



**China Digital Culture (Group) Limited**  
**中國數碼文化(集團)有限公司**

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)  
(Stock Code: 8175)

**Annual Report 2014**

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*This report, for which the directors (the “Directors”) of China Digital Culture (Group) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Hsu Tung Sheng (*Chairman*)  
Hsu Tung Chi (*Chief Executive Officer*)  
Pang Hong Tao  
Chang Li Cheng (resigned on 14 April 2014)

### Independent Non-executive Directors

Kwok Chi Sun, Vincent  
Leung Hiu Kong, Edward (resigned on 7 July 2014)  
Wong Tak Shing  
Chang Ching Lien (appointed on 7 July 2014)

## AUDIT COMMITTEE

Kwok Chi Sun, Vincent  
Leung Hiu Kong, Edward (resigned on 7 July 2014)  
Wong Tak Shing  
Chang Ching Lien (appointed on 7 July 2014)

## REMUNERATION COMMITTEE

Kwok Chi Sun, Vincent  
Leung Hiu Kong, Edward (resigned on 7 July 2014)  
Hsu Tung Chi  
Chang Ching Lien (appointed on 7 July 2014)

## NOMINATION COMMITTEE

Kwok Chi Sun, Vincent  
Hsu Tung Chi  
Wong Tak Shing

## COMPANY SECRETARY

Chan Kin Ho, Philip

## COMPLIANCE OFFICER

Hsu Tung Chi

## AUTHORISED REPRESENTATIVES

Hsu Tung Chi  
Chan Kin Ho, Philip

## AUDITOR

Mazars CPA Limited  
*Certified Public Accountants*

## LEGAL ADVISER

PHILLIPS Solicitors

## REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2801A, Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

## SHARE REGISTRAR

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

## PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

## WEBSITE ADDRESS

[www.cdculture.com](http://www.cdculture.com)

## STOCK CODE

8175

# FINANCIAL HIGHLIGHTS

	For the year ended 31 December				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
<b>RESULTS</b>					
Turnover	6,973	29,315	28,691	48,623	<b>115,384</b>
(Loss) Profit for the year attributable to:					
Equity holders of the Company	(21,452)	(37,857)	(68,928)	5,294	<b>24,890</b>
Non-controlling interests	(7,640)	2,506	(29,326)	1,707	<b>7,753</b>
(Loss) Profit for the year	(29,092)	(35,351)	(98,254)	7,001	<b>32,643</b>

## ASSETS AND LIABILITIES

	As at 31 December				2014 HK\$'000
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	
Total assets	200,617	184,552	93,053	329,530	<b>404,760</b>
Total liabilities	(48,247)	(55,061)	(41,949)	(46,622)	<b>(47,076)</b>
Non-controlling interests	(5,912)	(8,506)	20,820	(14,023)	<b>(21,274)</b>
Net assets attributable to equity holders of the Company	146,458	120,985	71,924	268,885	<b>336,410</b>

Note:

The Company was incorporated in the Cayman Islands on 10 October 2002 and continued in Bermuda on 19 December 2012. The Company became the holding company of the Group on 15 January 2003 as a result of the Group Reorganisation.



# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board"), we hereby present the annual report of China Digital Culture (Group) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2014.

## RESULTS PERFORMANCE

2014 was a successful year for the Company. In 2013, the Group focused on acquiring controlling interests in existing subsidiaries in order to consolidate and capitalize on profitable operations from these subsidiaries. Restructuring efforts in 2013 paid off in 2014 and the Company realized significant growth in both turnover and profit from continuing operations.

During the year, the Group recorded a turnover from continuing operations of approximately HK\$115,384,000, an increase of approximately 169% from approximately HK\$42,918,000 for the previous financial year. Profit from continuing operations attributable to equity holders of the Company increased 420% to approximately HK\$24,890,000 in 2014 compared to approximately HK\$4,786,000 in 2013.

The profit in 2014 was primarily due to: 1) consolidated full year financial figures from the sports and entertainment segments resulting from the acquisition of additional equity interest in subsidiaries in 2013 and 2) the success of the entertainment segment to invest in popular movie and musical productions.

## LATEST DEVELOPMENT

The Company is building towards becoming an integrated media and entertainment platform with strong business segments focusing in all aspects of the cultural industry. In order to expand current operations and build on existing media/entertainment synergies, the Company, through contractual arrangements, acquired 100% of the economic benefits from a PRC television and movie production company with operations in talent management.

## OUTLOOK

As we enter into 2015, the Company will continue to develop its core business segments but also seek new investment opportunities to expand operations. Our vision is to provide premier media, entertainment and cultural content through various channels to audiences worldwide.

To achieve this vision, our future plans include:

- Strategic investments in both regional and overseas movie, television and musical productions
- Acquisitions of businesses operating in other cultural sectors
- Continued development and expansion of current licensing operations

Finally, on behalf of the Board, I would like to express my heartfelt thanks to all shareholders, investors and customers for their support, and all members of the Board and staff for their dedication and contribution to the Group.

**Hsu Tung Sheng**  
*Chairman*

Hong Kong, 31 March 2015





# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Licensed Content Business

#### e-Licensing Business

During the year, the e-Licensing business recorded a turnover of approximately HK\$115,384,000 (2013: HK\$42,918,000) and a profit before taxation of approximately HK\$42,429,000 (2013: HK\$12,038,000).

In order to refocus the Group's efforts on sports and entertainment media, the Group began its restructuring efforts in 2013 by acquiring controlling interests in Nova Dragon International Limited ("Nova Dragon"), Orient Digital Entertainment Company Limited ("ODE") and Socle Limited ("Socle"). The Group also acquired an additional 46.61% equity interest in Far Glory Limited, a non-wholly owned subsidiary of the Company ("Far Glory"). As a result, the Group allocates operations under two business segments: (i) sports and (ii) entertainment.

The profit in 2014 was primarily due to: 1) consolidated full year financial figures from the sports and entertainment segments resulting from the acquisition of additional equity interest in subsidiaries in 2013 and 2) the success of the entertainment segment to invest in popular movie and musical productions.

#### Sports Segment

The sports segment includes the athlete management and sports content licensing business which is operated by Nova Dragon and Socle, respectively.

During the year, the sports segment recorded a turnover of approximately HK\$66,617,000 (2013: HK\$19,250,000) and a profit before taxation and unallocatable income, expenses and finance costs of approximately HK\$32,832,000 (2013: HK\$12,713,000). The profit was mainly contributed by Nova Dragon and Socle.

Nova Dragon and its subsidiaries are principally engaged in assisting professional athletes, such as Jeremy Lin (林書豪), an NBA player, with marketing and promotional activities worldwide. Nova Dragon obtained marketing contracts and sponsorships for Jeremy Lin from the KFC Group, Volvo Car Corporation and Proctor and Gamble from 2012 through 2014.

Socle and its subsidiaries are principally engaged in the licensing of sports content and is one of the foremost providers of sports and entertainment content in the PRC; including licenses such as the China Football Association Super League, AFC Champions League, East Asian Football Championship and many more.

#### Entertainment Segment

The entertainment segment includes the music and movie/television content licensing business and the investment in movie and musical productions which is operated by Far Glory and ODE, respectively.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the entertainment segment recorded a turnover of approximately HK\$48,767,000 (2013: HK\$23,668,000) and a profit before taxation and unallocatable income, expenses and finance costs of approximately HK\$30,930,000 (2013: HK\$12,594,000). The profit was mainly contributed by ODE.

The Group currently holds the music rights from Golden Typhoon, a leading Chinese music label. Golden Typhoon Group represents a number of top-tier Taiwanese, Cantonese, and Mainland Chinese talents and also holds an extensive music library of over 600,000 pieces of music. Further, Golden Typhoon Group is the exclusive agent for EMI with regard to the distribution of digital music in the Greater China Region, as well as the distribution agent for numerous records produced worldwide. With our newfound collaboration with Golden Typhoon Group, the Group offers subscribers of China Unicom and other potential music platforms more exciting and robust music content.

ODE and its subsidiaries are principally engaged in the business of promotion, sales and distribution of movie and television licensed content worldwide and the organization of music concerts, programs and related services. ODE also invests in the production of movies and musicals. In 2014, the Company invested in two films and one musical, 軍中樂園, 大喜臨門 and An American in Paris, respectively.





# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the year ended 31 December 2014, the Group recorded a turnover from continuing operations of approximately HK\$115,384,000, an increase of approximately 169% from approximately HK\$42,918,000 for the previous financial year.

During the reporting period, administrative expenses from continuing operations incurred by the Group were approximately HK\$30,080,000 (2013: HK\$25,417,000).

During the reporting period, the Group recorded HK\$5,758,000 (2013: HK\$3,288,000) in selling and distribution costs.

As a result of the aforesaid figures, the Group reported a net profit attributable to equity holders of the Company for the year amounted to approximately HK\$24,890,000 (2013: HK\$5,294,000).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had current assets of approximately HK\$143,243,000 (2013: HK\$95,720,000) and current liabilities of approximately HK\$47,076,000 (2013: HK\$46,622,000). The current assets were comprised mainly of bank balances and cash of approximately HK\$20,979,000 (2013: HK\$21,451,000) and accounts and other receivables of approximately HK\$122,264,000 (2013: HK\$74,269,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK\$26,919,000 (2013: HK\$34,884,000). The Group had no bank borrowings as at 31 December 2014 and 2013. As at 31 December 2014, the Group had a current ratio of approximately 3.04 as compared to that of 2.05 as at 31 December 2013.

Most of the business transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2014, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 10 November 2014 (after trading hours), Sky Asia Investments Limited ("Sky Asia"), an indirect wholly owned subsidiary of the Company, has entered into the Undertaking Agreement with the Undertaking Parties, pursuant to which the Undertaking Parties undertake to procure 北京東方力恒影視傳媒有限公司 (Beijing East Liheng Television Media Co. Ltd.) ("Liheng") and themselves to enter into contractual arrangements with Lianyi Huizhong, a direct wholly owned subsidiary of Sky Asia at an aggregate consideration of HK\$24,000,000. Liheng is principally engaged in the business of producing television drama series and talent management. Liheng possesses a valid television program production license. The details of the contractual arrangement and undertaking agreement are disclosed in the announcements dated 10 November 2014, 31 December 2014 and 6 February 2015. On 18 February 2015, the Undertaking Agreement was completed.



# MANAGEMENT DISCUSSION AND ANALYSIS

On 8 December 2014, 深圳創展企業形象策劃有限公司 (Shenzhen Chuangzhan Corporate Image Planning Limited), an indirect non-wholly owned subsidiary of the Company entered into the Disposal Agreement with the Purchaser (Zhou Yi Xiao) concerning the Disposal of 100% of the equity interest in 體奧動力(北京)體育傳播有限公司 (China Sports (Beijing) Media Limited) at a consideration of RMB4,000,000. On 31 December 2014, the Disposal was completed.

Save as discussed above, the Group has made no other material acquisitions nor disposals of subsidiaries and affiliated companies of the Company during the year ended 31 December 2014.

## FOREIGN EXCHANGE RISK

Since almost all transactions of the Group are denominated either in Hong Kong dollars and Renminbi and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

## CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no material contingent liabilities.

## EMPLOYEE INFORMATION

As at 31 December 2014, the Group had 43 (2013: 47) full-time employees. Employee costs for the year 2014, excluding directors' emoluments, amounted to approximately HK\$10,157,000 (2013: HK\$6,186,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

The Group also adopts an employee share option scheme to provide eligible employees performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code Provision") as set out in Appendix 15 of the GEM Listing rules. The Company has complied with the Code Provision throughout the year ended 31 December 2014.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2014.

## BOARD OF DIRECTORS AND BOARD MEETINGS

The board members for the year ended 31 December 2014 and up to the date of this report were:

### Executive directors:

Mr. Hsu Tung Sheng (*Chairman*)

Mr. Hsu Tung Chi (*Chief Executive Officer*)

Mr. Pang Hong Tao

Mr. Chang Li Cheng (resigned on 14 April 2014)

### Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent

Mr. Wong Tak Shing

Mr. Leung Hiu Kong, Edward (resigned on 7 July 2014)

Mr. Chang Ching Lien (appointed on 7 July 2014)

The Board is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, material transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the day-to-day management, administration and operation of the Company are delegated to the senior management. These responsibilities include the implementation of decisions of the Board, the coordination and direction of day-to-day operation and management of the Company in accordance with the strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior management and the Board has the full support of them to discharge its responsibilities.

The directors' biographical information is set out on pages 16 and 17 of this Annual Report. All executive directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

# CORPORATE GOVERNANCE REPORT

In compliance with the requirements under Rules 5.05(1) and (2) of the GEM Listing Rules, the Company appointed three independent non-executive directors representing at least one-third of the board, who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. All of them have been appointed for a term of one year commencing from the date of appointment and will continue thereafter until terminated by either party giving each other not less than one month's notice. Each director should be subject to retirement by rotation at least once every three years.

Pursuant to the requirements of the GEM Listing Rules, the Company has received written confirmation from each independent non-executive director of his independence to the Company. Based on such confirmations of independence, the Company considers all of the independent non-executive directors to be independent.

The Board held a full board meeting for each quarter.

