中國傳媒影視控股有限公司*

China Media and Films Holdings Limited

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

(Stock Code: 8172)

ANNUAL REPORT 2013

* For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of China Media and Films Holdings Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 in this report misleading.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheng Yang *(Chairman and Chief Executive Officer)*
Ms. Jiang Di *(Vice President)*
Mr. Leung Wai Man

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yip Tai Him
Mr. Law Yiu Sang, Jacky
Mr. Fung Wai Ching

COMPANY SECRETARY

Mr. Leung Wai Man

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REMUNERATION COMMITTEE

Mr. Yip Tai Him *(Committee Chairman)*
Mr. Law Yiu Sang, Jacky
Mr. Fung Wai Ching

NOMINATION COMMITTEE

Mr. Yip Tai Him *(Committee Chairman)*
Mr. Law Yiu Sang, Jacky
Mr. Fung Wai Ching

AUDIT COMMITTEE

Mr. Yip Tai Him *(Committee Chairman)*
Mr. Law Yiu Sang, Jacky
Mr. Fung Wai Ching

PRINCIPAL BANKER

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CORPORATE WEBSITE

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GEM STOCK CODE

8172

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Artist Management

During the year under review, the revenue contributed by such segment was approximately HK$15,667,000 (2012: HK$26,543,000), representing a decrease of approximately 41.0% due to the tough business competition as compared with the year ended 31 December 2012.

The gross profit margin increased to approximately 30.3% (2012: 23.0%). The stable gross profit margin in such segment was in line with the management's expectation.

Pending Litigation

On 30 May 2011, China Star Management Limited, an indirect wholly-owned subsidiary of the Company, issued a Writ of Summons to claim against Tang's Workshop Limited ("Tang's Workshop") for the sum of HK$127,500, being the fees charged for the services rendered and material supplied to Tang's Workshop. At the date of this report, the litigation has yet to be settled.

Share of Results of Joint Ventures

The Group has applied the new accounting policy for interests in joint ventures occurring on or after 1 January 2013. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income.

China Star Film Group Limited ("China Star Film Group"), a joint venture, is principally engaged in film production and distribution. During the period under review, China Star Film Group did not have any additional film rights and the share of its losses approximately HK$322,000 was recorded (2012: loss of HK$17,000). China Star Film Group has two films in the preproduction phase. Due to the scheduling of the film casts and revision to the scripts, shooting of these two films has been delayed, and its completion date and the release date of the said films have not been determined.

In early August 2012, Eternity Investment Limited ("Eternity") (stock code: 764), a company listed on the Main Board of the Stock Exchange, became a substantial shareholder of the Company by acquiring an approximately 29% shareholding interest in the Company. Given that Eternity has engaged in film distribution business in the People's Republic of China ("PRC") since 2001, the acquisition of 29% equity interest in the Company by Eternity presents a good opportunity for the Group to form a strategic alliance with Eternity by leveraging its expertise, network and connections in the film distribution industry in the PRC.

FINANCIAL REVIEW

For continuing operations, the revenue of the Group was approximately HK$15,698,000 for the year ended 31 December 2013 (2012: HK$26,547,000), and it was generated from the provision of artist management and film distribution, representing a decrease of 40.9% as compared with the year ended 31 December 2012.

Administrative expenses were mainly the legal and professional fees, staff costs, operating leases and other general administrative expenses of the Group incurred during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses increased by 7.1% to approximately HK$19,139,000 from approximately HK$17,864,000 in prior year. Such increase was mainly attributed from the expenses on operating leases amounted to approximately HK$4,549,000 (2012: HK$3,443,000), the impairment loss on film rights and deposits to artists amounted to approximately HK$2,830,000 (2012: nil) and salaries and allowance amounted to approximately HK$7,247,000 (2012: HK$6,384,000) which was partly offset by the decrease in legal and professional fees amounted to approximately HK$691,000 (2012: HK$2,577,000).

The operating leases, as the rental expenses paid to shareholder, is a facility sharing agreement ("Agreement") dated 30 April 2012 entered into between Golden Island Catering Group Company Limited ("Golden Island"), a wholly-owned subsidiary of Culture Landmark Investment Limited ("Culture Landmark"), and our subsidiary. Pursuant to the Agreement, the aggregate annual fees payable for each of the two years ending 31 March 2014 will be subject to the cap amount of HK$4,800,000, being the maximum annual amount payable. Golden Island is a connected person of the Company and the Agreement constitutes a continuing connected transaction of the Company. For details of the continuing connected transaction, please refer to the announcement dated 30 April 2012.

During the year under review, finance costs were approximately HK$563,000 which was mainly derived from the effective interest expenses on the convertible loan notes (2012: HK$686,000).

During the year under review, loss for the year attributable to owners of the Company was approximately HK$12,828,000 (2012: loss for the year attributable to owners of the Company was approximately HK$15,100,000), which was mainly attributed from the administrative expenses amounted to approximately HK$19,139,000 (2012: HK$17,864,000), share of losses of joint ventures amounted to HK$322,000 (2012: HK$17,000) and was partly offset by the gain on extinguishment of convertible loan notes amounted to HK$1,935,000 (2012: nil).

Liquidity and Financial Resources

At 31 December 2013, the Group had total assets of approximately HK$82,902,000 (2012: HK$95,632,000), including cash and cash equivalents of approximately HK$48,780,000 (2012: HK$53,533,000).

During the year under review, the Group financed its operation with internally generated cash flows.

Capital Structure

During the year under review, there was no change in the capital structure of the Company.

Gearing Ratio

The gearing ratio, expressed as percentage of total liabilities over total assets, was approximately 10.5% (2012: 13.5%).

Charge on the Group's Assets

At 31 December 2013, the Group did not have any charge on its assets.

Foreign Exchange Risk

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management closely monitors the exposures and will consider hedging the exposures should the need arise.

Commitments

At 31 December 2013, the Group had no commitments (2012: nil).

Contingent Liabilities

At 31 December 2013, the Group had no contingent liabilities (2012: nil).

Employees

At 31 December 2013, the Group had 21 employees. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performances, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options granted or to be granted under the share option scheme.

Significant Investment

The Group did not hold any significant investment during the year ended 31 December 2013.

Continuing Connected Transaction

Golden Island, a wholly-owned subsidiary of Culture Landmark, as tenant entered into the tenancy agreement dated 30 March 2011 with China Resources Property Management Limited in respect of the lease of the premises ("Premises") which located at Rooms 2506-09, 25th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong for a term of three years from 1 April 2011 to 31 March 2014.

On 30 April 2012, KH Investment Holdings Limited, a wholly-owned subsidiary of the Company, entered into the facility sharing agreement ("Agreement") with Golden Island in respect of sharing of the Premises and facilities thereof. Golden Island has also agreed to provide office supporting services, including the provision of receptionist and such other services as may be requested by the Group.

Golden Island is a wholly-owned subsidiary of Culture Landmark and Culture Landmark is the controlling shareholder of the Company indirectly holding approximately 74.95% of the issued share capital of the Company at 30 April 2012. Accordingly, Golden Island is a connected person of the Company and the Agreement constitutes a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As the annual cap fees under the Agreement for each of the two years ending 31 March 2014 is HK$4,800,000, where all applicable percentage ratios are less than 5% on an annual basis, the Agreement is subject to the reporting and announcement requirements under Rules 20.45 to 20.47, the annual review requirements set out in Rules 20.37 to 20.40 and other requirements set out in Rules 20.35(1) and 20.35(2) of the GEM Listing Rules, but is exempt from the circular and independent shareholders' approval requirements under Rules 20.49 to 20.54 of the GEM Listing Rules.

Golden Island has agreed to provide office space and facilities in proportion. The Premises will be used as offices by the Group. The Directors (including the independent non-executive Directors) are of the opinion that the Agreement was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties with reference to the prevailing market rates for comparable office buildings in Wan Chai; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the Agreement.

For details of the continuing connected transaction, please refer to the announcement dated 30 April 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies for the year ended 31 December 2013.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets for the coming year.

FUTURE PLANS

We are still planning the future developmental strategies for the Group and studying the prevalent market trends. We will remain cautious of the Group's business outlook. However, regardless of the aforementioned, strengthening and developing the business of the Group are of almost importance so as to prepare ourselves for the upcoming challenges and opportunities. Meanwhile, we will continue to identify other appropriate investment opportunities to penetrate into other business sectors.

PROFILES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Cheng Yang, aged 50, was appointed as the Chairman and an executive Director of the Company on 28 September 2011 and the chief executive officer of the Company on 5 March 2012. He has over 11 years of experience in entertainment and media business. He is the founder and a director of Cheng Films and Video Production Limited (a company incorporated in Hong Kong) which produces and distributes films and television drama series in Greater China. Mr. Cheng is the Chairman, an executive Director, the chief executive officer and a substantial shareholder of Culture Landmark. As at the date of this report, Culture Landmark is a controlling shareholder of the Company through its wholly owned subsidiary, New Asia Media Development Limited ("New Asia Media"), which holds (i) 232,366,016 Shares, representing approximately 45.95% of its issued share capital; and (ii) zero-coupon convertible loan notes due 24 September 2015 with total outstanding principal amount of HK$6,200,000 issued by the Company carrying the right to convert into a total of 12,731,006 shares of the Company at the prevailing conversion price of HK$0.487 per share (subject to adjustment). He is also a director of New Asia Media.

As at the date of the report, to the best knowledge and belief of the Company, Mr. Cheng is personally interested in 89,300,000 shares of Culture Landmark, an associated corporation of the Company and is deemed to be interested in 49,000 shares of Culture Landmark held by his wife.

Ms. Jiang Di, aged 47, was appointed as an executive Director and a Vice President of the Company on 5 March 2012. She was the financial controller of 深圳市文地多媒體技術有限公司 (Shenzhen Wendi Multimedia Technology Company Limited), a wholly-owned subsidiary of Culture Landmark, and was responsible for the finance function in Greater China. Ms. Jiang joined Culture Landmark in November 2011 and has extensive experience in finance, audit and taxation functions. Prior to joining Culture Landmark, Ms. Jiang was the financial controller of Hainan Bojin Cultural Investment Company Limited.

Mr. Leung Wai Man, aged 44, was appointed as an executive director, company secretary and chief financial officer of the Company on 25 May 2012. He has over 15 years of experience in company secretarial, accounting and financial management. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yip Tai Him, aged 43, has about 21 years of experience in auditing, accounting and corporate finance. He is a member of the Institute of Chartered Accountants in England and Wales, Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Yip is currently an independent non-executive director of Wing Lee Holdings Limited (stock code: 876), China Communication Telecom Services Company Limited (stock code: 8206), iOne Holdings Limited (stock code: 982), GCL-Poly Energy Holdings Limited (stock code: 3800), Vinco Financial Group Limited (stock code: 8340) and Redco Properties Group Limited (stock code: 1622), all of which are listed on the Stock Exchange. Mr. Yip was appointed as an independent non-executive director of the Company on 13 December 2008.

