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

(Formerly known as China Digital Licensing (Group) Limited
中國數碼版權（集團）有限公司)

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

(Stock Code: 8175)

Annual Report 2013

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

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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.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Hsu Tung Sheng *(Chairman)*
Hsu Tung Chi *(Chief Executive Officer)*
Pang Hong Tao
Chang Li Cheng (appointed on 15 July 2013)
Au Shui Ming, Anna (resigned on 1 July 2013)

Independent Non-executive Directors

Kwok Chi Sun, Vincent
Leung Hiu Kong, Edward (appointed on 1 August 2013)
Wong Tak Shing
Lee Kun Hung (resigned on 1 August 2013)

AUDIT COMMITTEE

Kwok Chi Sun, Vincent
Leung Hiu Kong, Edward (appointed on 1 August 2013)
Wong Tak Shing
Lee Kun Hung (resigned on 1 August 2013)

REMUNERATION COMMITTEE

Au Shui Ming, Anna (resigned on 1 July 2013)
Kwok Chi Sun, Vincent
Leung Hiu Kong, Edward (appointed on 1 August 2013)
Hsu Tung Chi (appointed on 1 July 2013)
Lee Kun Hung (resigned on 1 August 2013)

NOMINATION COMMITTEE

Au Shui Ming, Anna (resigned on 1 July 2013)
Kwok Chi Sun, Vincent
Hsu Tung Chi (appointed on 1 July 2013)
Wong Tak Shing

COMPANY SECRETARY

Au Shui Ming, Anna (resigned on 1 July 2013)
Chan Kin Ho, Philip (appointed on 1 July 2013)

COMPLIANCE OFFICER

Au Shui Ming, Anna (resigned on 1 July 2013)
Hsu Tung Chi (appointed on 1 July 2013)

AUTHORISED REPRESENTATIVES

Au Shui Ming, Anna (resigned on 1 July 2013)
Hsu Tung Chi (appointed on 1 July 2013)
Chan Kin Ho, Philip (appointed on 1 July 2013)

AUDITOR

Mazars CPA Limited
Certified Public Accountants

LEGAL ADVISER

Phillips Solicitors

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR

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

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

WEBSITE ADDRESS

www.cdculture.com

STOCK CODE

8175

FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
RESULTS					
Turnover	4,150	6,973	29,315	28,691	**48,623**
(Loss) Profit for the year attributable to:					
Equity holders of the Company	(8,767)	(21,452)	(37,857)	(68,928)	**5,294**
Non-controlling interests	308	(7,640)	2,506	(29,326)	**1,707**
(Loss) Profit for the year	(8,459)	(29,092)	(35,351)	(98,254)	**7,001**

ASSETS AND LIABILITIES

	As at 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Total assets	161,305	200,617	184,552	93,053	**329,530**
Total liabilities	(46,657)	(48,247)	(55,061)	(41,949)	**(46,622)**
Non-controlling interests	(13,205)	(5,912)	(8,506)	20,820	**(14,023)**
Net assets attributable to equity holders of the Company	101,443	146,458	120,985	71,924	**268,885**

Note:

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

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), we hereby present the Annual Report of China Digital Culture (Group) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2013.

During the year, the Group recorded a turnover from continuing operations and discontinued operations of approximately HK$42,918,000 and HK$5,705,000 respectively (2012: HK$15,285,000 and HK$13,406,000 respectively) and a profit from continuing operations and discontinued operations attributable to equity holders of the Company of approximately HK$4,786,000 and HK$508,000 respectively (2012: net loss of approximately HK$64,109,000 and HK$4,819,000 respectively).

I. Licensed Content Business

e-Licensing Business

During the year, the e-Licensing business recorded a turnover of approximately HK$42,918,000 (2012: HK$15,285,000) and a profit before taxation of approximately HK$12,038,000 (2012: a loss of HK$93,019,000). The loss in 2012 was mainly due to (i) written off of prepayment to licensors of approximately HK$39,380,000; and (ii) allowance for doubtful debts on loans to and due from jointly controlled entities of approximately HK$20,225,000. The profit in 2013 was largely attributable to strong performances from acquired businesses. These businesses were acquired in April and October of 2013 and are discussed in detail below.

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

Sports Segment

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

During the year, the sports segment recorded a turnover of approximately HK$19,250,000 (2012: HK$Nil) and a profit before taxation and unallocatable income, expenses and finance costs of approximately HK$12,713,000 (2012: a loss of HK$21,130,000). The profit was mainly contributed by Nova Dragon and Socle.