Details of the attendance of the meetings of the Board are as follows:

	Board meeting	General meeting
<b>Executive directors:</b>		
Mr. Hsu Tung Sheng	33/35	0/2
Mr. Hsu Tung Chi	34/35	2/2
Mr. Pang Hong Tao	32/35	0/2
Mr. Chang Li Cheng (resigned on 14 April 2014)	5/35	0/2
<b>Non-executive directors:</b>		
Mr. Kwok Chi Sun, Vincent	34/35	2/2
Mr. Wong Tak Shing	33/35	1/2
Mr. Leung Hiu Kong, Edward (resigned on 7 July 2014)	14/35	0/2
Mr. Chang Ching Lien (appointed on 7 July 2014)	20/35	0/2

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer of the Company are segregated and are not exercised by the same individual. Currently, Mr. Hsu Tung Sheng, who is the chairman of the Board, and is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures, whilst Mr. Hsu Tung Chi, who is the Chief Executive Officer, supported by the executive directors and senior management, is responsible for managing the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The remuneration committee was established in June 2005 with written terms of reference in compliance with the Code Provision. The remuneration committee consists of three members, of which two are independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent and Mr. Chang Ching Lien (appointed on 7 July 2014 as replacement for Leung Hiu Kong, Edward), and one is executive director, namely Mr. Hsu Tung Chi. The chairman of the committee is Mr. Kwok Chi Sun, Vincent.

The remuneration committee, with delegated responsibility, is responsible for determining remuneration packages of individual executive directors and senior management, including but not limited to directors' fees, salaries, allowances, share options, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The remuneration committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the year under review, the remuneration committee held two meeting with the following attendance:

<b>Members</b>	<b>Attendance</b>
Mr. Kwok Chi Sun, Vincent	2/2
Mr. Hsu Tung Chi	2/2
Mr. Leung Hiu Kong, Edward (resigned on 7 July 2014)	2/2
Mr. Chang Ching Lien (appointed on 7 July 2014)	0/2

## NOMINATION COMMITTEE

The Company has established a nomination committee on 23 March 2012 with written terms of reference in compliance with the GEM Listing Rules. The nomination committee comprises three members, of which one is an executive director, namely Mr. Hsu Tung Chi and two are independent non-executive directors namely Mr. Kwok Chi Sun, Vincent and Mr. Wong Tak Shing. The chairman of the committee is Mr. Kwok Chi Sun, Vincent.

The nomination committee is mainly responsible for making recommendations to the Board on appointment of directors and succession planning for the directors. The Board took into consideration criteria such as expertise, experience, the market situation and applicable laws and regulations when considering new director appointments.

During the year under review, the nomination committee held one meeting with the following attendance:

<b>Members</b>	<b>Attendance</b>
Mr. Kwok Chi Sun, Vincent	1/1
Mr. Wong Tak Shing	1/1
Mr. Hsu Tung Chi	1/1

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary responsibilities of the audit committee include the monitoring of the integrity of periodic financial statements and the annual report, interim report and quarterly reports, the review and monitoring of the auditor's independence, and the review of internal control system of the Group. The audit committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Chang Ching Lien (appointed on 7 July 2014 as replacement for Leung Hiu Kong, Edward), all of whom are independent non-executive directors. The chairman of the audit committee is Mr. Kwok Chi Sun, Vincent.

The audit committee held four meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Kwok Chi Sun, Vincent	4/4
Mr. Wong Tak Shing	4/4
Mr. Leung Hiu Kong, Edward (resigned on 7 July 2014)	2/4
Mr. Chang Ching Lien (appointed on 7 July 2014)	2/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 December 2014 have been reviewed by the audit committee during the year, who were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all directors have participated in continuous professional development by attending training courses, or reading materials/in-house briefing on the topics related to corporate governance and regulations as follows:

	Reading materials/ In-house briefing	Attending training course
<b>Executive directors:</b>		
Mr. Hsu Tung Sheng	✓	
Mr. Hsu Tung Chi	✓	
Mr. Pang Hong Tao	✓	
Mr. Chang Li Cheng (resigned on 14 April 2014)	✓	✓
<b>Independent non-executive directors:</b>		
Mr. Kwok Chi Sun, Vincent	✓	✓
Mr. Wong Tak Shing	✓	✓
Mr. Leung Hiu Kong, Edward (resigned on 7 July 2014)	✓	✓
Mr. Chang Ching Lien (appointed on 7 July 2014)	✓	✓



# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATION

During the year ended 31 December 2014, the fees paid to the auditor in respect of audit and non-audit services provided by the auditor of the Group were as follows:

<b>Nature of services</b>	<b>Amount (HK\$'000)</b>
Audit services	1,000
Other non-audit services	61

## COMPANY SECRETARY

Mr. Chan Kin Ho, Philip has been appointed as the company secretary of the Company from 1 July 2013. Mr. Chan is a Certified Public Accountant under the Hong Kong Institute of Certified Public Accountants and a member of The Association of Chartered Certified Accountants. He reports to the Board and assists the Board in functioning effectively and efficiently. During the year, Mr. Chan undertook not less than 15 hours of professional training to update his skill and knowledge.

## INTERNAL CONTROL

The Board is responsible for maintaining the Group's internal controls and reviewing the effectiveness of these controls. Internal control systems are designed to meet the particular needs of the Group and the risk to which it is exposed.

The key control procedures established by the Group are day-to-day supervision of the business by the executive directors, supported by the managers responsible for the operation and the key division support functions of finance, information system and human resources. Key elements of internal controls described below have been in place throughout the year under review:

- procedures for the approval of capital expenditure and payments;
- regular financial information provided to management for reviewing the Group's performance;
- clearly defined management structure and lines of responsibility.

## ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The statement by the external auditor about its responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this annual report.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders.



# CORPORATE GOVERNANCE REPORT

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The Company also updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

## SHAREHOLDERS' RIGHTS

### A. Procedures for the Shareholders to convene a special general meeting

Shareholders holding not less than one-tenth of the paid up capital of the Company may submit a written requisition to the Company to convene a special general meeting. The requisition must state the purpose of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong.

If the directors do not proceed duly to convene a special general meeting within twenty-one days from the deposit of the requisition, then the requisitionists (or any of them representing more than one half of the total voting rights of all of them) may themselves convene a meeting provided it is held within three months from the date of deposit of the requisition.

### B. Procedures for putting forward proposals at a Shareholders meeting

Shareholders holding not less than one-twentieth of the total voting rights of all the shareholders having a right to vote at the meeting, or not less than one hundred shareholders of the Company, may submit to the Company a written request (a) to give to the shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting or (b) to circulate to the shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

A copy of such written request signed by the requisitionists must be deposited at the registered office of the Company or the Company's principal place of business in Hong Kong not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or one week before the meeting in the case of any other requisition.

## INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Since the change of domicile with effect from 19 December 2012, the changes in the Company's constitutional documents, have been available on the websites of the Company and the Stock Exchange.



# DIRECTORS' PROFILE

## EXECUTIVE DIRECTORS

**Mr. Hsu Tung Sheng**, aged 47, was appointed as an executive director on 3 June 2009 and redesignated as chairman of the Company on 1 February 2011. Mr. Hsu is a brother of Mr. Hsu Tung Chi. Mr. Hsu holds a bachelor's degree in law from the National Chengchi University (Taiwan) (國立政治大學(台灣)). Mr. Hsu has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Hsu was a consultant of Toyota Tsusho Corporation ("Toyota Tsusho") and participated in numerous large investment projects for Toyota Tsusho. Mr. Hsu has built up a good relationship with enterprises in Japan. Mr. Hsu will be responsible for marketing, management function and business operation of the copyright management and digital licensing business of the Group. He was previously an executive director and chairman of China Neng Xiao Technology (Group) Limited, a company listed on the GEM of the Stock Exchange.

**Mr. Hsu Tung Chi**, aged 46, was appointed as an executive director and chief executive officer of the Company on 1 February 2011. Mr. Hsu is a brother of Mr. Hsu Tung Sheng. Mr. Hsu holds a bachelor's degree in Economics from Fu Jen Catholic University (輔仁大學) in Taiwan. Mr. Hsu Tung Chi has over 10 years' experience in advisory on management, operation and strategic planning. He was previously an executive director of China Neng Xiao Technology (Group) Limited, a company listed on the GEM of the Stock Exchange.

**Mr. Pang Hong Tao**, aged 46, was appointed as an executive director of the Company in July 2007. Mr. Pang holds a bachelor's degree in economics from Nankai University, the PRC and a master degree in economics from the Renmin University of China. Mr. Pang is the chairman of Finance Committee of ShanDong- HongKong SME Association. He is a member of Chinese Institute of Certified Public Accountants and China Appraisal Society, a certified consultant expert in Shan Dong province and a certified senior enterprise risk manager in Asia. Mr. Pang has over fifteen years of experience in financial management, risk management, financial budgeting and corporate finance. He has worked as a chief accountant in an international five-star hotel, the general manager in a management consultancy company and a partner in a Certified Public Accountants firm. Mr. Pang is currently the principal partner and president of a Certified Public Accountants firm in the PRC.



## DIRECTORS' PROFILE

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Kwok Chi Sun, Vincent**, aged 52, was appointed an independent non-executive director in October 2004. Mr. Kwok is also a member of the audit committee, the nomination committee and the remuneration committee of the Company, is a sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of five other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Evergreen International Holdings Limited and China Neng Xiao Technology (Group) Limited, the former four named companies are listed on the main board of the Stock Exchange while the last named company is listed on the GEM of the Stock Exchange.

**Mr. Wong Tak Shing**, aged 52, was appointed as an independent non-executive director of the Company in December 2009. Mr. Wong is also a member of the audit committee and the nomination committee of the Company, graduated from the University of New England, Australia with a Postgraduate Diploma in Financial Management and from the University of Southampton, U.K. with a Bachelor of Social Science in Business Economics and Accounting. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in corporate finance, accounting, personnel and administration. Mr. Wong was previously an executive director of China Neng Xiao Technology (Group) Limited, a company listed on the GEM of the Stock Exchange and an independent non-executive director of Digital Domain Holdings Limited, a company listed on the main board of the Stock Exchange.

**Mr. Chang Ching Lien**, aged 46, obtained a master degree in business administration from A.B. Freeman Business School, Tulane University in the United States in 2001. He possesses extensive experience in corporate finance, investments and strategic planning. He was the chief investment officer of Matrass Mining Group and was responsible for fund raising, corporate finance and financial modeling for the company from 2011 to 2012. Prior to Matrass Mining Group, Mr. Chang was the managing director and an executive committee member of Xinhua Finance from 2001 to 2011, and was responsible for sales and market expansion across the Asian region and had built up sales force and network and established the company's long-term strategy.



# DIRECTORS' REPORT

The directors present the annual report and the audited financial statements of the Group for the year ended 31 December 2014.

## DATE OF INCORPORATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands and continued in Bermuda as an exempted company with limited liability in accordance with the Companies Act 1981 (as amended) of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business in Hong Kong is Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 February 2003.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 17 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 29.

The directors do not recommend the payment of a dividend.

## RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2014 are set out in the consolidated statement of changes in equity on pages 34 and 35.

## DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company does not have any reserves available for cash distribution and/or distribution in specie. In addition, the Company's share premium account had a balance of approximately HK\$508,587,000 as at 31 December 2014 (2013: HK\$476,137,000).

## PROPERTY, PLANT AND EQUIPMENT

Details of significant changes in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.



# DIRECTORS' REPORT

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive directors:

Mr. Hsu Tung Sheng (*Chairman*)  
Mr. Hsu Tung Chi (*Chief Executive Officer*)  
Mr. Pang Hong Tao  
Mr. Chang Li Cheng (resigned on 14 April 2014)

### Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent  
Mr. Leung Hiu Kong, Edward (resigned on 7 July 2014)  
Mr. Wong Tak Shing  
Mr. Chang Ching Lien (appointed on 7 July 2014)

In accordance with the Bye-laws of the Company, Mr. Hsu Tung Chi and Mr. Pang Hong Tao shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive directors, and independent non-executive directors of the Company has entered into a letter of appointment with the Company for a term of one year commencing from the date of appointment, which will continue thereafter until terminated by either party by giving to the other not less than one month's notice in writing.

The Board has obtained written confirmations from all independent non-executive directors of the Company concerning their independence in accordance with Rule 5.09 of the GEM Listing Rules. The Board believes that the existing independent non-executive directors are independent based on the guidelines set out in Rule 5.09 of the GEM Listing Rules.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting have a 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' INTERESTS IN CONTRACTS

Apart from those transaction as disclosed in note 32 to the consolidated financial statements, no director of the Company has a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.



# DIRECTORS' REPORT

## DIRECTORS' REMUNERATION

Directors' remuneration is subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Company. Details of the remuneration of the directors are set out in note 8 to the consolidated financial statements.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

### (i) Interest in Shares

Name of director	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Hsu Tung Sheng	Beneficial	73,500,000 (L)	2.0%
Mr. Hsu Tung Chi (Note 1)	Beneficial	54,800,000 (L)	1.5%
	Interest of controlled corporation	72,984,893 (L)	2.0%
Daily Technology Company Limited (Note 1)	Beneficial	72,984,893 (L)	2.0%
Mr. Pang Hong Tao	Beneficial	1,000,000 (L)	0.03%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 54,800,000 shares. Daily Technology Company Limited ("Daily Technology") is beneficially owned as to 100% by Mr. Hsu. Daily Technology beneficially owns 72,984,893 shares. Under the SFO, Mr. Hsu is deemed to be interested in 72,984,893 shares.