Mr. Law Yiu Sang, Jacky, aged 49, holds a bachelor of laws degree from Manchester Metropolitan University. Mr. Law has previously worked in a number of different law firms and has over 19 years' experience in assisting in management and legal documentation. Mr. Law was appointed as an independent non-executive director of the Company on 13 December 2008.

Mr. Fung Wai Ching, aged 44, is presently an owner of a printing company in Hong Kong. He has over 17 years' experience in managing paper, packaging and printing industries in both China and Hong Kong markets. Mr. Fung was appointed as an independent non-executive director of the Company on 25 May 2012.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board of Directors (the "Board") and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigourous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public.

Throughout the financial year ended 31 December 2013, the Group has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules save for certain deviations, details of which will be explained in the relevant paragraphs in this report. The Board has, since the amendments to the GEM Listing Rules regarding corporate governance practices were first proposed by the Stock Exchange, continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Group to ensure awareness to issues regarding corporate governance practices.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transaction, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management 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 executives and the Board has the full support of them to discharge its responsibilities. The statement of the auditors of the Company in relation to their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditors' Report on pages 26 to 27 of this annual report.

CORPORATE GOVERNANCE REPORT

Composition

As at 31 December 2013, the Board comprises six Directors: including three executive Directors, namely, Mr. Cheng Yang, Ms. Jiang Di and Mr. Leung Wai Man, and three independent non-executive Directors, namely, Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky, and Mr. Fung Wai Ching.

One of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive Directors is more than one-third of the Board. Biographical details of the Chairman and other directors are set out in the section of Profiles of Directors on page 7.

The presence of three independent non-executive Directors is considered by the Board to be a reasonable balance between executive and non-executive Directors. The Board is of the opinion that such balance can provide adequate checks and balances for safeguarding the interests of shareholders and of the Group. The non-executive Directors provide to the Group with a wide range of expertise and experience so that independent judgement can effectively be exercised as well as ensuring that the interests of all shareholders are taken into account. They are also responsible for participating in Board meetings, dealing with potential conflicts of interest, serving on audit committee, remuneration committee and nomination committee, scrutinizing the Group's performance and reporting. Through their active participation, they provide their valuable skills, expertise and experience to the Board and the committees on which they serve so that the management process can be critically reviewed and controlled.

The Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. All the directors give sufficient time and attention to the Company's affairs. The Board believes that the ratio of executive to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interest of the shareholders and the Company as a whole.

The Board as a whole is responsible for the appointment of new director and nomination for re-election by shareholders at the annual general meeting of the Company. Under the Company's bye-laws, the Board may from time to time appoint a director either to fill a vacancy or as an addition to the Board. Any new director appointed to fill a casual vacancy shall hold office until the first general meeting after his appointment and shall then be eligible for re-election at the next following annual general meeting. Any new director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for reelection.

Pursuant to Article 87(1) and 87(2) of the Bye-laws, Mr. Leung Wai Man and Mr. Fung Wai Ching will retire at the annual general meeting and, being eligible, will offer themselves for re-election.

INDEPENDENCE

The Company has three independent non-executive Directors, at least one of whom has appropriate financial management expertise, in compliance with the GEM Listing Rules. The Group has received from each independent non-executive Directors an annual confirmation of his independence. The Company considers these Directors to be independent under the guidelines set out in Rule 5.09 of the GEM Listing Rules.

All independent non-executive Directors are identified as such in all corporate communications containing the names of the directors. In addition, there is no material relationship among members of the Board.

CORPORATE GOVERNANCE REPORT

DEVIATION FROM THE CG CODE

Throughout the year ended 31 December 2013, the Company complied with the CG Code in Appendix 15 to the GEM Listing Rules, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives), A.4.1 (specific terms of non-executive Directors) and A.6.7 (Directors attending general meetings).

a. Chairman and Chief Executive Officer

Under the CG Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company have been performed by Mr. Cheng Yang, who is also an executive Director. The Board still considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.

b. Terms of non-executive Directors

Under the CG Code provision A.4.1, all non-executive Directors should be appointed for a specific term, subject to re-election. The term of office for non-executive Directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the Directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this Code provision.

c. Non-executive Directors attending general meeting

Under the Code provision A.6.7 of CG Code, non-executive Directors should attend general meetings. Mr. Law Yiu Sang Jacky, being the independent non-executive Director, was unable to attend the general meetings of the Company held on 16 May 2013 and 23 October 2013 due to other business commitment.

BOARD MEETINGS AND SHAREHOLDERS' MEETINGS

The Board regularly meets in person or through other electronic means of communication at least four times every year to determine overall strategic direction and objectives and approve quarterly, interim and annual results, and other significant matters. At least 14 days' notice of regular Board meeting are given to all Directors, who are all given an opportunity to attend and include matters in the agenda for discussion. Apart from regular meetings, senior management from time to time provides directors information on activities and development of the businesses of the Group. The company secretary assists the chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations in connection with the meetings are observed and complied with. The finalized agenda and accompanying board papers are then sent to all Directors at least 3 days prior to the meeting. The company secretary also takes detailed minutes of the meetings and keeps records of matters discussed and decision resolved at the meetings.

During the year under review, six board meetings were held. Details of the attendance of the Directors at the meetings of the Board and its respective committees are as follows:

Name of Director	Board Meetings Attended/Eligible to attend	Audit Committee Meetings Attended/Eligible to attend	Remuneration Committee Meeting Attended/Eligible to attend	Nomination Committee Meeting Attended/Eligible to attend	General Meetings
Mr. Cheng Yang	5/6	N/A	N/A	N/A	1/2
Ms. Jiang Di	5/6	N/A	N/A	N/A	1/2
Mr. Leung Wai Man	6/6	N/A	N/A	N/A	2/2
Mr. Yip Tai Him	6/6	4/4	1/1	1/1	2/2
Mr. Law Yiu Sang, Jacky	5/6	4/4	1/1	1/1	0/2
Mr. Fung Wai Ching	6/6	4/4	1/1	1/1	2/2

During regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual, interim and quarterly results, set annual budgets, as well as discuss and decide on other significant matters. The execution of daily operational matters is delegated to management of the Group.

The company secretary records the proceedings of each board meeting in detail by keeping minutes, including the record of all decisions by the board together with concerns raised and dissenting views expressed (if any). Drafts of board minutes are circulated to all directors for comment and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any director.

All Directors have access to relevant and timely information at all times as the chairman ensures that the management will supply the Board and its committees with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information.

They also have unrestricted access to the advice and services of the company secretary, who is held responsible for providing Directors with board papers and related materials and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with. If considered necessary and appropriate by the Directors, they may retain the service of independent professional advisers at the Group’s expense.

In case where a conflict of interest may arise involving a substantial shareholder or a Director, such matter will be discussed in a physical meeting and will not be dealt with by way of written resolutions. Independent non-executive directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings.

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with the shareholders and for shareholders’ participation. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings.

During the year ended 31 December 2013, apart from the annual general meeting held on 16 May 2013 and the special general meeting held on 23 October 2013, the Company did not hold any other general meetings.

CORPORATE GOVERNANCE REPORT

TRAINING AND SUPPORT FOR DIRECTORS

All Directors, including non-executive Directors and independent non-executive Directors, must keep breast of their collective responsibilities as directors and of the business of the Group. As such, the Group provides a comprehensive and formal induction to each newly appointed director upon his/her appointment. Briefings and orientations are provided and organised to ensure that the new directors are familiar with the role of the Board, their legal and other duties as a director as well as the business and governance practices of the Group. Such programmes are tailored to each individual Director taking into account their background and expertise. The company secretary and compliance officer will continuously update all Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors.

Pursuant to Code provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills in relation to their contribution to the Board. All the Directors also understand the importance of continuous professional development and are committed to participate any suitable training or read relevant materials in order to develop and refresh their knowledge and skills. The Company has received from each Director a confirmation of their participation in continuous professional development.

Each Director will, upon his/her first appointment and thereafter on a yearly basis, disclose to the Group the number and nature of offices held by such director in public companies and organizations and other significant commitments.

REMUNERATION COMMITTEE

A remuneration committee was formed with specific written terms of reference. As at 31 December 2013, the remuneration committee consists of all three Independent non-executive Directors, namely, Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching. Mr. Yip Tai Him is the chairman of the committee.

The remuneration committee is responsible for formulating and recommending to the Board the remuneration policy, determining the remuneration of executive Directors and members of senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues. This committee consults with the chairman on its proposals and recommendations and has access to professional advice if deemed necessary. The remuneration committee is also provided with other resources enabling it to discharge its duties.

The specific terms of reference of the remuneration committee are posted on the Company's website. The remuneration committee meets at least once a year.

During the year under review, the remuneration committee held one meeting to determine the remuneration package for the executive Directors and independent non-executive Directors.

NOMINATION COMMITTEE

A nomination committee was formed with specific written terms of reference on 26 March 2012. As at 31 December 2013, the nomination committee consists of all three Independent non-executive Directors, namely, Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching. Mr. Yip Tai Him is the chairman of the nomination committee.

The duties of the nomination committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

The specific terms of reference of the nomination committee are posted on the Company's website. The nomination committee meets at least once a year.

During the year under review, the nomination committee held one meeting to review and recommend the appointment and re-appointment of directors.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. Rule 5.28 of the GEM Listing Rules requires that the audit committee must comprise a minimum of three members with a majority of independent non-executive Directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise. The main duties of the audit committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the compliance officer or external auditor before submission to the board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

Other duties of the audit committee are set out in its specific terms of reference which are posted on the Company's website. The audit committee is provided with sufficient resources enabling it to discharge its duties.

As at 31 December 2013, the audit committee has three members, namely Mr. Yip Tai Him (chairman of the audit committee), Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching, all being independent non-executive Directors. No member of the audit committee is a former partner of the existing auditing firm of the Company within one year on the date of his ceasing to be a partner or had any financial interest in the auditing firm. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. During the year, the audit committee held four meetings to review the Group's annual report, interim report and quarterly reports.

The audit committee has also reviewed the financial reporting and compliance procedures, report on the company's internal control and risk management review and processes as well as the re-appointment of the external auditor. There is no material uncertainty relating to events and conditions that may cast significant doubt on the Company's ability to continue as a going concern. There is no disagreement between the Board and the audit committee regarding the selection, appointment, resignation or dismissal of external auditor.