In April of 2013, Silver Season Investments Limited ("Silver Season"), a wholly-owned subsidiary of the Company, completed the acquisition of the entire equity interest of Nova Dragon. Nova Dragon and its subsidiaries are principally engaged in assisting professional athletes, such as Jeremy Lin (林書豪), an NBA player, with marketing and promotional activities worldwide. Nova Dragon obtained marketing contracts and sponsorships for Jeremy Lin from the KFC Group, Volvo Car Corporation and Proctor and Gamble from 2012 through 2013. As a result of this successful partnership, Jeremy Lin (林書豪) has agreed to renew his contract with Nova Dragon in 2014.

CHAIRMAN'S STATEMENT

In October of 2013, the acquisition of 40% equity interest in Socle was completed. Socle and its subsidiaries are principally engaged in licensing of sports events content and is one of the foremost providers of sports events and entertainment content in the PRC; including licenses such as the China Football Association Super League, AFC Champions League, East Asian Football Championship and many more.

Entertainment Segment

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

During the year, the entertainment segment recorded a turnover of approximately HK$23,668,000 (2012: HK$15,285,000) and a profit before taxation and unallocatable income, expenses and finance costs of approximately HK$12,594,000 (2012: a loss of HK$63,110,000). The profit was mainly contributed by ODE.

The Group has been the licensing agent for Universal Music Group, Warner Music Group, and Sony Music Entertainment since 2011, accumulating a library of over 450,000 pieces of music and representing one of the largest content providers on China Unicom as a music platform. We have established an aggregate of 70 local ringtone products in numerous provinces and accumulated more than 80,000 long-term subscribers. On 31 May 2013, the Group was granted music rights from a leading Chinese music label – Golden Typhoon Group for a term of two years. Golden Typhoon Group represents a number of top-tier Taiwanese, Cantonese, and Mainland Chinese talents and also holds an extensive music library of over 600,000 pieces of music. Further, Golden Typhoon Group is the exclusive agent for EMI with regard to the distribution of digital music in the Greater China Region, as well as the distribution agent for numerous records produced worldwide. With our newfound collaboration with Golden Typhoon Group, the Group will offer subscribers of China Unicom and other potential music platforms more exciting and robust music content. Furthermore, we believe that the music rights from Golden Typhoon Group will strengthen our presence in the music library of China Unicom from representing 50% of all music on the platform to 70%. In addition, the Group has begun to provide its extensive music content to China Telecom as a distribution platform.

In April of 2013, Silver Season completed the acquisition of 80% equity interest in ODE, in which the Group owned 20% equity interest as of 31 December 2012. ODE and its subsidiaries are principally engaged in the business of promotion, sales and distribution of movie and television licensed content worldwide and the organization of music concerts, programs and related services. Additionally in 2014, ODE will begin investing in the production of movies in Taiwan, Hong Kong and the PRC. In 2013, ODE had successful collaborations with large movie/television license holders such as Beijing Jianian Media Company Limited and Huaxia Film Distribution Company, and also post-production studios such as E-Zen Hall Communications Company in Taiwan.

In November of 2013, the Company alongside KEAHORAL Technology Inc., China Interactive Sports, China Unicom, Phoenix New Media, Galloping Horse Media and OGN Television Station under the Korean Conglomerate CJ, organized a press conference on a strategic alliance formed between seven enterprises (the "Alliance") in order to promote and develop the competitive cyber gaming industry in China. With support from the General Administration of Sports in China, the Alliance will concentrate their cooperative efforts in the organization and production of gaming competitions, live broadcasts, high-budget movies relating to cyber gaming (also known as "eSports"), and other various entertainment events.

Latest Development

In 2013, the Group's focus was to acquire and restructure businesses that would help the Group develop and grow within its core business. Beginning in 2014, the Group will focus on expanding the entertainment (which mainly refers to ODE) and athlete management business (which mainly refers to Nova Dragon) and inject fresh revenue streams into our music business segment. The Group will grow ODE by selling more movie/television licenses and introducing competitive gaming licenses and begin investing in the production of movies in Taiwan, Hong Kong and the PRC. Further, the Group will grow the athlete management business by increasing its efforts in signing additional CBA and NBA players to Nova Dragon and obtaining lucrative and brand-defining marketing contracts for these athletes. In addition, leveraging on the existing music platforms and licensed contents, the Group aims to create a resourceful music platform by developing official websites and entertainment applications for top-tier artists.

II. e-Learning Business

During the year, the e-Learning business recorded a turnover of HK$5,705,000 as compared to approximately HK$13,406,000 in the previous year. The change in turnover was largely attributable to the disposal of the e-Learning business as discussed below.