# DIRECTORS' REPORT

## (ii) Interest in share options

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of share options granted</b>	<b>Approximate percentage of interests</b>
Mr. Hsu Tung Sheng	Beneficial	33,005,104	0.91%
Mr. Hsu Tung Chi	Beneficial	33,005,104	0.91%

Save as disclosed above, as at 31 December 2014, none of the directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

# DIRECTORS' REPORT

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 27 March 2013 pursuant to an ordinary resolution passed at a special general meeting. Details of the movements in the number of share options during the period under the Scheme are as follows:

Categories of grantees	As at 1 January 2014	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2014	Exercise price HK\$	Grant date	Exercisable period
<b>Directors</b>							
Mr. Hsu Tung Sheng	-	-	-	33,005,104	0.1143	10/06/2014	10/06/2014- 09/06/2017
Mr. Hsu Tung Chi	-	-	-	33,005,104	0.1143	10/06/2014	10/06/2014- 09/06/2017
<b>Consultant</b>							
Willing International Capital (Shanghai) Company Limited	-	-	-	33,005,104	0.1143	10/06/2014	10/06/2014- 09/06/2017
Employees	-	-	-	231,035,728	0.1143	10/06/2014	10/06/2014- 09/06/2017
	-	-	-	330,051,040			

Particulars of the Company's share option scheme are set out in note 27 to the consolidated financial statements.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 31 December 2014, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

### (i) Interest in shares

Name of substantial shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Ma Bole (Note 1)	Interest of controlled corporations	497,698,238 (L)	13.67%
Ms. Xu Ziqi (Note 1)	Deemed	497,698,238 (L)	13.67%
Golden Mabole Culture Media Company Limited (Note 1)	Beneficial	497,698,238 (L)	13.67%

(L) denotes long position

Notes:

1. Golden Mabole Culture Media Company Limited ("Golden Mabole") is wholly and beneficially owned by Mr. Ma Bole ("Mr. Ma"). Golden Mabole beneficially owns 497,698,238 shares. Under the SFO, Mr. Ma is deemed to be interested in 497,698,238 shares.

Ms. Xu Ziqi is deemed to be interested in 497,698,238 shares by virtue of being the spouse of Mr. Ma.

Save as disclosed above, as at 31 December 2014, the directors were not aware of any other person (other than the directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## COMPETING INTERESTS

The directors believe that none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

# DIRECTORS' REPORT

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Share Option Scheme" 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 debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of 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.

## CONTINUING CONNECTED TRANSACTIONS

On 11 February 2010, the Company entered into a loan agreement (the "Loan Agreement") with Far Glory Limited to grant a revolving facility of up to a maximum amount of HK\$9.5 million at any time during the period commencing from the date of the Loan Agreement and ending on the date falling 36 months from the date of the Loan Agreement for financing the business development and working capital requirements of the Far Glory Group.

On 23 July 2010, the Company entered into a supplemental agreement (the "Supplemental Agreement") with Far Glory, pursuant to which the Company agreed to increase the revolving loan facility under the Loan Agreement up to a maximum amount of HK\$40 million to Far Glory at any time during the period commencing from the date of the Loan Agreement and ending on the date falling 36 months from the date of the Supplemental Agreement.

On 28 February 2014, the Company as the Lender (the "Lender"), entered into a supplemental memorandum of understanding (the "Supplemental MOU") with Far Glory as the borrower (the "Borrower") to record the agreement reached on 23 July 2013, pursuant to which both parties to the Supplemental MOU agreed to, among other things, extend the term of the loan under the Loan Agreement and Supplemental Agreement from 23 July 2013 to 23 July 2016 (or such later time and date as the Lender and Borrower shall agree in writing) (the "New Term"), and interests shall continue to accrue and be payable upon expiry of the New Term.

On 15 November 2013, the Company completed the acquisition of 46.61% equity interest in Far Glory. Since then, Far Glory has become a 97.61% owned subsidiary of the Company and is no longer a connected person of the Company in accordance with Chapter 20.11(5) of the GEM Listing Rules.

The aforesaid continuing connected transaction has been reviewed by the independent non-executive directors. The independent non-executive directors confirmed that the continuing connected transaction set out in above was entered into:

1. in the ordinary and usual course of business of the Company;
2. either on normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties; and
3. in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.



## DIRECTORS' REPORT

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the above transactions.

Save as disclosed herein there were no other transactions required to be disclosed as connected transactions and/or continuing connected transactions in accordance with the requirements of the GEM Listing Rules.

### CONNECTED TRANSACTIONS

The Company and Chance Talent Management Limited (the "Subscriber") entered into a share subscription agreement (the "Subscription Agreement") on 7 August 2014 (as supplemented and amended by a supplemental agreement dated 8 September 2014) pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe for 175,000,000 shares of the Company (the "Subscription Share") at HK\$0.12 per Subscription Share.

As a condition precedent of the Subscription Agreement, Hsu Tung Chi and Hsu Tung Sheng (the "Grantors"), both directors of the Company, entered into a put option arrangement (the "Put Option") with the Subscriber. Under the Put Option, the Grantors granted the Subscriber an option to require the Grantors to purchase some or all of the put option shares at a predetermined option price. The put option shares represent the Subscription Share initially subscribed by the Subscriber and would automatically be adjusted downward by the number of Subscription Share sold, transferred or disposed by the Subscriber from time to time.

As another condition precedent to the Subscription Agreement, the Grantors and Daily Technology Company Limited, a company wholly-owned by Hsu Tung Chi, (collectively the "Chargors") entered into a share charge arrangement (the "Charge") with the Subscriber. Under the Charge, the Chargors charge to the Subscriber by way of first fixed charge 201,284,893 shares of the Company beneficially owned by the Chargors. The Charge will be effective until the date on which the Subscriber has determined that all of the relevant liabilities under the Charge, comprising all monies, obligations and liabilities due by any of the Chargors and the Company pursuant to the Charge, the Subscription Agreement and the Put Option, have been paid and discharged in full.

### EVENTS AFTER THE REPORTING PERIOD

In February 2015, the completion of the undertaking agreement with regards to the contractual arrangements with Liheng took place.

On 12 February 2015, 北京聯易匯眾科技有限公司 Beijing Lian Yi Hui Zhong Technology Company Limited, a wholly owned subsidiary of the Company, established a company called 北京文資數碼投資管理有限公司 Beijing Wen Zi Shuma Investment Management Company Limited ("Beijing Wen Zi Shuma"). Beijing Wen Zi Shuma is principally engaged in the business of investment management focusing on investments in the cultural industry. The Company, through its subsidiaries, indirectly holds 80% equity interest in Beijing Wen Zi Shuma.





# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the Group's largest customer and the five largest customers accounted for 20.8% (2013: 24.7%) and 66.9% (2013: 61.8%) respectively, of the Group's total turnover.

During the financial year, the Group's largest supplier and the five largest suppliers accounted for 14.4% (2013: 16.5%) and 52.1% (2013: 57.8%) respectively, of the Group's total purchases.

In the opinion of the directors, none of the directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the Group's five largest suppliers or customers.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## PRE-EMPTIVE RIGHTS

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

## AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2014 were audited by Mazars CPA Limited, Certified Public Accountants. A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board

**Hsu Tung Sheng**

CHAIRMAN

31 March 2015

# INDEPENDENT AUDITOR'S REPORT



To the shareholders of

**CHINA DIGITAL CULTURE (GROUP) LIMITED**

*(incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

We have audited the consolidated financial statements of CHINA DIGITAL CULTURE (GROUP) LIMITED (the "Company") and its subsidiaries (together the "Group") set out on pages 29 to 100, which comprise the consolidated and the Company's statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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 2014, 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.

### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 31 March 2015

### **Eunice Y M Kwok**

Practising Certificate number: P04604

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>			
<b>Turnover</b>	5	<b>115,384</b>	42,918
Cost of services rendered		<b>(40,104)</b>	(9,189)
Gross profit		<b>75,280</b>	33,729
Other revenue	5	–	934
Other income	6	<b>2,987</b>	4,276
Selling and distribution costs		<b>(5,758)</b>	(3,288)
Administrative and other expenses		<b>(30,080)</b>	(25,417)
Finance costs		–	(65)
Share of results of associates		–	1,869
<b>Profit before taxation from continuing operations</b>	7	<b>42,429</b>	12,038
Income tax expense	10	<b>(9,786)</b>	(5,764)
<b>Profit for the year from continuing operations</b>		<b>32,643</b>	6,274
<b>Discontinued operations</b>			
Profit for the year from discontinued operations		–	727
<b>Profit for the year</b>		<b>32,643</b>	7,001
<b>Other comprehensive (loss) income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		<b>(281)</b>	508
<b>Total other comprehensive (loss) income for the year</b>		<b>(281)</b>	508
<b>Total comprehensive income for the year</b>		<b>32,362</b>	7,509
<b>Profit attributable to:</b>			
Equity holders of the Company	11		
– Continuing operations		<b>24,890</b>	4,786
– Discontinued operations		–	508
		<b>24,890</b>	5,294
Non-controlling interests			
– Continuing operations		<b>7,753</b>	1,488
– Discontinued operations		–	219
		<b>7,753</b>	1,707
		<b>32,643</b>	7,001

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company			
– Continuing operations		24,343	5,114
– Discontinued operations		–	508
		<b>24,343</b>	5,622
Non-controlling interests			
– Continuing operations		8,019	1,668
– Discontinued operations		–	219
		<b>8,019</b>	1,887
		<b>32,362</b>	7,509
<b>Earnings per share</b>			
Basic	13		
– Continuing operations		HK0.728 cents	HK0.156 cents
– Discontinued operations		–	HK0.017 cents
– Continuing and discontinued operations		HK0.728 cents	HK0.173 cents
Diluted			
– Continuing operations		HK0.725 cents	HK0.155 cents
– Discontinued operations		–	HK0.016 cents
– Continuing and discontinued operations		HK0.725 cents	HK0.171 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	4,797	6,384
Intangible assets	15	10,275	7,292
Goodwill	16	218,875	219,789
Interest in joint ventures	18	–	–
Available-for-sale financial asset	19	15,225	–
Deposit for acquisition of a subsidiary	20	12,000	–
Loans to and due from joint ventures	21	345	345
		<b>261,517</b>	233,810
<b>Current assets</b>			
Accounts and other receivables	22	122,264	74,269
Bank balances and cash	23	20,979	21,451
		<b>143,243</b>	95,720
<b>Current liabilities</b>			
Accounts and other payables	24	26,919	34,884
Tax payable		20,157	11,738
		<b>47,076</b>	46,622
<b>Net current assets</b>		<b>96,167</b>	49,098
<b>NET ASSETS</b>		<b>357,684</b>	282,908



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Capital and reserves</b>			
Share capital	25	36,398	33,448
Reserves		300,012	235,437
Equity attributable to equity holders of the Company		336,410	268,885
Non-controlling interests		21,274	14,023
<b>TOTAL EQUITY</b>		<b>357,684</b>	282,908

Approved and authorised for issue by the Board of Directors on 31 March 2015

**Hsu Tung Sheng**  
Director

**Hsu Tung Chi**  
Director

# STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>			
Interest in subsidiaries	17	211,273	199,303
Loans to a subsidiary	32	40,000	40,000
		<b>251,273</b>	239,303
<b>Current assets</b>			
Accounts and other receivables	22	12,455	9,003
Cash and cash equivalents	23	10,842	4,004
		<b>23,297</b>	13,007
<b>Current liabilities</b>			
Other payables	24	4,865	4,131
		<b>4,865</b>	4,131
<b>Net current assets</b>			
		<b>18,432</b>	8,876
<b>NET ASSETS</b>			
		<b>269,705</b>	248,179
<b>Capital and reserves</b>			
Share capital	25	36,398	33,448
Reserves	26	233,307	214,731
<b>TOTAL EQUITY</b>			
		<b>269,705</b>	248,179

Approved and authorised for issue by the Board of Directors on 31 March 2015

**Hsu Tung Sheng**  
Director

**Hsu Tung Chi**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to equity holders of the Company												
	Reserves										Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note 26(i))	Special reserve HK\$'000 (Note i)	Capital reserve HK\$'000 (Note ii)	Warrant reserve HK\$'000 (Note 26(iii))	Foreign currency translation reserve HK\$'000 (Note 26 (v))	Share options reserve HK\$'000 (Note 26(iv))	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000			
At 1 January 2013	122,979	173,515	10,084	-	276	178	12,251	1,279	(248,638)	(51,055)	71,924	(20,820)	51,104
Profit for the year	-	-	-	-	-	-	-	-	5,294	5,294	5,294	1,707	7,001
<b>Other comprehensive income</b>													
Items that may be reclassified subsequently to profit or loss													
Foreign currency translation differences	-	-	-	-	-	328	-	-	-	328	328	180	508
Total other comprehensive income for the year	-	-	-	-	-	328	-	-	-	328	328	180	508
<b>Total comprehensive income for the year</b>	-	-	-	-	-	328	-	-	5,294	5,622	5,622	1,887	7,509
<b>Disposal of subsidiaries</b>	-	-	-	-	-	-	-	-	-	-	-	(1,839)	(1,839)
<b>Transactions with equity holders</b>													
Contribution and distribution													
Capital reorganisation	(98,383)	98,383	-	-	-	-	-	-	-	98,383	-	-	-
Conversion of convertible bonds	850	5,858	-	-	-	-	-	(1,279)	-	4,579	5,429	-	5,429
Release upon expiry of share options	-	-	-	-	-	-	(12,251)	-	12,251	-	-	-	-
Release upon expiry of warrants	-	-	-	-	(276)	-	-	-	276	-	-	-	-
Issue of consideration shares for acquisition of subsidiaries	8,002	198,381	-	-	-	-	-	-	-	198,381	206,383	-	206,383
Issue of unlisted warrants	-	-	-	-	276	-	-	-	-	276	276	-	276
	(89,531)	302,622	-	-	-	-	(12,251)	(1,279)	12,527	301,619	212,088	-	212,088
Changes in ownership interests													
Change in ownership interest in subsidiaries without change in control	-	-	-	(20,749)	-	-	-	-	-	(20,749)	(20,749)	20,749	-
Non-controlling interest arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	14,046	14,046
	-	-	-	(20,749)	-	-	-	-	-	(20,749)	(20,749)	34,795	14,046
<b>Total transactions with equity holders</b>	(89,531)	302,622	-	(20,749)	-	-	(12,251)	(1,279)	12,527	280,870	191,339	34,795	226,134
At 31 December 2013	33,448	476,137	10,084	(20,749)	276	506	-	-	(230,817)	235,437	268,885	14,023	282,908