The Company's annual report for the year ended 31 December 2013 has been reviewed by the audit committee. The accounts for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

The company secretary keeps full minutes of all audit committee meetings. In line with practices consistent with Board meetings and other committee meetings, draft and final versions of audit committee meeting minutes are circulated to all members of the audit committee for comments, approval and record as soon as practicable after each meeting.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

For the year ended 31 December 2013, the remuneration in respect of audit services provided by the auditors, HLB Hodgson Impey Cheng Limited, amounted to HK$570,000 (2012: HK$750,000). For non-audit services, the fees paid amounted to HK$55,000 (2012: HK$105,800).

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2013, the Company has adopted a Code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company's Directors confirmed they have complied with the required standards of dealings and the Code of conduct regarding securities transactions by Directors adopted by the Company.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the financial position of the Group. The auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

CORPORATE GOVERNANCE FUNCTION

No corporate governance committee has been established and the Board will therefore be responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements etc.

During the financial year ended 31 December 2013, the Board has reviewed the Company's policies and practices on corporate governance.

INTERNAL CONTROL

The Board, with the audit committee overseeing, is responsible for maintaining sound and effective internal control systems for the Company to safeguard its assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board from time to time conducts a review of the Group's internal control systems. The Board has reviewed the effectiveness of the Group's internal control system, covering financial, operational and compliance controls and risk management functions during the year under review.

In such review, the Board has considered factors such as changes since the last review, scope and quality of management's monitoring of risks; incidence of significant control failings and weaknesses identified; and effectiveness relating to financial reporting and compliance with the applicable laws and regulations including the GEM Listing Rules.

COMPANY SECRETARY

The company secretary is an employee of the Company and is appointed by the Board. The company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The company secretary is also responsible for advising the Board on governance matters. All Directors of the Company may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and board committee. Mr. Leung Wai Man has been the company secretary of the Company since May 2012. The biographical details of Mr. Leung is set out in the section of Profiles of Directors on page 7 of this report. Mr. Leung has undertaken not less than 15 hours of relevant professional training to update his skills and knowledge in 2013.

DELEGATION BY THE BOARD

The Board is responsible for decisions in relation to the overall strategic development of the Group's business. All directors have formal letters of appointment setting out key terms and conditions relative to their appointment. Due to the diversity and volume of the Group's business, responsibility in relation to the daily operations and execution of the strategic business plans are delegated to management of the Group.

All committees, namely the audit committee, the remuneration committee and the nomination committee, have specific terms of reference clearly defining the authorities and responsibilities of the respective committees. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board review, on a yearly basis, all delegations by the Board to different committees to ensure that such delegations are appropriate and continue to be beneficial to the Company as a whole.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Insurance cover has been taken out for Directors' and Officers' Liability to provide adequate cover, as determined by the Board, in respect of the Board members and senior management members of the Company.

SHAREHOLDERS RELATIONS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. The commitment to fair disclosure and comprehensive and transparent reporting of the Company's activities can be reflected in many aspects.

In endeavouring to maintain an on-going dialogue with shareholders, the annual general meeting provides a useful forum for shareholders to exchange views with the Board.

The chairman was also actively involved in organizing, and personally held the annual general meeting in 2013 in order to ensure that shareholders' views were communicated to the Board. A separate resolution was proposed by the chairman in respect of each separate issue at the annual general meeting.

The proceedings of the annual general meeting are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. The annual general meeting circular, which is circulated to all shareholders at least 21 days prior to the holding of the annual general meeting, sets out the details in relation to each resolution proposed, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the chairman indicates to the meeting the level of proxies lodged on each resolution and the balance for and against such resolution. At the Company's 2013 annual general meeting, all the resolutions were put to the vote by poll and Computershare Hong Kong Investor Services Limited, the Company's Hong Kong Branch Share Registrar, was engaged as scrutineer to ensure the votes were properly counted. The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meeting are contained in the Company's Bye-laws.

The Company also communicates to its shareholders through its annual, interim and quarterly reports. The Directors, company secretary or other appropriate members of senior management also respond promptly to inquiries from shareholders and investors.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

According to the Bye-Laws, any one or more shareholder holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The requisition must be lodged with the Company's principal place of business of Hong Kong.

As regards proposing a person for election as a director, please refer to the procedures as set out in the Bye-Laws on the GEM website and the Company's website at www.cmfhl.com.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong at Room 2506-09, 25/F., China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company is committed to a policy of open and timely disclosure of corporate information to shareholders and investors. The Company updates shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports and notices, announcements and circulars. The Company's website (www.cmfhl.com) provides a communication platform to the public and the shareholders.

To strengthen its relationship with investors, the Company regularly meets with analysts and holds interviews with reporters and columnists of the press and other economic journals.

During the year ended 31 December 2013, there had been no significant change in the Company's constitutional documents.

CONCLUSION

The Company believes that good corporate governance is significant in maintaining investor confidence and attracting investment. The management will devote considerable effort to strengthen and improve the standards of the corporate governance of the Group.

REPORT OF THE DIRECTORS

The Directors present the report of the directors and the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Details of the activities of its subsidiaries and interests in joint ventures are set out in notes 39 and 21 to the consolidated financial statements respectively.

An analysis of the Group's turnover for the year by geographic segment is set out in note 7 to the consolidated financial statement.

RESULTS AND APPROPRIATIONS

The results of the Group for year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 28 of this annual report.

The Directors do not recommend the payment of any final dividend in respect of the year.

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 94 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 29 to the consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year are set out on page 32 of this annual report and in note 31 to the consolidated financial statements respectively.

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

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

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

CONVERTIBLE LOAN NOTES

Details of the movements in convertible loan notes during the year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2013 amounting to HK$9,440,000 (2012: HK$58,552,000).

CHARITABLE DONATIONS

The Group did not make any charitable donations during the year (2012: nil).

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 38 to the consolidated financial statements.

PUBLIC FLOAT

At the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

DIRECTORS

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

Executive Directors

Mr. Cheng Yang
Ms. Jiang Di
Mr. Leung Wai Man

Independent Non-Executive Directors

Mr. Yip Tai Him
Mr. Law Yiu Sang, Jacky
Mr. Fung Wai Ching

In accordance with article 87(1) and 87(2) of the Company's bye-laws, Mr. Leung Wai Man and Mr. Fung Wai Ching would retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

On 5 March 2012, Ms. Jiang Di entered into a service contract with the Company in respect of her position as Vice Presidents of the Company. Such service contracts have no fixed terms but are determinable by either party by giving three months' written notice to the other party.

Save as disclosed above, none of the Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2013, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the associated corporation

Name of associated corporation	Name of director	Class of share held	Capacity	Number of shares held (approximate percentage of the issued shares at 31 December 2013)
Culture Landmark	Cheng Yang	Ordinary	Personal interest	89,300,000 (14.91%)
	Cheng Yang	Ordinary	Family interest	49,000 (0.01%)

Save as disclosed above, at 31 December 2013, none of the Director, or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO); or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 6 March 2002. The Scheme expired on 5 March 2012 and the Company is considering the adoption of a new share option scheme when appropriate. There is no outstanding share options at 31 December 2013 and no share options had been granted during the year ended 31 December 2013.

REPORT OF THE DIRECTORS

EMPLOYEE AWARD PLAN

Particulars of the Company's employee award plan are set out in note 30 to the consolidated financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes and employee award plan, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive 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 none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in note 33 to the financial statements on related party transactions, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

At 31 December 2013, none of the Directors, the substantial shareholders nor their respective associates had an interest in any business which competes or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2013, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long positions in ordinary shares of HK$0.01 each of the Company

Name of substantial shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approximate percentage of the Company's issued share capital
Culture Landmark	Interest of controlled corporation *(Note 1)*	232,366,016	12,731,006	245,097,022	48.47%
New Asia Media	Beneficial owner *(Note 1)*	232,366,016	12,731,006	245,097,022	48.47%
Eternity	Interest of controlled corporation *(Note 2)*	146,640,000	—	146,640,000	29.00%
Riche (BVI) Limited	Interest of controlled corporation *(Note 2)*	146,640,000	—	146,640,000	29.00%
Riche Advertising Limited	Beneficial owner *(Note 3)*	146,640,000	—	146,640,000	29.00%
Mr. Lo Yuk Sui ("Mr. Lo")	Interest of controlled corporation *(Note 4)*	35,247,161	—	35,247,161	6.97%
Secure Way Technology Limited ("Secure Way")	Interest of controlled corporation *(Note 4)*	35,247,161	—	35,247,161	6.97%
Net Community Limited ("Net Community")	Interest of controlled corporation *(Note 5)*	35,247,161	—	35,247,161	6.97%
Century Digital Holdings Limited ("Century Digital")	Interest of controlled corporation *(Note 6)*	35,247,161	—	35,247,161	6.97%
Grand Modern Investments Limited ("Grand Modern")	Interest of controlled corporation *(Note 7)*	35,247,161	—	35,247,161	6.97%
Century City International Holdings Limited ("Century City International")	Interest of controlled corporation *(Note 8)*	35,247,161	—	35,247,161	6.97%
Century City BVI Holdings Limited ("Century City BVI")	Interest of controlled corporation *(Note 9)*	35,247,161	—	35,247,161	6.97%

REPORT OF THE DIRECTORS

Name of substantial shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Approximate percentage of the Company's issued share capital
Century City Holdings Limited ("Century City Holdings")	Interest of controlled corporation *(Note 10)*	35,247,161	—	35,247,161	6.97%
Aikford Financial Services Limited ("Aikford")	Beneficial owner *(Note 11)*	35,247,161	—	35,247,161	6.97%

Notes:

(1) New Asia Media, a company which is wholly and beneficially owned by Culture Landmark, a company listed on the Main Board of the Stock Exchange, is the beneficial owner of 232,366,016 shares of the Company and zero-coupon convertible loan notes due 24 September 2015 in the principal amount of HK$6,200,000 issued by the Company carrying the right to convert into a total of 12,731,006 shares of the Company at the prevailing conversion price of HK$0.487 per share (subject to adjustment). The Chairman and Chief Executive Officer of the Company, Mr. Cheng Yang, is also the chairman, chief executive officer and executive director of the Culture Landmark.

(2) Riche (BVI) Limited is wholly and beneficially owned by Eternity.

(3) Riche Advertising Limited is the beneficial owner of 146,640,000 shares of the Company and is wholly and beneficially owned by Riche (BVI) Limited.

(4) Secure Way is wholly and beneficially owned by Mr. Lo.

(5) Net Community is wholly and beneficially owned by Secure Way.

(6) Century Digital is wholly and beneficially owned by Net Community.