On 26 April 2013, Wonder Link Limited ("Wonder Link"), a wholly-owned subsidiary of the Company entered into a disposal agreement with DigiSmart (Group) Limited ("DigiSmart") for the disposal of the entire interest in Start Bright Limited and its subsidiaries ("Start Bright Group"). Start Bright Group is principally engaged in the e-Learning business. On 16 July 2013, the disposal was completed and the Group ceased to have any interest in Start Bright and is accordingly no longer engaged in the e-Learning business. Following the disposal, the Group will continue to focus on the business of providing copyright management solutions along with related consultancy services and the distribution of copyright-protected and licensed content. In the future, the Group intends to focus and devote its resources to developing the core entertainment licensing business and use the proceeds from the disposal for general working capital and future acquisitions.

OUTLOOK

With the acquisitions that were made in 2013, the Group has positioned itself to continue to grow as the largest contemporary licensing music and professional sports content provider in the PRC. Under the Twelfth Five-Year Plan of the PRC, the PRC Government has put an emphasis on cultural creativity. As such, the Group will continue to explore business opportunities in the cultural sector and capitalize from its support during the Twelfth Five-Year Plan. The Group is confident that the existing business strategy and business model will deliver long-term benefits to shareholders.

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

Hsu Tung Sheng
Chairman

Hong Kong, 31 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. Licensed Content Business

e-Licensing Business

During the year, the e-Licensing business recorded a turnover of approximately HK$42,918,000 (2012: HK$15,285,000) and a profit before taxation of approximately HK$12,038,000 (2012: a loss of HK$93,019,000). The profit in 2013 was largely attributable to strong performances from acquired businesses. These businesses were acquired in April and October of 2013 and are discussed in detail below.

In order to reposition the Group's efforts onto sports and entertainment media, the Group began its restructuring efforts in 2013 by acquiring controlling interests in Nova Dragon, ODE and Socle. The Group also acquired an additional 46.61% equity interest in Far Glory. As a result, the Group will be allocating its e-Licensing operations under two business segments: (i) Sports and (ii) Entertainment.

Sports Segment

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

During the year, the sports segment recorded a turnover of approximately HK$19,250,000 (2012: HK$Nil) and a profit before taxation and unallocatable income, expenses and finance costs of approximately HK$12,713,000 (2012: a loss of HK$21,130,000). The profit was mainly contribution by both Nova Dragon and Socle.

On 12 April 2013, Silver Season completed the acquisition of the entire equity interest of Nova Dragon. Nova Dragon and its subsidiaries are principally engaged in assisting professional athletes, such as Jeremy Lin (林書豪), an NBA player, with marketing and promotional activities worldwide. Nova Dragon obtained marketing contracts and sponsorships for Jeremy Lin from the KFC Group, Volvo Car Corporation and Proctor and Gamble from 2012 through 2013. As a result of this successful partnership, Jeremy Lin (林書豪) has agreed to continue working with Nova Dragon in 2014.

In October of 2013, the acquisition of 40% equity interest in Socle was completed. Socle and its subsidiaries are principally engaged in licensing of sports events content and is one of the foremost providers of sports events and entertainment content in the PRC; including licenses such as the China Football Association Super League, AFC Champions League, East Asian Football Championship and many more.

Entertainment Segment

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

During the year, the entertainment segment recorded a turnover of approximately HK$23,668,000 (2012: HK$15,285,000) and a profit before taxation and unallocatable income, expenses and finance costs of approximately HK$12,594,000 (2012: a net loss of HK$63,110,000). The profit was mainly contributed by ODE.

The Group has been the licensing agent for Universal Music Group, Warner Music Group, and Sony Music Entertainment since 2011, accumulating a library of over 450,000 pieces of music and representing one of the largest content providers on China Unicom as a music platform. The Group has established an aggregate of 70 local ringtone products in numerous provinces and accumulated more than 80,000 long-term subscribers. On 31 May 2013, the Group was granted music rights from a leading Chinese music label – Golden Typhoon Group – for a term of two years. Golden Typhoon Group represents a number of top-tier Taiwanese, Cantonese, and Mainland Chinese talents and also holds an extensive music library of over 600,000 pieces of music. Further, Golden Typhoon Group is the exclusive agent for EMI with regard to the distribution of digital music in the Greater China Region, as well as the distribution agent for numerous records produced worldwide. With the newfound collaboration with Golden Typhoon Group, the Group will offer subscribers of China Unicom and other potential music platforms more exciting and robust music content. Furthermore, the Group believes that the music rights from Golden Typhoon Group will strengthen its presence in the music library of China Unicom from representing 50% of all music on the platform to 70%. In addition, the Group has begun to provide its extensive music content to China Telecom as a distribution platform.