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

Note	Attributable to equity holders of the Company													
	Reserves											Non-controlling interests	Total	
	Share capital	Share premium	Special reserve	Capital reserve	Warrant reserve	Foreign currency translation reserve	Share options reserve	Convertible bonds reserve	Accumulated losses	Total reserves	Subtotal			
														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	
	(Note 26(i))	(Note i)	(Note ii)	(Note 26(iii))	(Note 26 (v))	(Note 26(iv))								
<b>At 1 January 2014</b>	33,448	476,137	10,084	(20,749)	276	506	-	-	(230,817)	235,437	268,885	14,023	282,908	
Profit for the year	-	-	-	-	-	-	-	-	24,890	24,890	24,890	7,753	32,643	
<b>Other comprehensive (loss) income</b>														
<i>Item that may be reclassified subsequently to profit or loss</i>														
Foreign currency translation differences	-	-	-	-	-	(547)	-	-	-	(547)	(547)	266	(281)	
Total other comprehensive (loss) income for the year	-	-	-	-	-	(547)	-	-	-	(547)	(547)	266	(281)	
<b>Total comprehensive (loss) income for the year</b>	-	-	-	-	-	(547)	-	-	24,890	24,343	24,343	8,019	32,362	
<b>Disposal of a subsidiary</b>	31	-	-	-	-	-	-	-	-	-	-	(768)	(768)	
<b>Transactions with equity holders</b>														
<i>Contribution and distribution</i>														
Equity-settled share-based payment	27	-	-	-	-	-	7,782	-	-	7,782	7,782	-	7,782	
Issue of shares	25	2,950	32,450	-	-	-	-	-	-	32,450	35,400	-	35,400	
<b>Total transactions with equity holders</b>		2,950	32,450	-	-	-	7,782	-	-	40,232	43,182	-	43,182	
<b>At 31 December 2014</b>		36,398	508,587	10,084	(20,749)	276	(41)	7,782	-	(205,927)	300,012	336,410	21,274	357,684

Notes:

- (i) The special reserve represents the difference between the nominal amount of shares and share premium of subsidiaries acquired and the nominal amount of the Company's shares issued as consideration pursuant to the Group Reorganisation took place in 2003.
- (ii) The capital reserve represents the share of net liabilities of additional interest in subsidiaries acquired without change in control.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		42,429	12,891
Depreciation and amortisation		7,592	2,694
Gain on disposal of subsidiaries	31	(2,703)	(280)
Gain on deemed disposal of associates		–	(920)
Provision (Reversal) of allowance for doubtful debts, net		41	(2,717)
Equity-settled share-based payment	27	7,782	–
Finance costs		–	65
Interest income		(119)	(942)
Share of results of associates		–	(1,869)
Changes in working capital:			
Inventories		–	(56)
Accounts and other receivables		(50,507)	(15,811)
Accounts and other payables		(1,501)	(1,997)
<b>Cash from (used in) operations</b>		<b>3,014</b>	<b>(8,942)</b>
Income taxes (paid) refunded		(317)	108
<b>Net cash from (used in) operating activities</b>		<b>2,697</b>	<b>(8,834)</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of available-for-sale financial asset	19	(15,225)	–
Acquisition of interest in subsidiaries		–	2,284
Deposit for acquisition of a subsidiary	20	(12,000)	–
Net cash inflow on disposal of subsidiaries	31	452	(213)
Purchase of property, plant and equipment		(22)	(75)
Purchase of intangible assets		(9,459)	–
(Advance to) Repayment of revolving loans from joint ventures		(41)	2,622
Interest received		119	942
<b>Net cash (used in) from investing activities</b>		<b>(36,176)</b>	<b>5,560</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of new shares		35,400	–
Proceeds from unlisted warrants issued		–	276
Repayment to an individual		(5,707)	(1,244)
Advances from directors, net		3,553	8,238
<b>Net cash from financing activities</b>		<b>33,246</b>	7,270
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(233)</b>	3,996
<b>Cash and cash equivalents at beginning of year</b>		<b>21,451</b>	17,528
Effect of foreign exchange rate changes, net		(239)	(73)
<b>Cash and cash equivalents at end of year</b>	23	<b>20,979</b>	21,451



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 1. CORPORATE INFORMATION

CHINA DIGITAL CULTURE (GROUP) LIMITED (the "Company") is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is located at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are detailed in note 17 to the consolidated financial statements.

## 2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. These consolidated financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance concerning the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 consolidated financial statements except for the adoption of certain new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in note 3 to the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group is set out in note 3 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES

### Adoption of new/revised HKFRSs

#### *Amendments to HKAS 32: Presentation – Offsetting Financial Assets and Financial Liabilities*

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. These amendments do not have an impact on the consolidated financial statements as they are consistent with the policies already adopted by the Group.

#### *Amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, additional information is required to be disclosed when the recoverable amount of impaired assets is based on fair value less costs of disposal. These amendments do not have an impact on the consolidated financial statements.

### Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceased.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

#### *Allocation of total comprehensive income*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Basis of consolidation** *(Continued)*

#### *Changes in ownership interest*

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

When the Group loses control of a subsidiary, the 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 determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

### **Subsidiaries**

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, an investment in subsidiary is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### **Associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but no control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Associates and joint ventures** *(Continued)*

The Group's investment in associate or joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

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

If an investment in a joint venture becomes an investment in an associate or vice versa, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence or joint control, the Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence or joint control is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interest on the date of ceasing to be an associate or joint venture is regarded as the fair value on initial recognition as a financial asset.

### **Goodwill**

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary. Goodwill arising on an acquisition of an associate or a joint venture is measured at the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill on acquisitions of associates or joint ventures is included in interests in associates or joint ventures. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Goodwill** *(Continued)*

In respect of a subsidiary, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase. In respect of an associate or a joint venture, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately as income.

### **Discontinued operations**

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	10%
Computer equipment	33 $\frac{1}{3}$ %
Furniture, fixtures and office equipment	18% – 20%
Motor vehicles	10%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Intangible assets**

#### *Software licence rights*

The initial cost of acquiring software licence rights is capitalised. Software licence rights with finite useful lives are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost less accumulated impairment losses on the straight-line basis over their estimated useful lives as set out below from the date on which they are available for use.

#### *Broadcasting licence rights*

Licence rights for professional sports event and entertainment content are stated at cost less amounts expensed and any impairment loss considered necessary by the management.

Their costs are amortised over the shorter of their economic lives and the underlying licence period as set out below:

Software licence rights	20%
Broadcasting licence rights	33 $\frac{1}{3}$ %

### **Research and development costs**

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over its useful life.

### **Financial instruments**

#### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### *Initial measurement*

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

#### *Loans and receivables*

Loans and receivables including accounts and other receivables, loans to and due from joint ventures and bank balances and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

#### *Financial liabilities*

The Group's financial liabilities include accounts and other payables. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### *Impairment of financial assets*

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

For an available-for-sale financial asset that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

### **Cash equivalents**

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Income from licensing of licence right for entertainment and sports event content is recognised over the contract period in accordance with the terms of the underlying contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Revenue recognition** *(Continued)*

Sale of entertainment content and products is recognised on transfer of respective rights in accordance with the respective agreement and on delivery of the content concerned, if applicable.

Other service income relating to e-Licensing business is recognised when services are rendered.

Commission income from assisting professional athletes in marketing and promotional activities is recognised on a time proportion basis according to the terms of the underlying contracts.

Sale of athletes' agency agreement is recognised on the execution of a binding agreement.

Income from e-Learning business represents subscription fees for the on-line education programs and provision of e-Learning services. Subscription fees are recognised as revenue on a pro-rata basis over the contract period. Revenue from provision of other e-Learning services is recognised when e-Learning materials are delivered and installation services are rendered.

Examination fee income from e-Learning business is recognised when the examinations are held and relevant services are rendered.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### **Foreign currency translation**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation *(Continued)*

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;
- Income and expenses for each statement of comprehensive income are translated at average exchange rate;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Impairment of other assets**

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets, investments in subsidiaries and joint ventures may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

### **Borrowing costs**

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **Leases**

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Employee benefits**

#### *Short-term employee benefits*

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

#### *Defined contribution plans*

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Pursuant to the law and regulations of the People's Republic of China (the "PRC"), contributions to the defined contribution retirement schemes for the Group's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed as incurred.

### **Share-based payment transactions**

#### *Equity-settled transactions*

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the years in which the vesting conditions are to be fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

#### *Equity-settled transactions (Continued)*

Where the terms of an equity-settled award are modified, an additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position which is eliminated on consolidation.

Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

### **Taxation**

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### **Related parties**

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of the parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **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:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

### **Segment reporting**

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

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

### **Critical accounting estimates and judgements**

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Critical accounting estimates and judgements** *(Continued)*

#### *Allowance for bad and doubtful debts*

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

#### *Impairment of investments and receivables*

The Company and the Group assess annually if investment in subsidiaries and joint ventures have suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities and available-for-sale financial assets measured at cost less impairment loss are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 16 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/ revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 19 (2011)	<i>Defined Benefit Plans – Employee Contributions</i> <sup>1</sup>
Various HKFRSs	<i>Annual Improvements Project – 2010-2012 Cycle</i> <sup>2</sup>
Various HKFRSs	<i>Annual Improvements Project – 2011-2013 Cycle</i> <sup>2</sup>
Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>3</sup>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>3</sup>
Amendments to HKAS 28 (2011) and HKFRS 10	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>3</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>3</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>3</sup>
Various HKFRSs	<i>Annual Improvements Project – 2012-2014 Cycle</i> <sup>4</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>5</sup>
HKFRS 9 (2014)	<i>Financial Instruments</i> <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016, with limited exceptions

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but is not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 4. SEGMENTAL INFORMATION

The Group manages its businesses by individual companies, which are organised by a mixture of both business lines and 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 resource allocation and performance assessment, the Group has presented the following reporting segments. No operating segments have been aggregated to form the following reporting segments.

- the e-Licensing business – Entertainment segment which engages in the distribution of copyright-protected items, licensing of entertainment content and provision of entertainment-related services;
- the e-Licensing business – Sports segment which engages in licensing of professional sports events content and provision of marketing and promotional services to professional athletes; and
- the e-Learning business segment which provided e-Learning programs and development of related products.

### (a) Segment revenue and results

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

#### Year ended 31 December 2014

	Continuing operations			Discontinued operations	Total HK\$'000
	e-Licensing business – Entertainment HK\$'000	e-Licensing business – Sports HK\$'000	Sub-total HK\$'000	e-Learning business HK\$'000	
<b>Segment revenue</b>					
Sale to external customers	48,767	66,617	115,384	–	115,384
Profit for the year before the following items:	30,971	30,129	61,100	–	61,100
Provision of allowance for doubtful debts on loans to and due from joint ventures, net	(41)	–	(41)	–	(41)
Gain on disposal of a subsidiary	–	2,703	2,703	–	2,703
<b>Segment results</b>	30,930	32,832	63,762	–	63,762
Unallocated income			6	–	6
Unallocated expenses			(21,339)	–	(21,339)
Profit before taxation			42,429	–	42,429
Taxation	(3,851)	(5,935)	(9,786)	–	(9,786)
Profit for the year			32,643	–	32,643



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 4. SEGMENTAL INFORMATION *(Continued)*

### (a) Segment revenue and results *(Continued)*

Year ended 31 December 2013

	Continuing operations			Discontinued operations	Total HK\$'000
	e-Licensing business – Entertainment HK\$'000	e-Licensing business – Sports HK\$'000	Sub-total HK\$'000	e-Learning business HK\$'000	
<b>Segment revenue</b>					
Sale to external customers	23,668	19,250	42,918	5,705	48,623
Loan interest income from a joint venture	934	–	934	–	934
	<b>24,602</b>	<b>19,250</b>	<b>43,852</b>	<b>5,705</b>	<b>49,557</b>
Profit for the year before the following items:	9,936	10,785	20,721	853	21,574
Reversal of allowance for doubtful debts on loans to and due from joint ventures, net	2,717	–	2,717	–	2,717
Share of results of associates	(59)	1,928	1,869	–	1,869
<b>Segment results</b>	<b>12,594</b>	<b>12,713</b>	<b>25,307</b>	<b>853</b>	<b>26,160</b>
Unallocated income			1,559	–	1,559
Unallocated expenses			(14,763)	–	(14,763)
Unallocated finance costs			(65)	–	(65)
Profit before taxation			12,038	853	12,891
Taxation	(1,694)	(4,070)	(5,764)	(126)	(5,890)
Profit for the year			<b>6,274</b>	<b>727</b>	<b>7,001</b>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Segment results represent the results achieved by each segment without allocation of central administration costs including directors' emoluments, investment and other income and other gains and losses. This is the measurement method reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 4. SEGMENTAL INFORMATION *(Continued)*

### (b) Segment assets and liabilities

	Continuing operations			Discontinued operations	Consolidated HK\$'000
	e-Licensing business – Entertainment HK\$'000	e-Licensing business – Sports HK\$'000	Sub-total HK\$'000	e-Learning business HK\$'000	
<b>As at 31 December 2014</b>					
<b>Assets before the following items:</b>	<b>76,748</b>	<b>97,585</b>	<b>174,333</b>	–	<b>174,333</b>
Goodwill	113,240	105,635	218,875	–	218,875
Loans to and due from joint ventures	345	–	345	–	345
<b>Segment assets</b>	<b>190,333</b>	<b>203,220</b>	<b>393,553</b>	–	<b>393,553</b>
Unallocated assets			11,207	–	11,207
Consolidated total assets			<b>404,760</b>	–	<b>404,760</b>
<b>Segment liabilities</b>	<b>19,421</b>	<b>22,971</b>	<b>42,392</b>	–	<b>42,392</b>
Unallocated liabilities			4,684	–	4,684
Consolidated total liabilities			<b>47,076</b>	–	<b>47,076</b>
<b>As at 31 December 2013</b>					
<b>Assets before the following items:</b>	<b>21,454</b>	<b>72,485</b>	<b>93,939</b>	–	<b>93,939</b>
Goodwill	113,240	106,549	219,789	–	219,789
Loans to and due from joint ventures	345	–	345	–	345
<b>Segment assets</b>	<b>135,039</b>	<b>179,034</b>	<b>314,073</b>	–	<b>314,073</b>
Unallocated assets			15,457	–	15,457
Consolidated total assets			329,530	–	329,530
<b>Segment liabilities</b>	<b>19,004</b>	<b>23,668</b>	<b>42,672</b>	–	<b>42,672</b>
Unallocated liabilities			3,950	–	3,950
Consolidated total liabilities			46,622	–	46,622