(7) Grand Modern is wholly and beneficially owned by Century Digital.

(8) Grand Modern owns 50.38% interest in Century City International, a company listed on the Main Board of the Stock Exchange.

(9) Century City BVI is wholly and beneficially owned by Century City International.

(10) Century City Holdings is wholly and beneficially owned by Century City BVI.

(11) Aikford is the beneficial owner of 35,247,161 shares of the Company and is wholly and beneficially owned by Century City Holdings.

Save as disclosed above, at 31 December 2013, the Company has not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales

— the largest customer	21.41%
— five largest customers combined	52.12%

Purchases

— the largest supplier	39.37%
— five largest suppliers combined	98.40%

At no time during the year did the Directors, an associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major customers or suppliers noted above.

CONNECTED TRANSACTIONS

Continuing Connected Transaction

Golden Island, a wholly-owned subsidiary of Culture Landmark, as tenant entered into the tenancy agreement dated 30 March 2011 with China Resources Property Management Limited in respect of the lease of the premises ("Premises") which located at rooms 2506-09, 25th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong for a term of three years from 1 April 2011 to 31 March 2014.

On 30 April 2012, KH Investment Holdings Limited (formerly known as China Media and Films Holdings Limited), a wholly-owned subsidiary of the Company, entered into the facility sharing agreement ("Agreement") with Golden Island in respect of sharing of the Premises and facilities thereof. Golden Island has also agreed to provide office supporting services, including provision of receptionist and such other services as may be requested by the Group.

Golden Island is a wholly-owned subsidiary of Culture Landmark and Culture Landmark is the controlling shareholder of the Company indirectly interested in approximately 74.95% of the issued share capital of the Company as at 30 April 2012. Accordingly, Golden Island is a connected person of the Company and the Agreement constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As the annual cap fees under the Agreement for each of the two years ending 31 March 2014 is HK$4,800,000, whose all applicable percentage ratios are less than 5% on an annual basis, the Agreement is subject to the reporting and announcement requirements under Rules 20.45 to 20.47, the annual review requirements set out in Rules 20.37 to 20.40 and the requirements set out in Rules 20.35(1) and 20.35(2) of the GEM Listing Rules, but is exempt from the circular and independent shareholders' approval requirements under Rules 20.49 to 20.54 of the GEM Listing Rules.

Golden Island has agreed to provide use of office space and facilities at portion to the Group. The Premises will be used as offices by the Group. The Directors (including the independent non-executive directors) are of the opinion that the Agreement was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties with reference to the prevailing market rates for comparable office buildings in Wan Chai; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the Agreement.

For the details of the continuing connected transaction, please refer to the announcement dated 30 April 2012.

Save as disclosed above, during the year ended 31 December 2013, there were no connected transactions or continuing connected transactions under the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements thereunder. The related party transactions set out in note 33(a)(ii) & (iii) to the consolidated financial statements of the Company constituted connected transactions but are exempted from the reporting, announcement and independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and interim report and to provide advice and comment thereon to the board of directors. The audit committee will also be responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

As at 31 December 2013, the audit committee has three members, namely Mr. Yip Tai Him (chairman of the audit committee), Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching, all being independent non-executive Directors.

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. During the year, the audit committee held four meetings to review the Group's annual report, interim report and quarterly reports. The audit committee has reviewed the annual results of the Company for the year ended 31 December 2013 before proposing to the Board for approval.

REMUNERATION COMMITTEE

A remuneration committee was formed with specific written terms of reference. The remuneration committee is responsible for reviewing and developing the remuneration polices of the directors and senior management. As at 31 December 2013, the remuneration committee consists of all three Independent non-executive Directors, namely, Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching.

During the year under review, the remuneration committee held one meeting to determine the remuneration package for the executive Directors and independent non-executive Directors.

NOMINATION COMMITTEE

A nomination committee was formed with specific written terms of reference. The nomination committee is responsible for reviewing, identifying and assessing the composition of the Board and making recommendation to the Board on the appointment or re-appointment of director and succession planning for director. As at 31 December 2013, the nomination committee consists of all three Independent non-executive Directors, namely, Mr. Yip Tai Him, Mr. Law Yiu Sang, Jacky and Mr. Fung Wai Ching.

During the year under review, the nomination committee held one meeting to review and recommend the appointment and re-appointment of directors.

REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

AUDITORS

The account for the year ended 31 December 2013 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Leung Wai Man
Director

Hong Kong, 25 March 2014

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
CHINA MEDIA AND FILMS HOLDINGS LIMITED
(originally incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of China Media and Films Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 93, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and 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.

AUDITORS' RESPONSIBILITY

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

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 auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the Company's and of the Group's state of affairs as at 31 December 2013, and of its loss 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Continuing operations			
Turnover	6	15,698	26,547
Cost of sales		(10,948)	(20,430)
Gross profit		4,750	6,117
Other revenue and other income	8	2,445	442
Administrative expenses		(19,139)	(17,864)
Finance costs	9	(563)	(686)
Share of losses of joint ventures		(322)	(17)
Loss before tax	10	(12,829)	(12,008)
Income tax expense	11	—	—
Loss for the year from continuing operations		(12,829)	(12,008)
Discontinued operation	12		
Loss for the year from discontinued operation		—	(3,092)
Loss for the year		(12,829)	(15,100)
Loss for the year attributable to:			
Owners of the Company		(12,828)	(15,100)
Non-controlling interests		(1)	—
		(12,829)	(15,100)
Total comprehensive loss attributable to:			
Owners of the Company		(12,828)	(15,100)
Non-controlling interests		(1)	—
		(12,829)	(15,100)
Loss per share	14		
From continuing and discontinued operations			
Basic and diluted		HK(2.54) cents	HK(2.99) cents
From continuing operations			
Basic and diluted		HK(2.54) cents	HK(2.38) cents
From discontinued operation			
Basic and diluted		N/A	HK(0.61) cent

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	17	1,721	2,244	364
Film rights	18	912	1,188	1,188
Goodwill	19	—	—	3,280
Interests in joint ventures	21	28,317	28,639	28,656
Total non-current assets		30,950	32,071	33,488
Current assets				
Trade receivables	22	50	53	1,300
Deposits, prepayments and other receivables	23	3,116	9,963	7,898
Amounts due from joint ventures	21	6	12	6
Cash and cash equivalents	24	48,780	53,533	70,111
Total current assets		51,952	63,561	79,315
LIABILITIES				
Current liabilities				
Trade payables	25	—	71	11
Accruals and other payables	26	5,292	2,820	3,734
Receipts in advance	27	3,408	4,348	6,251
Convertible loan notes	28	—	5,637	—
Total current liabilities		8,700	12,876	9,996
Net current assets		43,252	50,685	69,319
Total assets less current liabilities		74,202	82,756	102,807
Non-current liability				
Convertible loan notes		—	—	4,951
Total non-current liability		—	—	4,951
Net assets		74,202	82,756	97,856

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
EQUITY				
Share capital	29	5,056	5,056	5,056
Reserves		69,137	77,700	92,800
Equity attributable to owners of the Company		74,193	82,756	97,856
Non-controlling interests		9	—	—
Total equity		74,202	82,756	97,856

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2014 and signed on its behalf by:

Leung Wai Man
Director

Fung Wai Ching
Director

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	1,708	2,226
Investments in subsidiaries	20	10	10
Total non-current assets		1,718	2,236
Current assets			
Deposits, prepayments and other receivables	23	1,140	1,140
Amounts due from subsidiaries	20	67,394	111,614
Cash and cash equivalents	24	688	5,880
Total current assets		69,222	118,634
LIABILITIES			
Current liabilities			
Accruals and other payables	26	4,796	1,861
Convertible loan notes	28	—	5,637
Total current liabilities		4,796	7,498
Net current assets		64,426	111,136
Total assets less current liabilities		66,144	113,372
Net assets		66,144	113,372
EQUITY			
Share capital	29	5,056	5,056
Reserves	31	61,088	108,316
Total equity		66,144	113,372

The financial statements were approved and authorised for issue by the board of directors on 25 March 2014 and signed on its behalf by:

Leung Wai Man
Director

Fung Wai Ching
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible loan notes reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	5,056	47,383	28,294	2,381	14,742	97,856	—	97,856
Net loss for the year	—	—	—	—	(15,100)	(15,100)	—	(15,100)
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(15,100)	(15,100)	—	(15,100)
At 31 December 2012 and 1 January 2013	5,056	47,383	28,294	2,381	(358)	82,756	—	82,756
Net loss for the year	—	—	—	—	(12,828)	(12,828)	(1)	(12,829)
Other comprehensive income for the year	—	—	—	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	—	(12,828)	(12,828)	(1)	(12,829)
Non-controlling interests arising on issuing ordinary share of subsidiary	—	—	—	—	—	—	10	10
Transfer to accumulated losses upon extinguishment of old convertible loan notes	—	—	—	(2,381)	2,381	—	—	—
Recognition of the equity component of new convertible loan notes	—	—	—	4,265	—	4,265	—	4,265
At 31 December 2013	**5,056**	**47,383**	**28,294**	**4,265**	**(10,805)**	**74,193**	**9**	**74,202**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013	2012
		HK$'000	HK$'000
			(Restated)
Operating activities			
Loss before tax from continuing operations		(12,829)	(12,008)
Loss before tax from discontinued operation		—	(3,092)
		(12,829)	(15,100)
Adjustments for:			
Bank interest income		(184)	(80)
Share of losses of joint ventures		322	17
Finance costs		563	686
Depreciation of property, plant and equipment		523	391
Impairment loss recognised in respect of film rights		276	—
Impairment loss recognised in respect of deposits to artist		2,554	—
Gain on extinguishment of convertible loan notes		(1,935)	—
Gain on disposal of property, plant and equipment		(70)	—
Loss on disposal of subsidiary		—	2,960
Operating cash flow before movements in working capital		(10,780)	(11,126)
Decrease in trade receivables		3	979
Decrease/(increase) in deposits, prepayments and other receivables		4,303	(2,141)
Decrease/(Increase) in amounts due from joint ventures		6	(6)
(Decrease)/increase in trade payables		(71)	60
Increase/(decrease) in accruals and other payables		2,472	(127)
Decrease in receipts in advance		(940)	(1,900)
Cash used in operations		(5,007)	(14,261)
Bank interest received		184	80
Net cash used in operating activities		(4,823)	(14,181)
Investing activities			
Purchases of items of property, plant and equipment		—	(2,375)
Proceeds from disposal of property, plant and equipment		70	—
Net cash flow arising from disposal of subsidiary		—	(22)
Net cash generated from/(used in) investing activities		70	(2,397)
Net decrease in cash and cash equivalents		(4,753)	(16,578)
Cash and cash equivalents at the beginning of year		53,533	70,111
Cash and cash equivalents at the end of year	24	48,780	53,533

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 June 2001 and continued in Bermuda on 16 March 2009. The Company's shares have been listed on the GEM of the Stock Exchange since 26 March 2002.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Rooms 2506-09, 25/F., China Resources Building, No.26 Harbour Road, Wanchai, Hong Kong respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The Company's principal activity is investment holding and the principal activities of its subsidiaries and joint ventures are set out in notes 39 and 21 respectively.