On 25 April 2013, Silver Season completed the acquisition of 80% equity interest in ODE, in which the Group owned 20% equity interest as of 31 December 2012. ODE and its subsidiaries are principally engaged in the business of promotion, sales and distribution of movie and music licensed content worldwide and the organization of music concerts, programs and related services. Additionally in 2014, ODE will begin investing in the production of movies in Taiwan, Hong Kong and the PRC. In 2013, ODE had successful collaborations with large movie/television license holders such as Beijing Jianian Media Company Limited, and Huaxia Film Distribution Company, and also post-production studios such as E-Zen Hall Communications Company in Taiwan.

In November of 2013, the Company alongside KEAHORAL Technology Inc., China Interactive Sports, China Unicom, Phoenix New Media, Galloping Horse Media and OGN Television Station under the Korean Conglomerate CJ, organized a press conference on a strategic alliance formed between seven enterprises (the "Alliance") in order to promote and develop the competitive cyber gaming industry in China. With support from the General Administration of Sports in China, the Alliance will concentrate their cooperative efforts in the organization and production of gaming competitions, live broadcasts, high-budget movies relating to cyber gaming (also known as "eSports"), and other various entertainment events.

II. e-Learning Business

During the year, the e-Learning business recorded a turnover of approximately HK$5,705,000 (2012: HK$13,406,000) and a profit before taxation of approximately HK$853,000 (2012: a loss of HK$4,554,000). The change in revenue is largely attributable to the disposal of the e-Learning business as discussed below.

On 26 April 2013, Wonder Link entered into a disposal agreement with DigiSmart for the disposal of the entire interest in Start Bright Group. Start Bright Group is principally engaged in the e-Learning business. On 16, July 2013, the disposal was completed and the Group ceased to have any interest in Start Bright Group and is accordingly no longer engaged in the e-Learning business. Following the disposal, the Group will continue to focus on the business of providing copyright management solutions along with related consultancy services and the distribution of copyright-protected and licensed content. In the future, the Group intends to focus and devote its resources to developing the core entertainment licensing business and use the proceeds from the disposal for general working capital and future acquisitions.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group recorded a turnover from continuing operations of approximately HK$42,918,000, an increase of approximately 181% from approximately HK$15,285,000 for the previous financial year.

During the reporting period, administrative expenses from continuing operations incurred by the Group were approximately HK$25,417,000 (2012: HK$21,879,000).

During the reporting period, the Group did not record other operating expenses from continuing operations while it incurred such expenses of HK$81,123,000 in 2012.

As a result of the aforesaid figures, the Group reported a net profit attributable to equity holders of the Company for the year amounted to approximately HK$5,294,000 (2012: net loss of approximately HK$68,928,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had current assets of approximately HK$95,720,000 (2012: HK$55,720,000) and current liabilities of approximately HK$46,622,000 (2012: HK$36,581,000). The current assets were comprised mainly of bank balances and cash of approximately HK$21,451,000 (2012: HK$17,528,000) and accounts and other receivables of approximately HK$74,269,000 (2012: HK$37,991,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK$34,884,000 (2012: HK$35,993,000). The Group had no bank borrowings as at 31 December 2013 and 2012. As at 31 December 2013, the Group had a current ratio of approximately 2.1 as compared to that of 1.5 as at 31 December 2012.

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2013, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 12 April 2013, Silver Season completed the acquisition of the entire equity interest in Nova Dragon at a total consideration of HK$105,000,000, which was settled by the allotment and issue of an aggregate of 350,000,000 ordinary shares of the Company at the market price of HK$0.30 per share.

On 25 April 2013, Silver Season completed the acquisition of 80% equity interest in ODE, in which the Group owned 20% equity interest as at 31 December 2012, for a total consideration of HK$93,357,000. The consideration was settled by issuing 405,900,000 ordinary shares of the Company at the market price of HK$0.23 per share.

On 26 April 2013, Wonder Link entered into a disposal agreement with DigiSmart for the disposal of the entire interest in Start Bright for an aggregate cash consideration of HK$5,100,000. On 16 July 2013, all conditions precedent within the disposal agreement had been fulfilled and the disposal was completed.

On 3 June 2013, Marvel Cosmos entered into a conditional agreement with Swift Plus Limited, as the vendor, and Mr. Chan Poon Yau Adrian, as the guarantor and sole and beneficial owner of the vendor for the acquisition of 40% equity interest of Socle for an aggregate consideration of HK$18,890,000 of which HK$10,864,000 be settled by cash and HK$8,026,000 be payable by Marvel Cosmos procuring the Company to allot and issue 44,342,857 shares at the market price of HK$0.18 per Share. On 30 October 2013, the acquisition was completed and payments were made to the respective parties.

On 9 October 2013, Cheer Plan Limited (the "Purchaser"), a wholly-owned subsidiary of the Company entered into the sales and purchase agreement with the vendors of Far Glory Limited, pursuant to which the purchaser has conditionally agreed to purchase and the vendors have conditionally agreed to sell, 5,080 shares, representing approximately 46.61% of the total issued share capital of Far Glory Limited. On 15 November 2013, the acquisition was completed.

