Directors and all of them have confirmed that they had complied with the requirements set out in the Model Code and the Company's code for the year ended 31 December 2013.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

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

For the year ended 31 December 2013, the Company has complied with the code provisions of the CG Code except that pursuant to code provision A.4.1 of the CG Code, non-executive directors of a listed issuer should be appointed for a specific term and subject to re-election. All non-executive Directors were not appointed for a specific term but are subject to the requirement of retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, accomplishing the same purpose as being appointed for a specific term.

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

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in accordance with the CG Code. The Audit Committee is delegated by the Board to assess matters related to the financial statements and to perform the duties, including reviewing the Company's financial controls and internal control, financial and accounting policies and practices and the relationship with the external auditor. The Audit Committee has reviewed the systems of internal control and the financial statements for the year ended 31 December 2013.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The Company's auditor has qualified its report on the Group's consolidated financial statements for the year ended 31 December 2013, an extract of which is as follows:

Basis for qualified opinion

As stated in note 15 to the financial statements, the Group has applied the equity method of accounting for its investment in Vie Show Cinemas Co. Ltd ("Vie Show"), to include in the Group's consolidated financial statements for the year ended 31 December 2013 the Group's share of the results and net assets of Vie Show for the year ended 31 December 2013 and as at that date.

Up to the date of this report, the directors of Vie Show have not approved its financial statements for the year ended 31 December 2013 and have not provided written representations in this regard. Therefore the component auditor of Vie Show was unable to provide us with an audit opinion in respect of these financial statements in accordance with Hong Kong Standard on Auditing 600 ("HKSA 600"), *Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)*. As there were no other satisfactory audit procedures that we could adopt, we were unable to fulfil the requirements of HKSA 600.

Consequently, we were unable to apply the requirements of all of the applicable auditing standards and we were unable to determine whether any adjustments were necessary to the carrying amount of the Group's investment in Vie Show and the Group's share of the results of this joint venture as included in the Group's consolidated financial statements as at and for the year ended 31 December 2013.

Any adjustments that might have been found to be necessary in respect of the carrying amount of the investment in Vie Show as at 31 December 2013 would have a consequential effect on the Group's net assets as at 31 December 2013, and the Group's profit for the year then ended and related disclosures in these financial statements.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company 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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the year ended 31 December 2013 will be dispatched to the shareholders and made available on the same websites in due course.

By Order of the Board
**Orange Sky Golden Harvest
Entertainment (Holdings) Limited**
WONG KWAN LAI
Company Secretary

Hong Kong, 28 March 2014

List of all Directors as of the time issuing this announcement:

Chairman and Executive Director:

Mr. Wu Kebo

Executive Directors:

Mr. Mao Yimin

Mr. Tan Boon Pin Simon

Mr. Li Pei Sen

Ms. Wu Keyan

Independent Non-executive Directors:

Mr. Leung Man Kit

Mr. Huang Shao-Hua George

Ms. Wong Sze Wing