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

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2013. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle Issued in June 2012
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12-Transition Guidance
HKFRS 13	Fair Value Measurement
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

The principle effect of adopting these HKFRSs are as follows:

HKFRS 7 (Amendments) Disclosures — Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011), together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

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

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

Impact of the application of HKFRS 10

HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled. The application of this new standard has no financial impact on the Group.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(continued)*

Impact of the application of HKFRS 11

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

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

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investments in China Star Film Group Limited and its subsidiary ("China Star Film Group"), which were classified as joint ventures under HKAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method.

The change in accounting of the Group's investments in China Star Film Group has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investments in China Star Film Group. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors of the Company performed an impairment assessment on the initial investment at 1 January 2012 and concluded that no impairment loss is required.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(continued)*

Impact of the application of HKFRS 12

HKFRS 12 sets out the disclosure requirement for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27, HKAS 31 and HKAS 28. It also introduces a number of new disclosure requirements for these entities.

The HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments) clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. These amendments have no material impact on the Group.

HKFRS 13 Fair Value Measurement

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across HKFRSs. The Standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. The application of this new standard has no material financial impact on the Group.

HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1. The amendments introduce new terminology for the statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present statement of profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statement. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on consolidated profit or loss, other comprehensive income and total comprehensive income.

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

Changes in accounting policies and disclosures

The adoption of HKFRS 11 did not have any impact on the loss per share attributable to ordinary equity holders of the parent and other comprehensive income for the year ended 31 December 2012.

	For the year ended 31 December 2012 *HK$'000*
Decrease in administration expenses	(17)
Increase in share of losses of joint ventures	17
Net effect in loss for the year	—
Net effect in loss for the year attributable to owners of the Company	—

The effect of the change in accounting policies under HKFRS 11 described above on the financial position of the Group at the end of the immediately preceding financial year, i.e. 31 December 2012, is as follows:

	At 31 December 2012 as previously reported *HK$'000*	HKFRS 11 adjustments *HK$'000*	At 31 December 2012 (Restated) *HK$'000*
Film rights and film in progress	1,601	(413)	1,188
Interests in joint ventures	—	28,639	28,639
Deposits, prepayments and other receivables	10,772	(809)	9,963
Amounts due from joint ventures	—	12	12
Cash and cash equivalents	80,968	(27,435)	53,533
Accruals and other payables	(2,826)	6	(2,820)
Total effects on net assets	—	—	—
Total effects on accumulated losses	—	—	—

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

Changes in accounting policies and disclosures *(continued)*

The effects of the change in accounting policies under HKFRS 11 described above on the financial position of the Group at the beginning of the comparative period, i.e. 1 January 2012, is as follows:

	At 1 January 2012 as previously reported *HK$'000*	HKFRS 11 adjustments *HK$'000*	At 1 January 2012 (Restated) *HK$'000*
Film rights and film in progress	1,601	(413)	1,188
Interests in joint ventures	—	28,656	28,656
Deposits, prepayments and other receivables	8,706	(808)	7,898
Amounts due from joint ventures	—	6	6
Cash and cash equivalents	97,558	(27,447)	70,111
Accruals and other payables	(3,740)	6	(3,734)
Total effects on net assets	—	—	—
Total effects on retained profits	—	—	—

The effects of the change in accounting policies described under HKFRS 11 above on the cash flows of the Group for the year ended 31 December 2012 is as follows:

	HKFRS 11 Adjustments *HK$'000*
Net cash inflow from operating activities	12
Net cash inflow	12

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[4]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Revised in 2011)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HK(IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted
4 No mandatory effective date yet determined but is available for adoption

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirement of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specially, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investment and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entity may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs *(continued)*

HKFRS 9 Financial Instruments *(continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10, HKFRS 12, and HKAS 27 (Amendments) Investment Entities

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidated requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27. The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

HKAS 36 (Amendments) Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs *(continued)*

HKAS 39 (Amendments) Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK(IFRIC) — Int 21 Levies

HK (IFRIC) — Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK (IFRIC) — Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA. In addition, the consolidated financial statement include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights related to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 and HKAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangement of the acquiree or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 are measured in accordance with that Standard.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

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

Interests in joint ventures

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in joint ventures *(continued)*

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represented the amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Artist management service income is recognised when the services are provided.

Income from licensing of distribution rights over films is recognised when the Group's entitlement to such payments has been established when the notice of delivery is served to the customer.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

The Group participates in contribution retirement benefit schemes for those employees who are eligible to participate. The assets of the schemes are held separately from those of the Group in independently administered funds.

Contribution for Mandatory Provident Fund Scheme is made based on a percentage of the participating employees' relevant monthly income from the Group while contribution for Occupational Retirement Scheme is made based on the participating employees' basic salary, and the contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the respective schemes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

For share options that are vested immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Taxation

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except that when an item of property, plant and equipment is classified as held for sale, which is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell. 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. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms or 20%
Furniture and equipment	20%-25%
Motor vehicles	20%

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each end of the reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the asset.

Intangible assets

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

Film rights and films in progress

Film rights

Film rights are stated at cost less accumulated amortisation and impairment losses. Upon the release of the pre-recorded audio visual products and the materials, film rights are amortised at rates calculated to write off the costs in proportion to the expected revenue from exhibition and distribution of audio visual products. Such rates are on a systematic basis, with reference to the projected revenue and the underlying licence periods, and are subject to annual review by the management.

Films in progress

Films in progress are stated at cost less any provision for impairment losses. Costs include all direct costs associated with the production of films. Provision is made for costs which are in excess of the expected future revenue generated by these films. Costs of films are transferred to film rights upon completion.

At the end of each reporting period, both internal and external market information are considered to assess whether there is any indication that film rights and films in progress are impaired. If any such indication exists, the carrying amount of such assets is assessed and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined as no impairment loss have been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classifies as at financial assets at fair value through profit or loss (FVTPL).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits and other receivables, and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment loss of financial assets

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

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

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

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Convertible notes

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital and share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated loss/profit. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Other financial liabilities

Other financial liabilities including trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flow from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amounts allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Cash and cash equivalents

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(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 the Group's parent;

or

(b) An entity is related to the Group if any of the following condition 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;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (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).

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 dealing with the entity.

Segment reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations. For disclosure purpose, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics and nature of the regulatory environment, or single operating segments which are disclosable separately because they cannot be aggregated or they exceed quantitative thresholds.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumption concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are addressed below.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the relevant assets, after taking into account their estimated residual value, if any. The Group reviews the estimated useful life of the asset annually in order to determine the amount of depreciation expenses to be recorded during the year. The useful life is based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates. During the year, the Group determined that the useful life of the property, plant and equipment should be remained constant to that of prior years. Depreciation expense is approximately HK$523,000 (2012: HK$391,000) for the year ended 31 December 2013.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments or services. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Impairment of film rights

Impairment assessments on film rights are performed at the end of each reporting period with reference to both internal and external market information, for example, sales forecast based on expected popularity of the respective titles, the expected production, sales and distribution costs to be reviewed to conclude the sales, and the general economic condition of the relevant markets. At 31 December 2013, the carrying value of film rights amounted to HK$912,000 (2012: HK$1,188,000 (restated)). Changes in assumptions used in this assessment, including the forecasted revenue, may result in additional provision being made in the consolidated financial statements.

Impairment of goodwill

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. Detail of the recoverable amount calculation is disclosed in note 19.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Joint arrangements

The Group hold 50% of the voting rights of its joint arrangement. The Group has joint control over this arrangement as under the contractual agreement, unanimous consent is required from all parties to the agreements for all relevant activities. The Group's joint arrangement is structured as a limited company and provides the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

6. TURNOVER

Turnover represents the net amount received and receivables from customers and services rendered.

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Artist management	15,667	26,543
Film production and distribution	31	4
	15,698	26,547

7. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker to make strategic decisions.

The Group's continuing operations and reportable segments under HKFRS 8 are as follows:

(i)	Artist management	Service income from provision of artist management
(ii)	Film production and distribution	Investment in, production of, sale and distribution of films

An operating segment regarding infrared consultancy services was discontinued in the prior year. The segment information reported below does not include any amounts for this discontinued operation.

7. SEGMENT INFORMATION *(continued)*

(a) Segment revenue and results

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

	Artist management		Film production and distribution		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK'000	*HK$'000*	***HK'000***	*HK$'000*	***HK'000***	*HK$'000*
				(Restated)		(Restated)
Segment revenue						
Revenue to external customers	**15,667**	26,543	**31**	4	**15,698**	26,547
Segment results						
Segment loss	**(1,551)**	(3,953)	**(294)**	(5)	**(1,845)**	(3,958)
Unallocated other revenue and other income					**2,257**	129
Unallocated expenses					**(12,356)**	(7,476)
Loss from operating activities					**(11,944)**	(11,305)
Share of losses of joint ventures					**(322)**	(17)
Finance costs					**(563)**	(686)
Loss before tax					**(12,829)**	(12,008)
Income tax expense					**—**	—
Loss for the year					**(12,829)**	(12,008)

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

Segment results represents the loss suffered by each of segment without allocation of central administration costs including directors' emoluments, share of losses of joint ventures, other revenue and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

7. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

	Artist management		Film production and distribution		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)
Segment assets	**48,618**	54,129	**2,402**	2,707	**51,020**	56,836
Unallocated assets					**31,882**	38,796
Total assets					**82,902**	95,632
Segment liabilities	**3,833**	5,379	**—**	—	**3,833**	5,379
Unallocated liabilities					**4,867**	7,497
Total liabilities					**8,700**	12,876

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

All assets are allocated to reportable segment other than interests in joint ventures, unallocated head office and corporate assets as these assets are managed on a group basis. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

All liabilities are allocated to reportable segments other than convertible loan notes, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

7. SEGMENT INFORMATION *(continued)*

(c) Other segment information

	Artist management		Film production and distribution		Unallocated		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)		(Restated)
Continuing operations								
Depreciation of property, plant and equipment	**5**	6	**—**	—	**518**	385	**523**	391
Addition to non-current assets *(Note)*	**—**	3	**—**	—	**—**	2,372	**—**	2,375
Impairment loss recognised in respect of film rights	**—**	—	**276**	—	**—**	—	**276**	—
Impairment loss recognised in respect of deposits to artists	**2,554**	—	**—**	—	**—**	—	**2,554**	—
Gain on disposal of property, plant and equipment	**70**	—	**—**	—	**—**	—	**70**	—

Note: Non-current assets excluded those relating to discontinued operation, interests in joint ventures and financial instruments

7. SEGMENT INFORMATION *(continued)*

(d) Geographical information

In determining the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Continuing operations				
The People's Republic of China (the "PRC")	**9,646**	21,618	**—**	—
Hong Kong	**5,652**	4,741	**2,633**	3,432
Others	**400**	188	**—**	—
	15,698	26,547	**2,633**	3,432

* Non-current assets excluded those relating to discontinued operation, interests in joint ventures and financial instruments.