Save as discussed above, the Group has made no other material acquisitions nor disposals of subsidiaries and affiliated companies of the Company.

FOREIGN EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no material contingent liabilities.

EMPLOYEE INFORMATION

As at 31 December 2013, the Group had 47 (2012: 49) full-time employees. Employee costs for the year 2013, excluding directors' emoluments, amounted to approximately HK$6,186,000 (2012: HK$9,311,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code Provision") as set out in Appendix 15 of the GEM Listing rules. The Company has complied with the Code Provision throughout the year ended 31 December 2013.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2013.

BOARD OF DIRECTORS AND BOARD MEETINGS

The board members for the year ended 31 December 2013 and up to the date of this report were:

Executive directors:

Mr. Hsu Tung Sheng *(Chairman)*
Mr. Hsu Tung Chi *(Chief Executive Officer)*
Mr. Pang Hong Tao
Ms. Au Shui Ming, Anna (resigned on 1 July 2013)
Mr. Chang Li Cheng (appointed on 15 July 2013)

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent
Mr. Lee Kun Hung (resigned on 1 August 2013)
Mr. Wong Tak Shing
Mr. Leung Hiu Kong, Edward (appointed on 1 August 2013)

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

The directors' biographical information is set out on pages 18 and 19 of this Annual Report. All executive directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

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

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

The Board held a full board meeting for each quarter.

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

	Board meeting	General meeting
Executive directors:		
Mr. Hsu Tung Sheng	26/32	2/4
Mr. Hsu Tung Chi	28/32	2/4
Mr. Pang Hong Tao	20/32	0/4
Ms. Au Shui Ming, Anna (resigned on 1 July 2013)	20/32	2/4
Mr. Chang Li Cheng (appointed on 15 July 2013)	12/32	2/4
Non-executive directors:		
Mr. Kwok Chi Sun, Vincent	20/32	3/4
Mr. Lee Kun Hung (resigned on 1 August 2013)	13/32	1/4
Mr. Wong Tak Shing	21/32	4/4
Mr. Leung Hiu Kong, Edward (appointed on 1 August 2013)	6/32	0/4

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

REMUNERATION COMMITTEE

The remuneration committee was established in June 2005 with written terms of reference in compliance with the Code Provision. The remuneration committee consists of three members, of which two are independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent and Mr. Leung Hiu Kong, Edward, and one is executive director, namely Mr. Hsu Tung Chi. The chairman of the committee is Mr. Kwok Chi Sun, Vincent.

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

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

Members	**Attendance**
Mr. Kwok Chi Sun, Vincent	1/1
Mr. Lee Kun Hung (resigned on 1 August 2013)	1/1
Ms. Au Shui Ming, Anna (resigned on 1 July 2013)	1/1
Mr. Hsu Tung Chi (appointed on 1 July 2013)	0/1
Mr. Leung Hiu Kong, Edward (appointed on 1 August 2013)	0/1

NOMINATION COMMITTEE

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

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

During the year under review, the nomination committee held three meetings with the following attendance:

Members	**Attendance**
Mr. Kwok Chi Sun, Vincent	3/3
Mr. Wong Tak Shing	3/3
Ms. Au Shui Ming, Anna (resigned on 1 July 2013)	1/3
Mr. Hsu Tung Chi (appointed on 1 July 2013)	2/3

AUDIT COMMITTEE

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

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

Members	Attendance
Mr. Kwok Chi Sun, Vincent	4/4
Mr. Lee Kun Hung (resigned on 1 August 2013)	2/4
Mr. Wong Tak Shing	4/4
Mr. Leung Hiu Kong, Edward (appointed on 1 August 2013)	2/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 December 2013 have been reviewed by the audit committee during the year, who were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

	Reading materials/ In-house briefing	Attending training course
Executive directors:		
Mr. Hsu Tung Sheng	✓	
Mr. Hsu Tung Chi	✓	
Mr. Pang Hong Tao	✓	
Mr. Chang Li Cheng (appointed on 15 July 2013)	✓	✓
Mr. Au Shui Ming, Anna (resigned on 1 July 2013)	✓	✓
Independent non-executive directors:		
Mr. Leung Hiu Kong, Edward (appointed on 1 August 2013)	✓	✓
Mr. Kwok Chi Sun, Vincent	✓	✓
Mr. Wong Tak Shing	✓	✓
Mr. Lee Kun Hung (resigned on 1 August 2013)	✓	✓

AUDITOR'S REMUNERATION

During the year ended 31 December 2013, the fees paid to the auditor in respect of audit and non-audit services provided by the auditor of the Group were as follows:

Nature of services	**Amount (HK$'000)**
Audit services	965
Non-audit services	
– Professional fee in connection with acquisition transactions	490
– Others	192

COMPANY SECRETARY

Ms. Au Shui Ming, Anna has been the company secretary of the Company since November 2004 and resigned on 1 July 2013.