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets other than corporate assets are allocated to operating segments; and
- All liabilities other than corporate liabilities are allocated to the sales/service activities of individual segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 4. SEGMENTAL INFORMATION (Continued)

### (c) Other segment information

Year ended 31 December 2014

	Continuing operations			Discontinued operations	Consolidated HK\$'000
	e-Licensing business – Entertainment HK\$'000	e-Licensing business – Sports HK\$'000	Sub-total HK\$'000	e-Learning business HK\$'000	
	<b>Other segment information</b>				
Amortisation of intangible assets	(757)	(5,675)	(6,432)	–	(6,432)
Depreciation of property, plant and equipment	(930)	(230)	(1,160)	–	(1,160)
Capital expenditure	–	(9,481)	(9,481)	–	(9,481)
Gain on disposal of a subsidiary	–	2,703	2,703	–	2,703

Year ended 31 December 2013

	Continuing operations			Discontinued operations	Consolidated HK\$'000
	e-Licensing business – Entertainment HK\$'000	e-Licensing business – Sports HK\$'000	Sub-total HK\$'000	e-Learning business HK\$'000	
	<b>Other segment information</b>				
Amortisation of intangible assets	(751)	(933)	(1,684)	–	(1,684)
Depreciation of property, plant and equipment	(952)	(38)	(990)	(20)	(1,010)
Capital expenditure	(25)	–	(25)	(50)	(75)
Gain on deemed disposal of associates	–	920	920	–	920
Gain on disposal of subsidiaries	–	–	–	280	280

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 4. SEGMENTAL INFORMATION *(Continued)*

### (d) Geographic information

The Group's operations are principally located in Hong Kong and the PRC.

The Group's revenue from external customers by locations of its customers and information about its non-currents assets by locations of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	–	5,706	198,406	198,406
PRC	74,384	30,917	47,541	35,059
Taiwan	41,000	12,000	–	–
	<b>115,384</b>	48,623	<b>245,947</b>	233,465

### (e) Information about major customers

Revenue from external customers contributing 10% or more of total revenue from the Group's e-Licensing business – Entertainment and e-Licensing business – Sports segments are as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Customer A	24,000	12,000
Customer B	17,000	5,765
Customer C	16,608	5,005
Customer D	12,143	–
	<b>69,751</b>	22,770

Revenue from customers A and B (2013: Customers A and B) and customers C and D (2013: Customer C) were derived from the Group's e-Licensing business – Entertainment and e-Licensing business – Sports segments respectively.

Other than as disclosed above, no other sales to a single customer of the Group accounted for 10% or more of total revenue of the Group for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 5. TURNOVER AND REVENUE

An analysis of the Group's turnover and revenue during the year is as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
<b>Turnover</b>		
<i>Continuing operations</i>		
e-Licensing business – Entertainment		
– Licensing of entertainment content	4,197	5,765
– Sale of entertainment content and products	41,000	12,000
– System development consultancy service income	3,570	5,903
e-Licensing business – Sports		
– Licensing of sports events content	57,313	10,285
– Marketing and promotional service commission income	6,977	8,965
– Sale of athlete's agency agreement	2,327	–
	<b>115,384</b>	42,918
<i>Discontinued operations</i>		
e-Learning business		
– Subscription income	–	427
– Sale of learning products	–	4,081
– Examination fee income	–	1,197
	–	5,705
	<b>115,384</b>	48,623
<b>Other revenue</b>		
<i>Continuing operations</i>		
Loan interest income from a joint venture	–	934
<b>Total revenue</b>	<b>115,384</b>	49,557

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 6. OTHER INCOME

	<b>Group</b>	
	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Continuing operations</b>		
Bank interest income	119	8
Exchange gain, net	159	375
Gain on disposal of a subsidiary	2,703	–
Gain on deemed disposal of associates	–	920
Reversal of allowance for doubtful debts on loans to and due from a joint venture, net	–	2,717
Sundry income	6	256
	<b>2,987</b>	4,276
<b>Discontinued operations</b>		
Sundry income	–	312
	<b>2,987</b>	4,588

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging (crediting):

### Continuing operations

	Group	
	2014 HK\$'000	2013 HK\$'000
Employee benefits expenses (including directors' remuneration)		
Salaries and allowances	6,915	6,450
Contribution to defined contribution retirement schemes	241	647
Equity-settled share-based payment	7,004	–
	<b>14,160</b>	7,097
Auditor's remuneration	1,000	965
Amortisation of intangible assets		
– included in cost of services rendered	5,675	933
– included in administrative and other expenses	757	751
Depreciation of property, plant and equipment	1,160	990
Provision (Reversal) of allowance for doubtful debts on loans to and due from joint ventures, net	41	(2,717)
Operating lease payments on hire of equipment	219	215
Operating lease payments on premises	3,370	2,909

### Discontinued operations

	Group	
	2014 HK\$'000	2013 HK\$'000
Employee benefits expenses (including directors' remuneration)		
Salaries and allowances	–	1,896
Contribution to defined contribution retirement schemes	–	56
	–	1,952
Cost of good sold	–	511
Depreciation of property, plant and equipment	–	20
Operating lease payments on hire of equipment	–	22



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 8. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Equity-settled share-based payment HK\$'000	Contribution to defined contribution retirement schemes HK\$'000	Total HK\$'000
<b>Year ended 31 December 2014</b>					
<b>Executive directors</b>					
Hsu Tung Sheng	120	876	778	–	1,774
Hsu Tung Chi	120	876	778	–	1,774
Pang Hong Tao	240	–	–	–	240
Chang Li Cheng (resigned on 14 April 2014)	35	–	–	–	35
	<b>515</b>	<b>1,752</b>	<b>1,556</b>	<b>–</b>	<b>3,823</b>
<b>Independent non-executive directors</b>					
Kwok Chi Sun, Vincent	60	–	–	–	60
Wong Tak Shing	60	–	–	–	60
Leung Hiu Kong, Edward (resigned on 7 July 2014)	31	–	–	–	31
Chang Ching Lien (appointed on 7 July 2014)	29	–	–	–	29
	<b>180</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>180</b>
	<b>695</b>	<b>1,752</b>	<b>1,556</b>	<b>–</b>	<b>4,003</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 8. DIRECTORS' REMUNERATION (Continued)

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Equity-settled share-based payment HK\$'000	Contribution to defined retirement schemes HK\$'000	Total HK\$'000
Year ended 31 December 2013					
<b>Executive directors</b>					
Hsu Tung Sheng	120	877	–	–	997
Hsu Tung Chi	120	877	–	–	997
Pang Hong Tao	240	–	–	–	240
Chang Li Cheng (appointed on 15 July 2013)	55	–	–	–	55
Au Shui Ming, Anna (resigned on 1 July 2013)	63	312	–	19	394
	598	2,066	–	19	2,683
<b>Independent non-executive directors</b>					
Kwok Chi Sun, Vincent	60	–	–	–	60
Wong Tak Shing	60	–	–	–	60
Leung Hiu Kong, Edward (appointed on 1 August 2013)	25	–	–	–	25
Lee Kun Hung (resigned on 1 August 2013)	35	–	–	–	35
	180	–	–	–	180
	778	2,066	–	19	2,863

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2014 and 2013. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 December 2014 and 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2013: four) directors, details of whose remuneration are set out in note 8 to the consolidated financial statements above. Details of the remuneration of the remaining two (2013: one) highest paid individuals, who are not directors, for the year are as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Salaries and allowances	<b>630</b>	360
Contribution to defined contribution retirement schemes	<b>47</b>	15
Equity-settled share-based payment	<b>778</b>	–
	<b>1,455</b>	375

The above two (2013: one) highest paid individuals fell within the following bands:

	<b>Group</b>	
	<b>2014</b>	2013
Nil to HK\$1,000,000	<b>1</b>	1
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	–
	<b>2</b>	1

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 10. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

PRC Enterprise Income Tax ("EIT") has been provided at the rate of 25% (2013: 25%) on the estimated assessable profits of the PRC subsidiaries during the year.

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>		
<i>Hong Kong Profits Tax</i>		
Current year provision	<b>4,935</b>	2,703
<i>EIT</i>		
Current year provision	<b>4,578</b>	3,061
Underprovision in prior year	<b>273</b>	–
Tax expense from continuing operations	<b>9,786</b>	5,764
<b>Discontinued operations</b>		
<i>Hong Kong Profits Tax</i>		
Current year provision	–	69
Under provision in prior year	–	57
Tax expense from discontinued operations	–	126
<b>Total tax expense for the year</b>	<b>9,786</b>	5,890

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 10. TAXATION (Continued)

### Reconciliation of effective tax rate

	Group	
	2014	2013
	%	%
Income tax at applicable tax rate	22.4	24.5
Share of results of associates	–	(2.8)
Non-deductible expenses	3.6	25.9
Non-taxable revenue	(6.5)	(10.3)
Unrecognised temporary differences	(0.1)	–
Unrecognised tax losses	10.2	12.3
Utilisation of previously unrecognised tax losses	–	(5.3)
Underprovision in prior year	0.6	0.4
Others	(7.2)	0.9
Effective tax rate for the year	23.0	45.6

The applicable tax rate is the weighted average of tax rates prevailing in the territories in which the Group's entities operate.

## 11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the year ended 31 December 2014 includes a loss of HK\$21,656,000 (2013: a loss of HK\$13,855,000) which has been dealt with in the financial statements of the Company.

## 12. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares in issue during the year as follows:

	2014 HK\$'000	2013 HK\$'000
<b>Profit attributable to equity holders of the Company</b>		
Continuing operations	24,890	4,786
Discontinued operations	–	508
	<b>24,890</b>	5,294
	2014 No. of shares '000	2013 No. of shares '000
Issued ordinary shares at 1 January	3,344,853	2,459,590
Effect of shares issued during the year	75,371	606,194
Weighted average number of ordinary shares for basic earnings per share	<b>3,420,224</b>	3,065,784
Effect of dilutive potential shares from:		
– Unlisted warrants	N/A	10,765
– Convertible bonds	N/A	5,250
– Share options	13,027	N/A
Weighted average number of ordinary shares for diluted earnings per share	<b>3,433,251</b>	3,081,799

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 14. PROPERTY, PLANT AND EQUIPMENT Group

	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Reconciliation of carrying amount					
– Year ended 31 December 2013					
At beginning of reporting period	5,381	424	403	–	6,208
Additions – business combination	–	30	429	510	969
Additions	–	75	–	–	75
Depreciation	(650)	(221)	(121)	(18)	(1,010)
Disposals	–	(91)	–	–	(91)
Effect on foreign currency exchange differences	206	12	15	–	233
<b>At end of reporting period</b>	<b>4,937</b>	<b>229</b>	<b>726</b>	<b>492</b>	<b>6,384</b>
<b>Reconciliation of carrying amount</b>					
<b>– Year ended 31 December 2014</b>					
At beginning of reporting period	<b>4,937</b>	<b>229</b>	<b>726</b>	<b>492</b>	<b>6,384</b>
Additions	–	<b>22</b>	–	–	<b>22</b>
Depreciation	<b>(655)</b>	<b>(184)</b>	<b>(211)</b>	<b>(110)</b>	<b>(1,160)</b>
Disposal of a subsidiary	–	<b>(32)</b>	–	<b>(379)</b>	<b>(411)</b>
Effect on foreign currency exchange differences	<b>(29)</b>	<b>(2)</b>	<b>(4)</b>	<b>(3)</b>	<b>(38)</b>
<b>At end of reporting period</b>	<b>4,253</b>	<b>33</b>	<b>511</b>	<b>–</b>	<b>4,797</b>
At 31 December 2013					
Cost	6,453	647	957	510	8,567
Accumulated depreciation	(1,516)	(418)	(231)	(18)	(2,183)
<b>Net carrying amount</b>	<b>4,937</b>	<b>229</b>	<b>726</b>	<b>492</b>	<b>6,384</b>
<b>At 31 December 2014</b>					
Cost	<b>6,415</b>	<b>568</b>	<b>951</b>	–	<b>7,934</b>
Accumulated depreciation	<b>(2,162)</b>	<b>(535)</b>	<b>(440)</b>	–	<b>(3,137)</b>
<b>Net carrying amount</b>	<b>4,253</b>	<b>33</b>	<b>511</b>	<b>–</b>	<b>4,797</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 15. INTANGIBLE ASSETS