(e) Information about major customers

During the year ended 31 December 2013, included in revenue arising from artist management of approximately HK$15,667,000 (2012: HK$26,543,000) are revenue of approximately HK$3,362,000 and HK$1,866,000 (2012: nil) which arose from two largest customers of the Group respectively, contributed 10% or more of the Group's revenue for 2013 (2012: no external customers contributed to 10% or more of the Group's revenue under artist management segment).

8. OTHER REVENUE AND OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**184**	80
Consultancy fee income	**252**	240
Gain on disposal of property, plant and equipment	**70**	—
Gain on extinguishment of convertible loan notes	**1,935**	—
Sundry income	**4**	122
	2,445	442

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Continuing operations		
Effective interest expenses on convertible loan notes	563	686

10. LOSS BEFORE TAX

Loss for the year from continuing operations has been arrived at after charging:

	2013 HK$'000	2012 HK$'000
Continuing operations		
Auditors' remuneration	570	750
Consultancy fee	—	300
Depreciation of property, plant and equipment	523	391
Impairment loss recognised in respect of		
— film rights	276	—
— deposits to artists	2,554	—
Minimum lease payments under operating leases on land and buildings	4,549	3,443
Staff costs (excluding directors' remuneration)		
Salaries and allowances	7,247	6,384
Pension scheme contributions	166	114

11. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statement as the Group and the Company have no assessable profit derived from Hong Kong for the year.

At 31 December 2013, the Group had estimated unused tax losses of approximately HK$100,314,000 (2012: approximately HK$89,223,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

11. INCOME TAX EXPENSE *(continued)*

The income tax expense for the year can be reconciled to the loss as per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 *HK$'000*	2012 *HK$'000* (restated)
Continuing operations		
Loss before tax from continuing operations	(12,829)	(12,008)
Notional tax on loss before tax calculated at the tax rates applicable to jurisdictions concerned	(2,116)	(1,981)
Tax effect of share of losses of joint ventures	53	3
Tax effect of expenses not deductible for tax purpose	1,975	3,099
Tax effect of income not taxable for tax purpose	(1,742)	(3,633)
Tax effect of tax losses not recognised	1,830	2,512
Income tax expense for the year	—	—

12. DISCONTINUED OPERATION

On 29 June 2012, the Group disposed of its wholly owned subsidiary of Infrared Engineering and Consultants Limited ("Infrared"). Upon completion of the disposal, Infrared ceased to be subsidiary of the Company and the business of infrared consultancy services operation which is solely carried out by the Infrared, became a discontinued operation of the Group.

Loss for the year from discontinued operation

	2012 *HK$'000*
Other revenue and other income	120
Administrative expenses	(252)
Finance costs	—
Loss before tax	(132)
Income tax expense	—
Loss for the year	(132)
Loss on disposal of Infrared	(2,960)
	(3,092)

Loss for the year from discontinued operation included the following:

Depreciation of property, plant and equipment	33
Minimum lease payments under operating leases on land and buildings	144
Loss on disposal of Infrared	2,960

12. DISCONTINUED OPERATION *(continued)*

Cash flows from discontinued operation

	2012
	HK$'000
Net cash outflows from operating activities	(46)
Net cash outflows	(46)

13. DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the year ended 31 December 2013 (2012: nil).

14. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares.

From continuing and discontinued operations

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$12,828,000 (2012: HK$15,100,000) and the weighted average of 505,650,000 ordinary shares (2012: 505,650,000 shares) is issued during the year.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in an anti-dilutive effect on loss per share for both years.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**(12,828)**	(15,100)
Less: Loss for the year from the discontinued operation	**—**	(3,092)
Loss for the year from continuing operations	**(12,828)**	(12,008)

From discontinued operation

For the year ended 31 December 2012, basic and diluted loss per share for the discontinued operation was HK$0.61 cents per share, based on the loss from the discontinued operation is approximately HK$3,092,000, and the denominators are the same as those detailed above for both basic and diluted loss per share. There is no discontinued operation during the year ended 31 December 2013.

15. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION

The emoluments of each director on a named basis for the years ended 31 December 2013 and 2012 are set out below:

	Fees	Salaries and allowances	Retirement benefit scheme contribution	Share option benefit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2013:					
Executive directors					
Mr. Cheng Yang	120	—	—	—	120
Mr. Leung Wai Man *(Note 1)*	120	—	—	—	120
Ms. Jiang Di *(Note 2)*	120	840	3	—	963
Independent non-executive directors					
Mr. Yip Tai Him	120	—	—	—	120
Mr. Law Yiu Sang, Jacky	120	—	—	—	120
Mr. Fung Wai Ching *(Note 3)*	120	—	—	—	120
Total	720	840	3	—	1,563
For the year ended 31 December 2012:					
Executive directors					
Mr. Ng Kwai Kai, Kenneth *(Note 4)*	21	—	—	—	21
Mr. Leung So Po, Kelvin *(Note 4)*	21	—	—	—	21
Mr. Cheng Yang	120	—	—	—	120
Mr. Kwok Wai Kin, Kenneth *(Note 5)*	21	300	—	—	321
Mr. Leung Wai Man *(Note 1)*	72	—	—	—	72
Mr. Kan Yisong *(Note 6)*	27	—	—	—	27
Ms. Hui Ching *(Note 6)*	27	200	—	—	227
Ms. Jiang Di *(Note 2)*	99	681	10	—	790
Non-executive director					
Mr. Fan Tung Donald *(Note 7)*	21	—	—	—	21
Independent non-executive directors					
Mr. Yip Tai Him	120	—	—	—	120
Mr. Law Yiu Sang, Jacky	120	—	—	—	120
Mr. Chio Chong Meng *(Note 8)*	48	—	—	—	48
Mr. Fung Wai Ching *(Note 3)*	72	—	—	—	72
Total	789	1,181	10	—	1,980

15. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION *(continued)*

Notes:

1. Mr. Leung Wai Man was appointed as executive director on 25 May 2012.

2. Ms. Jiang Di was appointed as executive director on 5 March 2012.

3. Mr. Fung Wai Ching was appointed as non-executive director on 25 May 2012.

4. Mr. Ng Kwai Kai, Kenneth and Mr. Leung So Po, Kelvin were resigned as executive director on 5 March 2012.

5. Mr. Kwok Wai Kin, Kenneth was resigned as executive director on 5 March 2012.

6. Mr. Kan Yisong and Ms. Hui Ching were appointed as executive director on 5 March 2012 and resigned on 25 May 2012.

7. Mr. Fan Tung, Donald was resigned as non-executive director on 5 March 2012.

8. Mr. Chio Chong Meng was resigned as non-executive director on 25 May 2012.

Mr. Cheng Yang is also the chief executive officer of the Company and his emoluments disclosed above include those for service rendered by him as the chief executive officer.

During the years ended 31 December 2013 and 2012, no director or chief executive officer waived or agreed to waive any emoluments.

During the years ended 31 December 2013 and 2012, no emoluments paid during the financial year or receivable by directors as an inducement to join or upon joining the listed issuer, and no compensation paid during the financial year or receivable by directors or past directors for the loss of office as a director of any member of the group or of any other office in connection with the management of the affairs of any member of the group distinguishing between contractual and other payments.

16. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2012: two) is director whose emolument is disclosed in note 15. The aggregate of the emoluments in respect of the other four (2012: three) individual are as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries and allowances	**3,738**	2,191
Pension scheme contributions	**61**	33
	3,799	2,224

16. INDIVIDUAL WITH HIGHEST EMOLUMENTS *(continued)*

The emoluments of the four (2012: three) individuals with the highest emoluments are within the following bands:

	2013	2012
Nil to HK$1,000,000	3	2
HK$1,000,001 – HK$1,500,000	1	1

Retirement benefit costs

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administrated by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contribution to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to 1 June 2012). Contribution to the plan vest immediately.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
The Group				
Cost:				
At 1 January 2012	53	475	458	986
Additions	2,372	3	—	2,375
Derecognised on disposal of subsidiary *(note 32)*	(53)	(221)	(43)	(317)
At 31 December 2012 and 1 January 2013	2,372	257	415	3,044
Disposal	—	—	(415)	(415)
At 31 December 2013	2,372	257	—	2,629
Accumulated depreciation and impairment:				
At 1 January 2012	21	164	437	622
Charged for the year	321	63	7	391
Derecognised on disposal of subsidiary *(note 32)*	(26)	(158)	(29)	(213)
At 31 December 2012 and 1 January 2013	316	69	415	800
Charged for the year	474	49	—	523
Disposal	—	—	(415)	(415)
At 31 December 2013	790	118	—	908
Carrying amount:				
At 31 December 2013	**1,582**	**139**	**—**	**1,721**
At 31 December 2012	2,056	188	—	2,244

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
The Company			
Cost:			
At 1 January 2012	—	217	217
Additions	2,372	—	2,372
At 31 December 2012, 1 January 2013 and 31 December 2013	2,372	217	2,589
Accumulated depreciation and impairment:			
At 1 January 2012	—	11	11
Charged for the year	316	36	352
At 31 December 2012 and 1 January 2013	316	47	363
Charged for the year	474	44	518
At 31 December 2013	790	91	881
Carrying amount:			
At 31 December 2013	**1,582**	**126**	**1,708**
At 31 December 2012	2,056	170	2,226

18. FILM RIGHTS

	HK$'000
Cost:	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013 (restated)	7,958
Accumulated impairment:	
At 1 January 2012, 31 December 2012 and 1 January 2013 (restated)	6,770
Impairment loss recognised during the year	276
At 31 December 2013	7,046
Carrying amount:	
At 31 December 2013	**912**
At 31 December 2012 (restated)	1,188

Film rights represent self-produced films.