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

INTERNAL CONTROL

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

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

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

ACCOUNTABILITY AND AUDIT

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

SHAREHOLDERS' RIGHTS

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

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

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

B. Procedures for putting forward proposals at a Shareholders meeting

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

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

INVESTOR RELATIONS

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

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

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Hsu Tung Sheng, aged 46, was appointed as an executive director on 3 June 2009 and redesignated as chairman of the Company on 1 February 2011. Mr. Hsu is a brother of Mr. Hsu Tung Chi. Mr. Hsu holds a bachelor's degree in law from the National Chengchi University (Taiwan) (國立政治大學(台灣)). Mr. Hsu has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Hsu was a consultant of Toyota Tsusho Corporation ("Toyota Tsusho") and participated in numerous large investment projects for Toyota Tsusho. Mr. Hsu has built up a good relationship with enterprises in Japan. Mr. Hsu will be responsible for marketing, management function and business operation of the copyright management and digital licensing business of the Group. He was previously an executive director and chairman of China Neng Xiao Technology (Group) Limited, a company listed on the GEM of the Stock Exchange.

Mr. Hsu Tung Chi, aged 45, was appointed as an executive director and chief executive officer of the Company on 1 February 2011. Mr. Hsu is a brother of Mr. Hsu Tung Sheng. Mr. Hsu holds a bachelor's degree in Economics from Fu Jen Catholic University (輔仁大學) in Taiwan. Mr. Hsu Tung Chi has over 10 years' experience in advisory on management, operation and strategic planning. He was previously an executive director of China Neng Xiao Technology (Group) Limited, a company listed on the GEM of the Stock Exchange.

Mr. Pang Hong Tao, aged 45, was appointed as an executive director of the Company in July 2007. Mr. Pang holds a bachelor's degree in economics from Nankai University, the PRC and a master degree in economics from the Renmin University of China. Mr. Pang is the chairman of Finance Committee of ShanDong- HongKong SME Association. He is a member of Chinese Institute of Certified Public Accountants and China Appraisal Society, a certified consultant expert in Shan Dong province and a certified senior enterprise risk manager in Asia. Mr. Pang has over fifteen years of experience in financial management, risk management, financial budgeting and corporate finance. He has worked as a chief accountant in an international five-star hotel, the general manager in a management consultancy company and a partner in a Certified Public Accountants firm. Mr. Pang is currently the principal partner and president of a Certified Public Accountants firm in the PRC.

Mr. Chang Li Cheng, aged 57, is the member of Chinese Football Commercial Development Committee and a successful entrepreneur and experienced media person. Mr. Chang holds a bachelor's degree from Fu Jen Catholic University in Taiwan (臺灣輔仁大學) and a MBA degree from National Taiwan University (臺灣大學). His business expertise concentrates on the global integration of broadcast and Internet operations. He has vast international marketing background, strategic vision and business management operations experience. In 2001, he was appointed as SINA vice president, and in December of that year, was appointed as SINA's global vice president of marketing and sales, also held the post of SINA East China region general manager. In 2003, he was promoted as SINA Group CMO and COO, responsibilities included conforming global sales with brand resources, while managing mainland China market and internet advertisement sales. He was previously a general manager of international 4A advertisement company Grey.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Chi Sun, Vincent, aged 51, was appointed an independent non-executive director in October 2004. Mr. Kwok is also a member of the audit committee, the nomination committee and the remuneration committee of the Company, is a sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of five other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Evergreen International Holdings Limited and China Neng Xiao Technology (Group) Limited, the former four named companies are listed on the main board of the Stock Exchange while the last named company is listed on the GEM of the Stock Exchange.

Mr. Leung Hiu Kong, Edward, aged 48, was appointed as an independent non-executive director in August of 2013, holds a master's degree in business administration in The University of Iowa and obtained a bachelor's degree in mechanical engineering in The Hong Kong Polytechnic University. Mr. Leung is a CFA charter holder. He has over 17 years of experience in investment and fund management in the Asia Pacific Region. Mr. Leung is currently the managing director of a private equity firm in China and is responsible for investment and portfolio management.

Mr. Wong Tak Shing, aged 51, was appointed as an independent non-executive director of the Company in December 2009. Mr. Wong is also a member of the audit committee and the nomination committee of the Company, graduated from the University of New England, Australia with a Postgraduate Diploma in Financial Management and from the University of Southampton, U.K. with a Bachelor of Social Science in Business Economics and Accounting. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in corporate finance, accounting, personnel and administration. Mr. Wong was previously an executive director of China Neng Xiao Technology (Group) Limited, a company listed on the GEM of the Stock Exchange and an independent non-executive director of Digital Domain Holdings Limited, a company listed on the main board of the Stock Exchange.