### Group

	<b>Software licence right</b>	<b>Sports events licence right</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Reconciliation of carrying amount			
– Year ended 31 December 2013			
At beginning of reporting period	2,866	–	2,866
Additions – business combinations	–	26,965	26,965
Amortisation	(751)	(933)	(1,684)
Cancellation of licences	–	(20,669)	(20,669)
Effect on foreign currency exchange differences	104	(290)	(186)
<b>At end of reporting period</b>	<b>2,219</b>	<b>5,073</b>	<b>7,292</b>
<b>Reconciliation of carrying amount</b>			
<b>– Year ended 31 December 2014</b>			
At beginning of reporting period	<b>2,219</b>	<b>5,073</b>	<b>7,292</b>
Additions	–	<b>9,459</b>	<b>9,459</b>
Amortisation	<b>(757)</b>	<b>(5,675)</b>	<b>(6,432)</b>
Effect on foreign currency exchange differences	<b>(13)</b>	<b>(31)</b>	<b>(44)</b>
<b>At end of reporting period</b>	<b>1,449</b>	<b>8,826</b>	<b>10,275</b>
At 31 December 2013			
Cost	3,805	6,006	9,811
Accumulated amortisation	(1,586)	(933)	(2,519)
<b>Net carrying amount</b>	<b>2,219</b>	<b>5,073</b>	<b>7,292</b>
<b>At 31 December 2014</b>			
Cost	<b>3,782</b>	<b>9,455</b>	<b>13,237</b>
Accumulated amortisation	<b>(2,333)</b>	<b>(629)</b>	<b>(2,962)</b>
<b>Net carrying amount</b>	<b>1,449</b>	<b>8,826</b>	<b>10,275</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 16. GOODWILL

The amounts of goodwill capitalised by the Group as an asset and recognised in the consolidated statement of financial position arising from the acquisition of subsidiaries are as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Reconciliation of carrying amount</b>		
At beginning of reporting period	<b>219,789</b>	21,296
Acquisition of subsidiaries	–	201,244
Derecognition upon disposal of a subsidiary	<b>(914)</b>	(2,751)
<b>At end of reporting period</b>	<b>218,875</b>	219,789
<b>At 31 December</b>		
Cost	<b>249,875</b>	250,789
Accumulated impairment losses	<b>(31,000)</b>	(31,000)
	<b>218,875</b>	219,789

Goodwill arose because the consideration paid for the acquisitions effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The carrying amount of goodwill was allocated to the Group's cash-generating units (the "CGUs") identified according to the country of operations and business segments as follows for impairment test:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
e-Licensing business – Entertainment		
– Music content	<b>18,545</b>	18,545
– Other entertainment content	<b>94,695</b>	94,695
e-Licensing business – Sports		
– Sports events content	<b>1,924</b>	2,838
– Marketing and promotional services	<b>103,711</b>	103,711
	<b>218,875</b>	219,789

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 16. GOODWILL (Continued)

### CGUs of e-Licensing business – Entertainment and Sports

The recoverable amount of the CGUs of the e-Licensing business has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the board of directors covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 3% long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The recoverable amount of the CGUs exceeded its carrying amount based on value-in-use calculations. Accordingly, goodwill was not impaired for both years.

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

	e-Licensing – Entertainment				e-Licensing – Sports			
	Music content		Other entertainment content		Sports events content		Marketing and promotional services	
	2014	2013	2014	2013	2014	2013	2014	2013
Gross profit margin	<b>72%</b>	67%	<b>78%</b>	59%	<b>53%</b>	35%	<b>74%</b>	54%
Average growth rate	<b>7%</b>	10%	<b>15%</b>	51%	<b>5%</b>	3%	<b>45%</b>	76%
Long-term growth rate	<b>3%</b>	3%	<b>3%</b>	3%	<b>3%</b>	3%	<b>3%</b>	3%
Discount rate	<b>34%</b>	34%	<b>24%</b>	26%	<b>42%</b>	43%	<b>26%</b>	25%

Management determined the budgeted gross profit margin based on past performance and its expectation of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Apart from the considerations described above in determining the value-in-use of the CGUs, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 17. INTEREST IN SUBSIDIARIES

	Note	Company	
		2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost		1	1
Due from subsidiaries	(iii)	385,753	360,945
Allowance for doubtful debts		(174,481)	(161,643)
		211,272	199,302
		211,273	199,303

### (i) Particulars of the subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/type of legal entity	Place of operation	Particulars of issued and paid up ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Rise Assets Limited	British Virgin Islands/ limited liability company	Hong Kong	1 share of US\$1 each	100%	–	Investment holding
Wonder Link Limited	British Virgin Islands/ limited liability company	Hong Kong	1 share of US\$1 each	–	100%	Investment holding
Marvel Cosmos Limited	British Virgin Islands/ limited liability company	Hong Kong	1 share of US\$1 each	–	100%	Investment holding
Silver Season Investments Limited	British Virgin Islands/ limited liability company	Hong Kong	1 share of US\$1 each	–	100%	Investment holding
<b>Far Glory Group</b>						
Cheer Plan Limited	British Virgin Islands/ limited liability company	Hong Kong	1 share of US\$1 each	–	100%	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 17. INTEREST IN SUBSIDIARIES (Continued)

### (i) Particulars of the subsidiaries of the Company are as follows: (Continued)

Name of subsidiary	Place of incorporation/type of legal entity	Place of operation	Particulars of issued and paid up ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Far Glory Limited	British Virgin Islands/limited liability company	Hong Kong	10,900 share of US\$1 each	–	97.61%	Investment holding
Great Wave Limited	British Virgin Islands/limited liability company	Hong Kong	1 share of US\$1 each	–	97.61%	Investment holding
Sky Asia Investments Limited	Hong Kong/limited liability company	Hong Kong	1 share with no par value	–	97.61%	Investment holding
Beijing LianYiHuiZhong Technology Company Limited* 北京聯易匯眾科技有限公司	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital of HK\$6,000,000	–	97.61%	Distribution of copyright-protected items and other entertainment-related business
<b>ODE Group</b>						
Orient Digital Entertainment Company Limited	British Virgin Islands/limited liability company	Hong Kong	1,000 share of US\$1 each	–	100%	Investment holding
Orient Digital Entertainment Limited	Hong Kong/limited liability company	Hong Kong	1,000 share with no par value	–	100%	Licensing and sale of entertainment content and products
<b>Nova Dragon Group</b>						
Nova Dragon International Limited	British Virgin Islands/limited liability company	Hong Kong	10 share of US\$1 each	–	100%	Investment holding
MVP Sports Marketing Company Limited	Hong Kong/limited liability company	Hong Kong	10,000 share with no par value	–	100%	Assisting professional athletes in marketing and promotional activities
<b>Socle Group</b>						
Socle Limited	British Virgin Islands/limited liability company	Hong Kong	1,000 share with no par value	–	65%	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 17. INTEREST IN SUBSIDIARIES (Continued)

### (i) Particulars of the subsidiaries of the Company are as follows: (Continued)

Name of subsidiary	Place of incorporation/type of legal entity	Place of operation	Particulars of issued and paid up ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Imagine Communications Holding Limited	Cayman Islands/limited liability company	Hong Kong	2,000 share of US\$0.001 each	–	65%	Investment holding
Olympic Wealth Limited	British Virgin Islands/limited liability company	The PRC	1 share of US\$1 each	–	65%	Licensing of professional sports events and entertainment content
Star Global Management Limited	Hong Kong/limited liability company	Hong Kong	1 share with no par value	–	65%	Inactive
Goldline Enterprises Limited	British Virgin Islands/limited liability company	Hong Kong	1 share of US\$1 each	–	65%	Investment holding
Orient Ace Holdings Limited	Hong Kong/limited liability company	Hong Kong	1 share with no par value	–	65%	Investment holding
Shenzhen Chuangzhan Corporate Image Planning Limited* 深圳創展企業形象策劃有限公司	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital of RMB500,000	–	65%	Investment holding
Shanghai YiTiDongLi Cultural and Sports Communications Limited* 上海壹體動力文化體育傳播有限公司	The PRC/private enterprise	The PRC	Paid-up capital of RMB2,000,000	–	65%	Licensing of professional sports events and entertainment content

\* English translation of company name is for identification purpose only

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 17. INTEREST IN SUBSIDIARIES *(Continued)*

### (ii) Financial information of subsidiaries with individually material NCI

The following table shows the information relating to the non-wholly owned subsidiaries, Socle Limited ("Socle") and its subsidiaries (together the "Socle Group"), that have material non-controlling interests ("NCI") from the date of acquisition. The summarised financial information represents amounts before inter-company eliminations since the acquisition.

<b>At 31 December</b>	<b>2014</b>	2013
Proportion of NCI's ownership interests	<b>35%</b>	35%
	<b>HK\$'000</b>	HK\$'000
Non-current assets	<b>9,129</b>	26,949
Current assets	<b>74,372</b>	53,563
Current liabilities	<b>(19,501)</b>	(37,830)
Net assets	<b>64,000</b>	42,682
Carrying amount of NCI	<b>22,400</b>	14,939
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>For the year ended 31 December</b>	<b>2014</b>	2013
Revenue	<b>57,588</b>	10,668
Expenses	<b>(35,131)</b>	(8,131)
Profit for the year and total comprehensive income for the year	<b>22,457</b>	2,537
Profit and total comprehensive income for the year attributable to NCI	<b>7,860</b>	888
Net cash (outflow) inflow from		
Operating activities	<b>(4,912)</b>	1,544
Investing activities	<b>(5,130)</b>	6
Total cash (outflows) inflows	<b>(10,042)</b>	1,550



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 17. INTEREST IN SUBSIDIARIES (Continued)

### (iii) Due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term. The directors expected the amount will not be realised in the next twelve months of the end of the reporting period. The carrying value of the amounts due from subsidiaries approximate their fair value.

Allowance for doubtful debts were made in respect of the amounts due from certain subsidiaries because these subsidiaries have continuously generated substantial losses and the directors are of the opinion that the probability to recover fully the amounts due from these subsidiaries would be remote.

## 18. INTEREST IN JOINT VENTURES

	<b>Group</b>
	<b>2014</b>
	<b>2013</b>
	<b>HK\$'000</b>
	<b>HK\$'000</b>
<b>Unlisted shares</b>	
Share of net liabilities	-

Particulars of the joint ventures which are all 50% held by a 97.61% owned subsidiary of the Group are as follows:

<b>Name of joint venture</b>	<b>Place of incorporation/ type of legal entity</b>	<b>Place of operation</b>	<b>Particulars of issued and paid up ordinary share/ registered capital</b>	<b>Effective percentage of equity indirectly attributable to the Group</b>	<b>Principal activities</b>
Shinning Day Limited	British Virgin Islands/ limited liability company	Hong Kong	4 share of US\$1 each	48.81%	Investment holding
Golden Sino Limited	Hong Kong/limited liability company	Hong Kong	1,000 share with no par value	48.81%	Investment holding
Beijing YiLaiShen Technology Company Limited* 北京易來申科技 有限公司	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital of HK\$12,000,000	48.81%	Distribution of copyright- protected items and other entertainment related business

\* English translation of company name is for identification purpose only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 18. INTEREST IN JOINT VENTURES *(Continued)*

### Fair value of investments

All of the above joint ventures are not listed and there is no quoted market price available for the investments.

### Financial information of joint ventures

Summarised financial information of joint ventures is set out below, which represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

<b>At 31 December</b>	<b>2014 HK\$'000</b>	2013 HK\$'000
<b>Gross amount</b>		
Non-current assets	37	65
Current assets	1,037	1,178
Current liabilities	(28,399)	(27,247)
Equity	(27,325)	(26,004)
Group's ownership interests	48.81%	48.81%
Group's share of equity**	-	-
Included in above:		
Cash and cash equivalents	229	235
Current financial liabilities *	(24,508)	(25,896)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 18. INTEREST IN JOINT VENTURES *(Continued)*

<b>Year ended 31 December</b>	<b>2014 HK\$'000</b>	2013 HK\$'000
<b>Gross amount</b>		
Revenue	<b>565</b>	90
Loss from continuing operations and total comprehensive loss for the year	<b>(1,368)</b>	(912)
Group's ownership interest	<b>48.81%</b>	48.81%
Group's share of result of joint ventures**	-	-
Included in above:		
Depreciation and amortisation	<b>(72)</b>	(85)
Interest income	<b>1</b>	1
Interest expenses	<b>(1,186)</b>	(1,241)

\* Exclude trade and other payables and provisions.

\*\* The Group's share of net liabilities is limited to zero.

The above financial information is prepared using the same accounting policies as those adopted by the Group.

The unrecognised share of losses of joint ventures for the current year and cumulatively up to the end of the reporting period amounted to HK\$668,000 (2013: HK\$445,000) and HK\$5,481,000 (2013: HK\$4,813,000) respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 19. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2014 HK\$'000	2013 HK\$'000
Unlisted investment, at cost	15,225	–

The investment represents a contractual agreement entered into by the Group and a film investment agent in October 2014 for the provision of financing, amounted to HK\$15,225,000, by the Group in return for the sharing of revenue from selected films. According to the contractual agreement, a full refund of the amount paid by the Group shall be made if the film selection has not occurred by 31 December 2015. It is stated at cost less any impairment loss at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

## 20. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

In November 2014, the Group entered into undertaking agreements with two independent third parties pursuant to which the independent third parties undertook to procure 北京東方力恒影視傳媒有限公司 (unofficial English name as Beijing Orient Liheng Television Media Company Limited, "Liheng") and themselves to enter into contractual arrangements with the Group at an aggregate consideration of HK\$24,000,000. Under the contractual arrangements, the Group would be able to exercise 100% control over Liheng in substance notwithstanding the lack of legal ownership. The Group made a payment of HK\$12,000,000 in November 2014 as a refundable deposit. The remaining balance of HK\$12,000,000 would be paid within 5 business days from the completion of the transaction. The transaction was completed in February 2015. Accordingly, Liheng would be accounted for by the Group as a wholly-owned subsidiary from February 2015 onwards. As a result of the business combination, the Group is expected to further diversify its business in the entertainment segment.

The principal activities of Liheng are the production of television drama series or films and agency business. Liheng possesses a valid television programmes production licence.

As the initial accounting for the acquisition of Liheng is incomplete, it is not practicable to reliably estimate its financial effect.