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of film rights and the corresponding recoverable amounts. At 31 December 2013 and 2012, the directors of the Company assessed the recoverable amount of the film rights with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent qualified professional valuer, and determined impairment loss within the business segment "film production and distribution" due to prevailing marketability circumstances. The recoverable amount of the film rights is determined based on the present value of expected future revenue arising from the distribution and sub-licencing of film rights and their residual values, the cash flow are discounted using a discount rate of 14.72% (2012: 14.97%). The discount rates used are pre-tax and reflect specific risk relating to the segment.

During the year ended 31 December 2013, there is an impairment loss of HK$276,000 recognised in respect of film rights (2012: nil).

The impairment loss recognised during the year ended 31 December 2013 solely related to the Group's film production and distribution activities based in Hong Kong. As the cash generating unit has been reduced to its recoverable amount of approximately HK$912,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

19. GOODWILL

The amount of the goodwill capitalised by the Group as an asset and recognised in the consolidated statement of financial position, arising from the acquisition of a subsidiary are as follows:

	HK$'000
Cost:	
At 1 January 2012	18,044
Derecognised on disposal of a subsidiary *(note 32)*	(18,044)
At 31 December 2012, 1 January 2013 and 31 December 2013	—
Accumulated impairment:	
At 1 January 2012	14,764
Derecognised on disposal of a subsidiary *(note 32)*	(14,764)
At 31 December 2012, 1 January 2013 and 31 December 2013	—
Carrying amount:	
At 31 December 2013	**—**
At 31 December 2012	—

The directors of the Company re-assessed the recoverable amount of goodwill allocated to infrared consultancy services business with reference to the valuation performed by Assets Appraisal Limited, an independent firm of professional valuer. The recoverable amount of the goodwill allocated to infrared consultancy services business was assessed by reference to value-in-use model which based on a five-year cash flow projection approved by the directors of the Company. At 1 January 2012, a discount rate of 17.76% per annum was applied in the discounted cash flow method when assessing the recoverability of the cash generating unit.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flow beyond that five-year period have been extrapolated using zero growth rate which is the projected long term average growth rate for the infrared consultancy service market.

Due to the uncertain business environment in the PRC market, an impairment loss in respect of the goodwill was recognised in prior year as a result of the scale-down of the business operation in the PRC market.

During the year ended 31 December 2012, the goodwill was derecognised on disposal of subsidiary as detail in note 32.

20. INTERESTS IN SUBSIDIARIES

The Company

	2013	2012
	HK$'000	*HK$'000*
Unlisted shares at cost	10	10
Amounts due from subsidiaries	109,597	111,614
	109,607	111,624
Impairment loss	(42,203)	—
	67,404	111,624

Details of the Company's subsidiaries at 31 December 2013 are set out in note 39 to the consolidated financial statements.

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the carrying amounts of the amounts due from subsidiaries approximately to their fair values.

21. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Cost of investments in joint ventures		
— Unlisted	30,000	30,000
Share of post-acquisition losses and other comprehensive loss	(1,683)	(1,361)
Interests in joint ventures	28,317	28,639
Amounts due from joint ventures	6	12
	28,323	28,651

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entities	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
China Star Film Group Limited	Incorporated	British Virgin Islands	British Virgin Islands	Ordinary	50%	50%	Film production and distribution

21. INTERESTS IN JOINT VENTURES *(continued)*

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below respects amounts shown in the joint ventures' financial statement prepared in accordance with HKFRSs.

China Star Film Group Limited ("China Star Film Group")

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

	2013	2012
	HK$'000	*HK$'000*
Current assets	56,671	57,302
Current liabilities	36	24
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	55,064	54,868

	2013	2012
	HK$'000	*HK$'000*
Revenue	—	—
Loss for the year	644	34
Total comprehensive loss for the year	644	34
Dividend received from China Star Film Group	—	—
The above loss for the year include the following:		
Interest income	205	—

21. INTERESTS IN JOINT VENTURES *(continued)*

Summarised financial information of material joint ventures *(continued)*

China Star Film Group Limited ("China Star Film Group") *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in China Star Film Group recognised in the consolidated financial statements:

	2013 *HK$'000*	2012 *HK$'000*
Net assets of China Star Film Group	56,635	57,278
Proportion of the Group's ownership interest in China Star Film Group	50%	50%
Carrying amount of the Group's interest in China Star Film Group	28,317	28,639
The Group's share of losses from continuing operations	322	17
The Group's share of total comprehensive loss	322	17
Unrecognised share of losses of joint ventures		
The unrecognised share of losses of joint ventures for the year	—	—
Cumulative share of losses of joint ventures	1,683	1,361

22. TRADE RECEIVABLES

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

	2013	2012
	HK$'000	*HK$'000*
0 — 90 days	**50**	53
Impairment loss recognised	**—**	—
	50	53

The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers. The Group has no significant concentrations of credit risk, with exposure spreads over a large number of customers. The credit terms of trade receivables are generally on 10 to 180 days for both years.

At 31 December 2012, included in the trade receivables balances are debtors with an aggregate carrying amount of HK$33,000 which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The aged analysis of trade receivables which are past due but not impaired was as follow:

	2013	2012
	HK$'000	*HK$'000*
0 — 30 days	**—**	33

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

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Deposits, net of impairment	**3,005**	9,900	**1,134**	1,134
Prepayments	**69**	31	**—**	—
Other receivables	**42**	32	**6**	6
	3,116	9,963	**1,140**	1,140

At 31 December 2013, deposits amounted to approximately HK$1,871,000 (2012: approximately HK$8,740,000 (restated)) represented the deposit paid for artists management and film production.

The directors of the Company consider that carrying amounts of deposits for artist management and film production and other receivables approximate to their fair values.

Movements in impairment loss in respect of deposit to artist are as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	***HK$'000***
At 1 January	**5,440**	5,440	**—**	—
Impairment loss recognised in respect of deposits to artists	**2,554**	—	**—**	—
At 31 December	**7,994**	5,440	**—**	—

Included in the above impairment loss recognised in respect of deposits is provision for individually impaired receivables of HK$2,554,000 with a gross carrying amount approximately HK$7,994,000 (2012: HK$5,440,000). The impaired deposits are individually determined to be impaired after considering overdue ageing analysis and other qualitative factors.

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Cash and bank balances:				
US Dollars	**2**	2	**—**	—
Hong Kong Dollars	**48,778**	53,531	**688**	5,880
	48,780	53,533	**688**	5,880

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

25. TRADE PAYABLES

An aged analysis of the Group's trade payables at the end of the reporting period is as follow:

	2013	2012
	HK$'000	*HK$'000*
0 — 90 days	**—**	71

26. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Accruals	**5,220**	1,913	**4,796**	1,002
Other payables	**72**	907	**—**	859
	5,292	2,820	**4,796**	1,861

27. RECEIPTS IN ADVANCE

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trade deposits received	**3,408**	4,348

28. CONVERTIBLE LOAN NOTES

On 25 September 2008, the Company issued convertible loan note with a principal amount of HK$35,000,000 to Goldig Investment Group Limited with a term of three years and zero coupon rate (the "Old Convertible Note"). The Old Convertible Notes are convertible into shares of the Company at the initial conversion price of HK$0.125 at any time after the date of issue and before the maturity date. The effective interest rate of the liability component of the Old Convertible Note is 13.25%.

On 3 February 2009, the Company early redeemed principal amount of HK$28,000,000 of the Old Convertible Notes.

Pursuant to the Company's circular dated 12 August 2009, the Company and the bondholders of the Old Convertible Notes entered into the deed of amendments to modify the terms and conditions of the remaining of HK$7,000,000 of the Old Convertible Notes. The maturity date shall be the fifth anniversary of the date of issue instead of the third anniversary of the date of issue, and the mandatory conversion of any outstanding amount of the Old Convertible Notes into new conversion shares at HK$0.239.

The conversion price was adjusted to HK$0.999 per share and HK$0.884 per share upon the completion of first and second tranche placing on 25 January 2010 and 5 February 2010 respectively.

The conversion price was adjusted to HK$0.50 per share upon the distribution of special dividend on 24 May 2010.

On 23 December 2010, an amount of HK$800,000 of Old Convertible Notes was converted into ordinary shares of the Company.

The conversion price was adjusted to HK$0.487 per share on 30 December 2010 upon placement of news shares.

Upon the acceptance of the cash offers on 2 March 2012, Old Convertible Notes with principle amount of HK$6,200,000 was transferred to New Asia Media Development Limited, a major shareholder of the Company, and the terms of Old Convertible Notes remain unchanged.

On 10 September 2013, the Group announced to have entered into the deed of amendment with the holder of Old Convertible Notes whereby the parties agreed to extend the maturity date of the outstanding Old Convertible Notes from 24 September 2013 to 24 September 2015. The extension became effective upon the approval by the shareholders of the Company at a special general meeting held on 23 October 2013. The maturity date of the Old Convertible Notes has therefore been extended to 24 September 2015 ("CN Amendment"), and the mandatory conversion of any outstanding amount of the Old Convertible Notes into new conversion shares at HK$0.487.

Upon the CN Amendment, the Company extinguished the original liability component and transfer the equity component to accumulated losses. The revised terms hereinafter referred to as "New Convertible Notes", were measured at fair value, which was carried out by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group.

The New Convertible Notes contain equity component, which contains (a) the Company's option to exchange the obligation to pay the outstanding debt for a fixed number of shares of the Company any time before maturity; and (b) the bondholder's option to convert the instruments into ordinary share of the Company any time before the maturity. The fair value of the equity component was determined based on the stock price of the shares multiplied by the number of shares to be delivered. On 24 September 2013, the difference of approximately HK$1,935,000 between the fair value of the New Convertible Note and the liability of Old Convertible Notes is recognised in statement of profit or loss for the year ended 31 December 2013.

28. CONVERTIBLE LOAN NOTES *(continued)*

	Liability Component HK$'000	Equity component HK$'000	Total HK$'000
Old Convertible Notes			
At 1 January 2012	4,951	2,381	7,332
Effective interest expenses	686	—	686
At 31 December 2012 and 1 January 2013	5,637	2,381	8,018
Effective interest expenses	563	—	563
Extinguishment of liability/equity component of Old Convertible Notes	(6,200)	(2,381)	(8,581)
At 31 December 2013	—	—	—
New Convertible Notes			
Recognition of equity component of the New Convertible Notes	—	4,265	4,265
At 31 December 2013	—	4,265	4,265

29. SHARE CAPITAL

	2013 HK$'000	2012 HK$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.01 each	30,000	30,000
Issued and fully paid:		
505,649,726 ordinary shares of HK$0.01 each	5,056	5,056

30. EMPLOYEE AWARD PLAN

The Company's employee award plan (the "Plan") was adopted by the Board of Directors on 24 July 2007 for the primary purpose of recruiting and motivating employees and directors to achieve superior performance. The Plan is valid and effective for 10 years commencing on 24 July 2007. Under the Plan, the Remuneration Committee of the Company may conditionally grant an award to any directors or employee of the Company and its subsidiaries. Upon vesting of the award, the grantee shall be entitled to a cash payment under the award if the award price exceeds the vesting price, subject to an overall limit as stated in the award letter.