DIRECTORS' REPORT

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

DATE OF INCORPORATION

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

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 19 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income on page 31.

The directors do not recommend the payment of a dividend.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2013 are set out in the consolidated statement of changes in equity on pages 36 and 37.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company does not have any reserves available for cash distribution and/or distribution in specie. In addition, the Company's share premium account had a balance of approximately HK$476,137,000 as at 31 December 2013 (2012: HK$173,515,000).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Hsu Tung Sheng *(Chairman)*
Mr. Hsu Tung Chi *(Chief Executive Officer)*
Mr. Pang Hong Tao
Mr. Chang Li Cheng (appointed on 15 July 2013)
Ms. Au Shui Ming, Anna (resigned on 1 July 2013)

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent
Mr. Leung Hiu Kong, Edward (appointed on 1 August 2013)
Mr. Wong Tak Shing
Mr. Lee Kun Hung (resigned on 1 August 2013)

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

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those transaction as disclosed in note 37 to the consolidated financial statements, no director of the Company has a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' REMUNERATION

Directors' remuneration is subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Company. Details of the remuneration of the directors are set out in note 9 to the consolidated financial statements.

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

As at 31 December 2013, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in Shares

Name of director	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Hsu Tung Sheng	Beneficial	73,500,000 (L)	2.2%
Mr. Hsu Tung Chi *(Note 1)*	Beneficial	54,800,000 (L)	1.6%
	Interest of controlled corporation	72,984,893 (L)	2.2%
Daily Technology Company Limited *(Note 1)*	Beneficial	72,984,893 (L)	2.2%
Mr. Pang Hong Tao	Beneficial	7,000,000 (L)	0.21%
Mr. Chang Li Cheng	Beneficial	13,570,503 (L)	0.41%
Mr. Leung Hiu Kong, Edward	Beneficial	500,000 (L)	0.01%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 19,000,000 shares. Daily Technology Company Limited ("Daily Technology") is beneficially owned as to 98% by Mr. Hsu. Daily Technology beneficially owns 72,984,893 shares. Under the SFO, Mr. Hsu is deemed to be interested in 72,984,893 shares.

(ii) Interest in share options

Name of director	Nature of interests	Number of share options granted	Approximate percentage of interests
Mr. Hsu Tung Sheng	Beneficial	–	–
Mr. Hsu Tung Chi	Beneficial	–	–
Mr. Pang Hong Tao	Beneficial	–	–

(L) denotes long position

Save as disclosed above, as at 31 December 2013, none of the directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 January 2003 pursuant to a written resolution of the Company. Details of the movements in the number of share options during the period under the Scheme are as follows:

Categories of grantees	As at 1 January 2013	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2013	Exercise price HK$	Grant date	Exercisable period
Directors							
Mr. Hsu Tung Sheng	15,000,000	–	15,000,000	–	0.44	13/12/2010	13/12/2010-12/12/2013
Mr. Hsu Tung Chi	15,000,000	–	15,000,000	–	0.475	16/12/2010	16/12/2010-15/12/2013
Mr. Pang Hong Tao	8,000,000	–	8,000,000	–	0.44	13/12/2010	13/12/2010-12/12/2013
Ms. Au Shui Ming, Anna	8,000,000	–	8,000,000	–	0.44	13/12/2010	13/12/2010-12/12/2013
Employees	48,000,000	–	48,000,000	–	0.44	13/12/2010	13/12/2010-12/12/2013
	4,000,000	–	4,000,000	–	0.475	16/12/2010	16/12/2010-15/12/2013
	98,000,000	–	98,000,000	–			

Particulars of the Company's share option scheme are set out in note 30 to the consolidated financial statements.

Note: By 31 December 2013, all share-options have expired.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 31 December 2013, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Interest in shares

Name of substantial shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Ma Bole *(Note 1)*	Interest of controlled corporations	497,698,238 (L)	14.88%
Ms. Xu Ziqi *(Note 1)*	Deemed	497,698,238 (L)	14.88%
Golden Mabole Culture Media Company Limited *(Note 1)*	Beneficial	497,698,238 (L)	14.88%

(L) denotes long position

Notes:

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

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

Save as disclosed above, as at 31 December 2013, the directors were not aware of any other person (other than the directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

COMPETING INTERESTS

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

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

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

1. in the ordinary and usual course of business of the Company;

2. either on normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties; and

3. in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

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

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

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

EVENTS AFTER THE REPORTING PERIOD

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

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the Group's largest customer and the five largest customers accounted for 24.7% (2012: 24.1%) and 61.8% (2012: 51.0%) respectively, of the Group's total turnover.