## 21. LOANS TO AND DUE FROM JOINT VENTURES

		Group	
	Note	2014 HK\$'000	2013 HK\$'000
Due from joint ventures	(i)	989	948
Loans to a joint venture	(ii)	17,000	17,000
		17,989	17,948
Allowance for doubtful debts	(iii)	(17,644)	(17,603)
		345	345

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 21. LOANS TO AND DUE FROM JOINT VENTURES *(Continued)*

Notes:

- (i) The amounts due from joint ventures are unsecured, interest-free and have no fixed repayment term. The directors expected the amount will not be realised in the next twelve months of the end of the reporting period.
- (ii) On 1 January 2011, the Group granted a revolving loan facility of HK\$17,000,000 to a joint venture, which is unsecured, interest-bearing at prime rate plus 1.5% per annum and repayable within 36 months from the date of agreement.

On 27 December 2013, the Group signed the supplemental agreement with the joint venture and agreed to extend the terms of loan facility under the original agreement signed on 1 January 2011 from 28 December 2013 to 28 December 2016. All other terms and conditions of the supplemental agreement shall continue to be in full force and effect. The joint venture had drawn down HK\$17,000,000 (2013: HK\$17,000,000) as at 31 December 2014.

- (iii) Allowance for doubtful debts were made in respect of the loans to and amount due from joint ventures because these joint ventures have continuously generated substantial losses and the directors are of the opinion that the probability of recovering the loans to and amount due from these joint ventures would be remote.

Movement in allowance for doubtful debts is as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
At beginning of reporting period	17,603	20,225
Increase in allowance	41	975
Reversal of allowance	-	(3,692)
Effect on foreign currency exchange differences	-	95
At end of reporting period	<b>17,644</b>	17,603

The carrying value of the loans and amounts due approximates their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 22. ACCOUNTS AND OTHER RECEIVABLES

	Note	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Accounts receivable</b>	(i)				
From third parties		53,020	42,412	–	–
Allowance for doubtful debts		–	(380)	–	–
		<b>53,020</b>	42,032	–	–
<b>Other receivables</b>					
Deposits, prepayments and other receivables		12,640	6,027	365	637
Prepayment to consultant		3,414	2,249	–	–
Prepayments to a licensor and suppliers		41,865	6,341	–	–
Loan interest receivable from a subsidiary		–	–	12,090	8,366
Due from directors of subsidiaries of the Company	(ii)	5,735	7,932	–	–
Due from a related company	(ii)	–	3,096	–	–
Due from directors	(iii)	5,590	6,592	–	–
		<b>69,244</b>	32,237	<b>12,455</b>	9,003
		<b>122,264</b>	74,269	<b>12,455</b>	9,003

Notes:

### (i) Accounts receivable

In general, the Group allows a credit period of 30 days to its customers upon the presentation of the invoices. Included in the Group's accounts receivable balance are debtors with carrying amounts of HK\$36,592,000 (2013: HK\$24,987,000), which were past due at the end of the reporting period but not impaired as there has not been a significant change in credit quality and part of which has been subsequently settled. These relate to several customers for whom there is no recent history of default.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 22. ACCOUNTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

### (i) Accounts receivable (Continued)

At the end of the reporting period, the ageing analysis of the accounts receivable (net of allowance for doubtful debts) by invoice date is as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
0-30 days	31,765	30,685
31-60 days	2,091	3,727
61-90 days	–	1,527
Over 90 days	19,164	6,093
	<b>53,020</b>	42,032

At the end of the reporting period, the ageing analysis of the accounts receivable by overdue date that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Current	16,428	17,045
Less than 1 month past due	15,337	14,275
1 month to 3 months past due	2,841	5,254
Over 3 months past due	18,414	5,458
	<b>36,592</b>	24,987
	<b>53,020</b>	42,032

Receivables that were neither past due nor impaired relate to several customers for whom there was no history of default.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 22. ACCOUNTS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

### (i) Accounts receivable (Continued)

Movement in allowance for doubtful debts is as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
At beginning of reporting period	380	–
Increase in allowance – business combination	–	380
Decrease in allowance – disposal of a subsidiary	(378)	–
Effect on foreign currency exchange differences	(2)	–
At end of reporting period	–	380

### (ii) Due from directors of subsidiaries of the Company/a related company

The amounts due from directors of the Company's subsidiaries are unsecured, interest-free and have no fixed repayment term. A director of subsidiaries has indemnified the Group against any losses in case the amounts due are not settled. The amount due from a related company, in which a director of the Company's subsidiaries has beneficial interest, was unsecured, interest-free and fully settled in March 2014.

### (iii) Due from directors

The amounts due from directors are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due from directors approximate their fair value. Details of the amounts due from directors are as follows:

Name of director	Maximum amount outstanding during the year HK\$'000	Group	
		2014 HK\$'000	2013 HK\$'000
Hsu Tung Chi	6,000	5,535	5,818
Hsu Tung Sheng	55	55	51
Chang Li Cheng	5,509	–	723
		5,590	6,592

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 23. BANK BALANCES AND CASH

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Bank balances and cash	<b>20,979</b>	21,451	<b>10,842</b>	4,004

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## 24. ACCOUNTS AND OTHER PAYABLES

	Note	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Accounts payable</b>					
To third party	(i)	<b>8,839</b>	14,883	-	-
<b>Other payables</b>					
Accrued charges and other payables		<b>9,353</b>	10,643	<b>4,684</b>	3,950
Deferred income		<b>2,876</b>	1,171	-	-
Due to a director	(ii)	<b>4,686</b>	2,135	<b>181</b>	181
Due to a director of subsidiaries of the Company	(iii)	<b>820</b>	-	-	-
Due to an individual		-	5,707	-	-
Due to a joint venture	(iii)	<b>345</b>	345	-	-
		<b>18,080</b>	20,001	<b>4,865</b>	4,131
		<b>26,919</b>	34,884	<b>4,865</b>	4,131

Notes:

(i) **Accounts payable**

At the end of the reporting period, the ageing of accounts payable is in the range of zero to 30 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 24. ACCOUNTS AND OTHER PAYABLES (Continued)

Notes: (Continued)

**(ii) Due to a director**

The amounts due to the Company's directors, Mr. Hsu Tung Chi, are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due to director approximate their fair value.

**(iii) Due to a director of subsidiaries of the Company/a joint venture**

The amounts due are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due approximate their fair value.

## 25. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>		
At 31 December 2013 and 31 December 2014, ordinary shares of HK\$0.01 each	20,000,000	200,000
<b>Issued and fully paid:</b>		
At 1 January 2013, ordinary shares of HK\$0.05 each	2,459,590	122,979
Capital Reorganisation	–	(98,383)
Shares issued upon conversion of convertible bonds	85,020	850
Issue of consideration shares	800,243	8,002
At 31 December 2013, ordinary shares of HK\$0.01 each	3,344,853	33,448
Issue of new shares (note)	295,000	2,950
At 31 December 2014, ordinary shares of HK\$0.01 each	3,639,853	36,398

Note:

In August 2014, the Company entered into subscription agreements with each of the two independent investors to allot and issue 120,000,000 and 175,000,000 ordinary shares of HK\$0.01 each at a subscription price of HK\$0.12 per share, giving rise to an increase of approximately HK\$2,950,000 and HK\$32,450,000 for share capital and share premium respectively. The subscription was completed in September 2014 and net proceeds were used for general working capital purpose.

All shares issued rank pari passu with the existing shares in all respects.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 26. RESERVES Company

Note	Share	Contributed	Warrant	Share option	Convertible	Accumulated	Total
	premium	surplus	reserve	reserve	bonds	losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note (i))	(note (ii))	(note (iii))	(note (iv))			
At 1 January 2013	173,515	3,047	276	12,251	1,279	(263,401)	(73,033)
Loss for the year and total comprehensive loss for the year	-	-	-	-	-	(13,855)	(13,855)
<b>Transactions with equity holders</b>							
<i>Contribution and distribution</i>							
Capital Reorganisation	98,383	-	-	-	-	-	98,383
Conversion of convertible bonds	5,858	-	-	-	(1,279)	-	4,579
Release upon expiry of share options	-	-	-	(12,251)	-	12,251	-
Release upon expiry of warrants	-	-	(276)	-	-	276	-
Issue of consideration shares for acquisition of subsidiaries	198,381	-	-	-	-	-	198,381
Issue of unlisted warrants	-	-	276	-	-	-	276
Total transactions with equity holders	302,622	-	-	(12,251)	(1,279)	12,527	301,619
At 31 December 2013	476,137	3,047	276	-	-	(264,729)	214,731
<b>At 1 January 2014</b>	<b>476,137</b>	<b>3,047</b>	<b>276</b>	<b>-</b>	<b>-</b>	<b>(264,729)</b>	<b>214,731</b>
<b>Loss for the year and total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,656)</b>	<b>(21,656)</b>
<b>Transactions with equity holders</b>							
<i>Contribution and distribution</i>							
Equity-settled share-based payment	27	-	-	7,782	-	-	7,782
Issue of new shares	25	32,450	-	-	-	-	32,450
Total transactions with equity holders	32,450	-	-	7,782	-	-	40,232
<b>At 31 December 2014</b>	<b>508,587</b>	<b>3,047</b>	<b>276</b>	<b>7,782</b>	<b>-</b>	<b>(286,385)</b>	<b>233,307</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 26. RESERVES (Continued)

Notes:

- (i) The share premium represents the excess of the proceeds or considerations from issuance of the Company's shares over their par value. The share premium of the Company is available for distribution to shareholders subject to certain requirements of the Company Act 1981 of Bermuda (as amended).
- (ii) The contributed surplus of the Company arose from the Group Reorganisation which took place in 2003. The balance represents the difference between the nominal amount of the Company's shares issued and the consolidated shareholders' fund of the subsidiaries acquired during the Group Reorganisation.
- (iii) The warrant reserve relates to the private placing of unlisted warrants. Further information about the unlisted warrants is set out in note 28 to the consolidated financial statements.
- (iv) The share option reserve represents the fair value of the actual or estimated number of unexercised or lapsed share options granted to employees recognised in accordance with the accounting policy adopted for share-based compensation as described in note 3 to these consolidated financial statements.
- (v) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.
- (vi) At the end of the reporting period, the Company has no reserves available for distribution to the equity holders of the Company.

## 27. SHARE OPTION SCHEME

On 24 January 2003, a share option scheme was adopted by the Company pursuant to a written resolution of the Company (the "Old Share Option Scheme"). The Old Share Option Scheme was valid and effective for a period of ten years and expired on 23 January 2013. On 27 March 2013, with approval by the shareholders, the Company adopted a new share option scheme (the "New Share Option Scheme"), with similar terms except for the extension of eligible participants to include consultants and suppliers as well as the reduction of the offer of acceptance from 28 days to 7 days to replace the Old Share Option Scheme.

The purpose of the New Share Option Scheme is to provide eligible employees with performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership. The Board may, at its discretion, invite any full-time employee of the Company, consultants and suppliers of the Company, including any executive and non-executive directors of the Company, or any subsidiaries of the Company to take up options to subscribe for shares of the Company. The total number of shares in respect of which options may be granted under the New Share Option Scheme shall not exceed 10% of the issued shares of the Company from time to time. The total number of shares of the Company issued and to be issued upon exercise of the options granted to a participant under the New Share Option Scheme and any other share option scheme adopted by the Company (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue from time to time.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 27. SHARE OPTION SCHEME (Continued)

An option may be exercised at any time during a period to be determined and notified by the Board to each participant. Options might be granted at a consideration of HK\$1. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The subscription price for the shares of the Company will be a price determined by the Board and will be the highest of (i) the closing price of the shares on the GEM as stated in the Stock Exchange's daily quotation on the date of the offer grant; (ii) the average closing price of the shares on the GEM as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer grant; and (iii) the nominal value of the shares.

Details of specific categories of share options granted under the Old/New Share Option Scheme are as follows:

Date of grant	Exercise period	Exercise price	Fair value
		HK\$	at grant date HK\$
13/12/2010	13/12/2010 to 13/12/2013	0.4400	0.1037
16/12/2010	16/12/2010 to 16/12/2013	0.4750	0.1122
10/06/2014			
– Lot 1	10/06/2014 to 10/06/2017	0.1143	0.0339
– Lot 2	10/06/2015 to 10/06/2017	0.1143	0.0421
– Lot 3	10/06/2016 to 10/06/2017	0.1143	0.0483

In accordance with the terms of the Old Share Option Scheme, options granted during the financial year ended 31 December 2010 were vested at the date of grant. In accordance with the terms of the New Share Option Scheme, options granted during the financial year ended 31 December 2014 were exercisable during the validity period of 3 years from the date of grant, being 10 June 2014, and subject to a vesting scale in tranches of one-third on the date of grant and each anniversary date thereof up to and including the second anniversary date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 27. SHARE OPTION SCHEME *(Continued)*

### (a) Fair value of share options and assumptions

The fair value of the share options is determined using a binomial pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Expectations of early exercise are incorporated into the model. The value of an option varies with different variables of certain subjective assumptions. Inputs to the model are as follows:

	Date of grant		
	10/06/2014	16/12/2010	13/12/2010
Share price at grant date	0.1130	0.4750	0.4400
Exercise price	0.1143	0.4750	0.4400
Option life	3 years	3 years	3 years
Expected volatility	71.68%	66.39%	66.26%
Expected dividends	Nil	Nil	Nil
Risk-free interest rate	0.70%	0.381%	0.381%

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

The fair value of the goods and services received from person other than employees cannot be estimated reliably. As a result, their fair value is measured at fair value of the equity instruments granted at the date of the person rendered the service.