The amount of award payment shall be determined in accordance with the following formula:

(Vesting Price – Award price) x Award Number

Vesting price means the average closing price of the Company's shares as stated in the daily quotation sheets issued by the stock exchange for five business days immediately preceding the vesting date.

No grantee was entitled to any payment under the award during the year ended 31 December 2013 (2012: nil).

31. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity on page 32 to the consolidated financial statements.

The Company

	Share premium	Contributed surplus	Convertible loan notes reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note i)	*(Note ii)*		
At 1 January 2012	47,383	28,294	2,381	43,047	121,105
Net loss for the year	—	—	—	(12,789)	(12,789)
Total comprehensive loss for the year	—	—	—	(12,789)	(12,789)
At 31 December 2012 and 1 January 2013	47,383	28,294	2,381	30,258	108,316
Net loss for the year	—	—	—	(51,493)	(51,493)
Total comprehensive loss for the year	—	—	—	(51,493)	(51,493)
Transfer to accumulated losses upon extinguishment of Old Convertible Notes	—	—	(2,381)	2,381	—
Recognition of equity component of New Convertible Notes	—	—	4,265	—	4,265
At 31 December 2013	**47,383**	**28,294**	**4,265**	**(18,854)**	**61,088**

31. RESERVES *(continued)*

The Company *(continued)*

Notes:

(i) The contributed surplus of the Company represents the capital reduction and capital reorganisation of share capital and reserves of the Company.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if it is, or would after the payment be unable to pay its liabilities as they become due or the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(ii) The convertible loan notes reserve represents the value of the unexercised equity component of convertible loan notes issued by the Company.

32. DISPOSAL OF A SUBSIDIARY

On 29 June 2012, the Group disposed Infrared, a wholly owned subsidiary of the Company, at a consideration of HK$1. A loss on disposal of approximately HK$2,960,000 arose from this disposal was recognised in the consolidated statement of profit or loss. Summary of the effect of the disposal of the subsidiary is as follows:

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	104
Trade receivables	267
Deposits, prepayments and other receivables	76
Cash and bank balances	22
Accruals and other payables	(789)
Net liabilities of Infrared	(320)

Loss on disposal of a subsidiary:

	HK$'000
Consideration	—
Net liabilities disposed of	(320)
Goodwill	3,280
Loss on disposal of Infrared	2,960

The loss on disposal is included in the loss for the year from discontinued operation in the consolidated statement of profit or loss (note 12).

	HK$'000
Net cash outflow in respect of the disposal of subsidiary	
Cash consideration	—
Cash and cash equivalents disposed of	(22)
	(22)

33. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following material transactions with related parties during the year:

(a) Related entities

	Notes	2013 HK$'000	2012 HK$'000
Sundry income received from related company	(i)	—	120
Rental expenses paid to related subsidiary	(ii)	4,488	3,443
Interest expenses of convertible loan notes payable to related company	(iii)	563	686

Notes:

(i) Sundry income charged to related company in which is family member of director of Company's subsidiary have beneficial interest respectively.

(ii) Rental expenses paid to the related company, in which is subsidiary of an entity and the Group is an associate of that entity. The transaction is a continuing connected transaction as defined under Chapter 20 of the GEM Listing Rules, details of which please refer to the announcement dated 30 April 2012.

(iii) Interest expense of convertible loan notes charged by the related company, in which is subsidiary of an entity and the Group is an associate of that entity.

(b) Compensation of key management personnel

	2013 HK$'000	2012 HK$'000
Salaries and allowances	5,078	4,459
Pension scheme contributions	63	41
	5,141	4,500

34. COMMITMENT

Operating lease commitment

The Group as lessee

The Group leases office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from 1 to 2 years (2012: 1 to 2 years).

34. COMMITMENT *(continued)*

Operating lease commitment *(continued)*

The Group as lessee *(continued)*

At the end of the reporting period, the Group had future minimum lease payments under non-cancelable operating leases falling due is as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	1,137	4,562
In the second to fifth years, inclusive	43	1,187
	1,180	5,749

35. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities at the end of reporting period (2012: nil).

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group		The Company	
	2013	2012	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)		
Financial assets				
Loans and receivables (including cash and cash equivalents)	51,883	63,530	69,222	118,634
Financial liabilities				
Financial liabilities at amortised cost	5,292	8,528	4,796	7,498

Financial risk management objective and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge certain risk exposures.

36. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Risk management is carried out by Group treasury under policies approved by the board of directors. Group treasury identifies and evaluate financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Foreign currency risk

The Group's functional and reporting currency is in HKD.

The major operating companies of the Group have certain transactions in RMB and the artist management services provided by these companies to these customers in the PRC represent a significant portion of their turnover. The operating currency of these PRC customers is mainly RMB. RMB is not freely convertible into foreign currencies.

The Group's other assets, liabilities and transactions are mainly denominated in HKD. It is assumed that the pegged rate between HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

The following table details the Group's exposure at the date of reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Liabilities		Assets	
	At 31 December			
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
RMB	2,572	3,407	—	26

Sensitivity analysis

The following table details the group entities' sensitivity to a 5% increase and decrease in functional currency of the relevant group entities against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the report date for a 5% change in foreign currency rates. A positive number below indicates a decrease in loss or an increase in profit where functional currency of the relevant group entities weaken 5% against the relevant foreign currency. For a 5% strengthen of functional currency of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact on the loss or profit, and the balance below would be negative.

36. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Sensitivity analysis *(continued)*

	Loss before tax for the year	
	2013	2012
	HK$'000	*HK$'000*
RMB	**(129)**	(242)

A negative number below indicates a increase in loss where functional currencies of the relevant group entities weaken 5% against the relevant foreign currency.

The Group currently does not enter into any derivative contract to minimise the foreign currency risk exposure.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily from its bank borrowings, bank overdraft and bank balances with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

At the end of the reporting period, the Group has no significant expense to interest rate risk. The exposures to the interest rate risk are monitored on an ongoing basis.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdraft, bank borrowings, finance leases, other interest-bearing loans, and convertible loan notes.

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group							
31 December 2013							
Non-derivative financial liabilities							
Accruals and other payables	**—**	**5,292**	**—**	**—**	**—**	**5,292**	**5,292**
31 December 2012							
Non-derivative financial liabilities							
Trade payables	—	71	—	—	—	71	71
Accruals and other payables	—	2,820	—	—	—	2,820	2,820
Convertible loan notes	13.86	6,200	—	—	—	6,200	5,637
		9,091	—	—	—	9,091	8,528

36. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Liquidity risk *(continued)*

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Company							
31 December 2013							
Non-derivative financial liabilities							
Accruals and other payables	**—**	**4,796**	**—**	**—**	**—**	**4,796**	**4,796**
31 December 2012							
Non-derivative financial liabilities							
Accruals and other payables	—	1,861	—	—	—	1,861	1,861
Convertible loan notes	13.86	6,200	—	—	—	6,200	5,637
		8,061	—	—	—	8,061	7,498

Credit risk

At 31 December 2012 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk is primarily attributable to trade or other receivables and the credit risk on liquid funds is limited because the counterparties are banks with high ratings assigned by international credit-rating agencies. The Group has no significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the consolidated financial statements.

36. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Fair value estimation

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

(i) the fair value of financial assets and financial liabilities, with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices.

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model.

Except for the liability component of convertible loan notes which recorded amortised cost as below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their respective fair values:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Convertible loan notes	—	—	5,637	5,716

Note:

The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.

As at 31 December 2013 and 2012, the Group's financial instruments presented on the statement of financial position are not measured at fair value. There were no transfers between Level 1 and Level 2 in both years.

The directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statement approximate to their fair value.

37. CAPITAL MANAGEMENT

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For the purpose, adjusted net debt is defined as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity.

During the year ended 2013, the Group's strategy, which was unchanged from 2012, was to maintain the adjusted net debt-to-capital ratio at the lower end of the range 20% to 25%. The Group is not subject to any externally imposed requirements.

The gearing ratio at the end of the reporting period was as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		
Debt *(note (i))*	**—**	5,637	**—**	5,637
Cash and cash equivalents	**(48,780)**	(53,533)	**(688)**	(5,880)
Net debt	**(48,780)**	(47,825)	**(688)**	(243)
Total equity	**74,202**	82,756	**66,144**	113,372

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		
Gearing ratio	**NA**	NA	**NA**	NA

Notes:

(i) Debt comprises convertible loan notes as detailed in note 28 to consolidated financial statement.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

38. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 31 December 2013 and up to the date of this report.

39. PARTICULARS OF INTERESTS IN SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particular of excessive length.

Name	Place of incorporation/ operation	Issued and fully paid up capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activity
Creative Formula Limited	Hong Kong	Ordinary HK$10,000,000	—	100%	Film production
China Star Management Limited	Hong Kong	Ordinary HK$290,000	—	100%	Artists management
Anglo Market International Limited	BVI	Ordinary US$1	—	100%	Artists management
China Golf Limited*	Hong Kong	Ordinary HK$20,500	—	51%	Dormant

* Individually immaterial subsidiary with non-controlling interest

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2014.

SUMMARY OF FINANCIAL INFORMATION

A Summary of the results and the assets and liabilities of the Group for the last five financial years are set out below. This summary does not form part of the audited financial statements.

RESULTS

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			
Turnover	**15,698**	26,547	44,330	21,371	7,198
Loss before tax	**(12,829)**	(12,008)	(8,836)	(136,970)	(27,724)
Income tax expenses	**—**	—	—	—	553
Loss for the year from continuing operations	**(12,829)**	(12,008)	(8,836)	(136,970)	(27,171)
(Loss)/profit for the year from discontinued operations	**—**	(3,092)	(11,415)	84,517	53,270
(Loss)/profit for the year	**(12,829)**	(15,100)	(20,251)	(52,453)	26,099
(Loss)/profit attributable to owners of the Company	**(12,828)**	(15,100)	(20,251)	(52,453)	26,099
Non-controlling interests	**(1)**	—	—	—	—
	(12,829)	(15,100)	(20,251)	(52,453)	26,099

ASSETS AND LIABILITIES

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			
Total assets	**82,902**	95,632	112,809	138,064	594,228
Total liabilities	**(8,700)**	(12,876)	(14,953)	(22,366)	(418,848)
	74,202	82,756	97,856	115,698	175,380