During the year, the fair value of equity-settled share-based payment of HK\$7,782,000 (2013: nil) has been recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 27. SHARE OPTION SCHEME (Continued)

### (b) Movement in share option

The following table discloses movements of the Company's number of share options during the years ended 31 December 2014 and 2013:

Grant date	Exercise period	Exercise price HK\$	Outstanding at 1 January	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31 December
<b>Year ended 31 December 2014</b>							
<b>Directors</b>							
10/06/2014	10/06/2014 to 10/06/2017	0.1143	-	66,010,208	-	-	66,010,208
<b>Employees</b>							
10/06/2014	10/06/2014 to 10/06/2017	0.1143	-	231,035,728	-	-	231,035,728
<b>Consultant</b>							
10/06/2014	10/06/2014 to 10/06/2017	0.1143	-	33,005,104	-	-	33,005,104
			-	330,051,040	-	-	330,051,040
Exercisable at end of reporting period							110,017,013
Weighted average exercise price				HK\$0.1143			HK\$0.1143
<b>Year ended 31 December 2013</b>							
<b>Directors</b>							
13/12/2010	13/12/2010 to 13/12/2013	0.4400	31,000,000	-	-	(31,000,000)	-
<b>Employees</b>							
13/12/2010	13/12/2010 to 13/12/2013	0.4400	48,000,000	-	-	(48,000,000)	-
16/12/2010	16/12/2010 to 16/12/2013	0.4750	19,000,000	-	-	(19,000,000)	-
			67,000,000	-	-	(67,000,000)	-
			98,000,000	-	-	(98,000,000)	-
Exercisable at end of reporting period							-
Weighted average exercise price				HK\$0.4468	-	-	HK\$0.4468

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 27. SHARE OPTION SCHEME *(Continued)*

### (b) Movement in share option *(Continued)*

All share options granted under the Old Share Option Scheme expired in December 2013. Share option reserve of HK\$12,251,000 was transferred to accumulated losses upon the expiry of the share options during the year ended 31 December 2013.

## 28. WARRANTS

In October 2013, the Company entered into a warrant subscription agreement with the subscribers in relation to the warrant subscription, pursuant to which, the Company has conditionally agreed to allot and issue to the subscribers and the subscribers have conditionally agreed to subscribe for an aggregate of 275,500,000 unlisted warrants conferring the rights to subscribe for an aggregate of 275,500,000 warrant shares at the exercise price of HK\$0.15 per warrant share for a period of 48 months. The issue price of warrant is at HK\$0.001 per warrant. Each warrant carries the right to subscribe for 1 warrant share. The Company will receive the net proceeds of approximately HK\$41,300,000 upon the full exercise of the subscription rights attaching to the warrants. In December 2013, the subscription and issue of the 275,500,000 unlisted warrants was completed. No unlisted warrants were issued and exercised during the year ended 31 December 2014.

## 29. RETIREMENT BENEFITS SCHEMES

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Schemes"). The assets of the MPF Schemes are held separately in provident funds managed by independent trustees. Under the MPF Schemes, the Group and each of the employees make monthly contributions to the schemes at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK\$30,000 since June 2014 (2013: HK\$25,000 before June 2014 and HK\$30,000 since June 2014).

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering their full-time PRC employees. The schemes are administered by the relevant government authorities which undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's PRC subsidiaries.

During the year, the amount of employer's contributions made by the Group to the defined contribution plans was approximately HK\$241,000 (2013: HK\$703,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 30. DEFERRED TAXATION

### (a) Unrecognised deferred tax assets

As at 31 December 2014, tax losses of HK\$5,073,000 (2013: HK\$4,081,000) arising from the Group's PRC operations could be used to offset against future taxable profits of the respective PRC subsidiaries for a maximum of 5 years. The Group has not recognised deferred tax asset in respect of tax losses because it is uncertain that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The unrecognised tax losses arising from the Group's PRC operation at the end of the reporting period will expire as follows:

	<b>Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Year of expiry		
2017	<b>4,640</b>	4,081
2019	<b>433</b>	–
	<b>5,073</b>	4,081

The retained earnings of certain PRC subsidiaries would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of retained earnings of these PRC entities were approximately HK\$3,032,000 (2013: HK\$1,909,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future. Accordingly, no provision for deferred taxation in respect of withholding tax on dividend have been made.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 31. DISPOSAL OF A SUBSIDIARY

The Group disposed of its entire 65% interest in 體奧動力(北京)體育傳播有限公司 (unofficial English name as China Sports (Beijing) Media Limited) to an independent third party at an aggregate cash consideration of HK\$5,043,000 on 31 December 2014.

	HK\$'000
<hr/>	
<b>Net assets disposed of:</b>	
Property, plant and equipment	411
Accounts and other receivables	5,040
Bank balances and cash	1,061
Accounts and other payables	(3,308)
Tax payable	(1,010)
	<hr/>
	2,194
	<hr/>
<b>Consideration:</b>	
Cash deposit received	1,513
Cash consideration receivable	3,530
	<hr/>
	5,043
	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 31. DISPOSAL OF A SUBSIDIARY (Continued)

Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary:

	HK\$'000
Cash consideration	1,513
Cash and cash equivalents disposed of	(1,061)
<b>Net inflow of cash and cash equivalents</b>	<b>452</b>
<b>Gain on disposal of a subsidiary:</b>	
Consideration received and receivables	5,043
Net assets disposed of	(2,194)
Goodwill	(914)
Non-controlling interests	768
	<b>2,703</b>

## 32. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with connected and related parties during the year:

### Connected transactions

(i) *Revolving loan facility granted to Far Glory*

On 11 February 2010, the Company granted to Far Glory, a 51% owned subsidiary, a revolving loan facility up to a maximum amount of HK\$9,500,000 at any time during the period commencing from 10 February 2010 to 10 February 2013 for financing the business development and working capital requirements of Far Glory and its subsidiaries (the "Loan Agreement"). The Loan Agreement was interest-bearing at the prime rate for Hong Kong dollar loan per annum as quoted from time to time by The Hongkong and Shanghai Banking Corporation Limited.

On 23 July 2010, the Company and Far Glory entered into a supplemental agreement (the "Supplemental Agreement"), pursuant to which both parties agreed to revise the Loan Agreement such that the maximum amount and the interest rate were revised as HK\$40,000,000 at any time during the period commencing from 23 July 2010 to 23 July 2013 and one per cent above the prime rate for Hong Kong dollar loan per annum as quoted from time to time by The Hongkong and Shanghai Banking Corporation Limited respectively. Details of the transaction have been set out in the circular of the Company dated 13 August 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 32. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS *(Continued)*

### Connected transactions *(Continued)*

#### (i) *Revolving loan facility granted to Far Glory (Continued)*

On 28 February 2014, the Company signed the supplemental memorandum of understanding with Far Glory (the "Supplemental MOU") and agreed to extend the terms of loan under the Loan Agreement signed on 11 February 2010 and the Supplemental Agreement signed on 23 July 2010 from 23 July 2013 to 23 July 2016. All other terms and conditions of the Loan Agreement and Supplemental Agreement shall continue to be in full force and effect.

As at 31 December 2014, HK\$40,000,000 (2013: HK\$40,000,000) was drawn down and the related interest income of HK\$12,090,000 (2013: HK\$8,366,000) was accrued in respect of the facility utilised.

The loan facility granted to Far Glory constitutes a continuing connected transaction under the GEM Listing Rules and the relevant disclosures are made in the Directors' Report of this annual report.

#### (ii) *Put option and share charge offered to a subscriber of shares of the Company*

The Company and Chance Talent Management Limited (the "Subscriber") entered into a share subscription agreement (the "Subscription Agreement") on 7 August 2014 (as supplemented and amended by a supplemental agreement dated 8 September 2014) pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe for 175,000,000 shares of the Company (the "Subscription Share") at HK\$0.12 per Subscription Share.

As a condition precedent of the Subscription Agreement, Hsu Tung Chi and Hsu Tung Sheng (the "Grantors"), both directors of the Company, entered into a put option arrangement (the "Put Option") with the Subscriber. Under the Put Option, the Grantors granted the Subscriber an option to require the Grantors to purchase some or all of the put option shares at a predetermined option price. The put option shares represent the Subscription Share initially subscribed by the Subscriber and would automatically be adjusted downward by the number of Subscription Share sold, transferred or disposed by the Subscriber from time to time.

As another condition precedent to the Subscription Agreement, the Grantors and Daily Technology Company Limited, a company wholly-owned by Hsu Tung Chi, (collectively the "Chargors") entered into a share charge arrangement (the "Charge") with the Subscriber. Under the Charge, the Chargors charge to the Subscriber by way of first fixed charge 201,284,893 shares of the Company beneficially owned by the Chargors. The Charge will be effective until the date on which the Subscriber has determined that all of the relevant liabilities under the Charge, comprising all monies, obligations and liabilities due by any of the Chargors and the Company pursuant to the Charge, the Subscription Agreement and the Put Option, have been paid and discharged in full.

### Related party transactions

Related party relationship	Nature of transaction	Group	
		2014 HK\$'000	2013 HK\$'000
Key management personnel (excluding directors*)	Salaries and allowances	–	420

\* All directors are key management personnel. Detailed directors' remuneration is disclosed in note 8 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 33. COMMITMENTS

### Capital expenditure commitment

At the end of the reporting period, the Group had the following capital expenditure commitment:

	<b>The Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Contracted but not provided for, net of deposit paid in the consolidated financial statements:</b>		
Acquisition of a subsidiary (note 20)	<b>12,000</b>	–

### Commitments under operating lease

The Group leases equipment and premises under operating leases. The leases are negotiated for a term ranging from 1 year to over 5 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases in respect of equipment and premises falling due as follows:

	<b>The Group</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>1,753</b>	1,092
In the second to fifth years inclusive	<b>6,466</b>	3,911
Over five years	<b>1,614</b>	2,689
	<b>9,833</b>	7,692

The Group early terminated an operating lease of premises, with a lease period up to 2021 in June 2014. No penalty was charged by the landlord for the early termination.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise share options, warrants, available-for-sale financial asset and bank balances and cash. The Group has various other financial instruments such as accounts and other receivables and accounts and other payables, which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the items below:

	Group						Company	
	2014			2013			2014	2013
	Available-for-sale financial assets	Loans and receivables	Total	Available-for-sale financial assets	Loans and receivables	Total	Loans and receivables	Loans and receivables
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets as per statements of financial position</b>								
Available-for-sale financial asset	15,225	-	15,225	-	-	-	-	-
Loans to and due from joint ventures	-	345	345	-	345	345	-	-
Due from subsidiaries	-	-	-	-	-	-	211,272	199,302
Loans to a subsidiary	-	-	-	-	-	-	40,000	40,000
Accounts and other receivables	-	72,025	72,025	-	64,598	64,598	12,455	9,003
Bank balances and cash	-	20,979	20,979	-	21,451	21,451	10,842	4,004
<b>Total</b>	<b>15,225</b>	<b>93,349</b>	<b>108,574</b>	<b>-</b>	<b>86,394</b>	<b>86,394</b>	<b>274,569</b>	<b>252,309</b>

	Other financial liabilities at amortised cost			
	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial liabilities as per statements of financial position</b>				
Accounts and other payables	24,043	33,713	4,865	4,131

The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### **Credit risk**

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group resulting in a loss to the Group. The Group's credit risk is primarily attributable to accounts receivable and bank balances.

A detailed discussion of the Group's credit risk in respect of accounts receivable is set out in note 22 to the consolidated financial statements. The Group only provides services to recognised and credit-worthy third parties. Management closely monitors all outstanding debts and reviews the collectability of debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the financial statements. The Group does not hold any collateral over these assets.

At the end of the reporting period, the Group had a concentration of credit risk as 36% (2013: 26%) and 83% (2013: 65%) of the total accounts receivable were made up by the Group's largest customer's and the five largest customers' outstanding balances respectively.

At the end of the reporting period, the Company had a concentration of credit risk on the amounts due from subsidiaries because 55% (2013: 55%) of the total amounts due was due from a subsidiary.

The Group's bank balances are placed with credit-worthy banks in Hong Kong and in the PRC.

### **Interest rate risk**

The Group's exposure to cash flow interest rate risk mainly arises from the fluctuation of the prevailing market interest rate on the bank balances. However, management considers the Group's exposure to such interest rate risk is not significant as the bank balances held by the Group are all short-term in nature. No sensitivity analysis is prepared as the fluctuation and impact are considered immaterial.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility.

The undiscounted contractual maturity profile of the Group's financial liabilities at the end of the reporting period, based on the earliest date on which the Group is required to settle the financial liabilities at the end of the reporting period is summarised below:

#### Group

	2014				2013			
	Total carrying value	contractual undiscounted cash flows	On demand	Within 1 year	Total carrying value	contractual undiscounted cash flows	On demand	Within 1 year
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accounts and other payables	24,043	24,043	20,261	3,782	33,713	33,713	28,640	5,073

#### Company

	2014				2013			
	Total carrying value	contractual undiscounted cash flows	On demand	Within 1 year	Total carrying value	contractual undiscounted cash flows	On demand	Within 1 year
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables	4,865	4,865	4,865	-	4,131	4,131	4,131	-

### Fair value

The carrying amount of the Group's and the Company's financial assets and financial liabilities carried at other than fair value are not materially different from their fair value as at 31 December 2014 and 2013.

## 35. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. The capital structure of the Group consists of bank balances, net debts, and equity attributable to shareholders (comprising issued capital and reserves). No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

## 36. EVENT AFTER THE REPORTING PERIOD

In February 2015, the Group established a private company name 北京文資數碼投資管理有限公司 (unofficial English name as Beijing Wen Zi Shuma Investment Management Company Limited, "Beijing Wen Zi Shuma") with paid-up capital of RMB5 million, which is principally engaged in the business of investment management focusing on investments in the cultural industry. The Group holds 80% equity interest in Beijing Wen Zi Shuma.