During the financial year, the Group's largest supplier and the five largest suppliers accounted for 16.5% (2012: 38.1%) and 57.8% (2012: 63.6%) respectively, of the Group's total purchases.

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

DIRECTORS' REPORT

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

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2013 were audited by Mazars CPA Limited, Certified Public Accountants. A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board

Hsu Tung Sheng
CHAIRMAN

31 March 2014

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
CHINA DIGITAL CULTURE (GROUP) LIMITED
(formerly known as China Digital Licensing (Group) Limited)
(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of CHINA DIGITAL CULTURE (GROUP) LIMITED (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 110, which comprise the consolidated and the Company's statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2014

Eunice Y M Kwok
Practising Certificate number: P04604

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Continuing Operations			
Turnover	5	**42,918**	15,285
Cost of services rendered		**(9,189)**	(5,460)
Gross profit		**33,729**	9,825
Other revenue	5	**934**	708
Other income	6	**4,276**	215
Selling and distribution costs		**(3,288)**	–
Administrative and other expenses		**(25,417)**	(21,879)
Other operating expenses		**–**	(81,123)
Finance costs	7	**(65)**	(1,153)
Share of results of associates	20	**1,869**	388
Profit (Loss) before taxation from continuing operations	8	**12,038**	(93,019)
Income tax expense	11	**(5,764)**	(588)
Profit (Loss) for the year from continuing operations		**6,274**	(93,607)
Discontinued Operations			
Profit (Loss) for the year from discontinued operations	12	**727**	(4,647)
Profit (Loss) for the year		**7,001**	(98,254)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**508**	–
Total other comprehensive income for the year		**508**	–
Total comprehensive income (loss) for the year		**7,509**	(98,254)
Profit (Loss) attributable to:			
Equity holders of the Company	13		
– Continuing operations		**4,786**	(64,109)
– Discontinued operations		**508**	(4,819)
		5,294	(68,928)
Non-controlling interests			
– Continuing operations		**1,488**	(29,498)
– Discontinued operations		**219**	172
		1,707	(29,326)
		7,001	(98,254)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Total comprehensive income (loss) attributable to:			
Equity holders of the Company			
– Continuing operations		**5,114**	(64,109)
– Discontinued operations		**508**	(4,819)
		5,622	(68,928)
Non-controlling interests			
– Continuing operations		**1,668**	(29,498)
– Discontinued operations		**219**	172
		1,887	(29,326)
		7,509	(98,254)
Earnings (Loss) per share	*15*		
Basic			
– Continuing operations		**HK0.156 cents**	HK(2.800) cents
– Discontinued operations		**HK0.017 cents**	HK(0.211) cents
– Continuing and discontinued operations		**HK0.173 cents**	HK(3.011) cents
Diluted			
– Continuing operations		**HK0.155 cents**	HK(2.800) cents
– Discontinued operations		**HK0.016 cents**	HK(0.211) cents
– Continuing and discontinued operations		**HK0.171 cents**	HK(3.011) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**6,384**	6,208
Intangible assets	*17*	**7,292**	2,866
Goodwill	*18*	**219,789**	21,296
Interest in associates	*20*	**–**	6,618
Interest in joint ventures	*21*	**–**	–
Loans to and due from joint ventures	*22*	**345**	345
		233,810	37,333
Current assets			
Inventories	*23*	**–**	94
Accounts and other receivables	*24*	**74,269**	37,991
Tax recoverable		**–**	107
Bank balances and cash	*25*	**21,451**	17,528
		95,720	55,720
Current liabilities			
Accounts and other payables	*26*	**34,884**	35,993
Tax payable		**11,738**	588
		46,622	36,581
Net current assets		**49,098**	19,139
Total assets less current liabilities		**282,908**	56,472
Non-current liabilities			
Convertible bonds	*27*	**–**	5,364
Deferred tax liabilities	*33*	**–**	4
		–	5,368
NET ASSETS		**282,908**	51,104

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Capital and reserves			
Share capital	*28*	**33,448**	122,979
Reserves		**235,437**	(51,055)
Equity attributable to equity holders of the Company		**268,885**	71,924
Non-controlling interests		**14,023**	(20,820)
TOTAL EQUITY		**282,908**	51,104

Approved and authorised for issue by the Board of Directors on 31 March 2014

Hsu Tung Sheng
Director

Hsu Tung Chi
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Interest in subsidiaries	*19*	**199,303**	11,347
Loans to a subsidiary	*37*	**40,000**	40,000
		239,303	51,347
Current assets			
Accounts and other receivables	*24*	**9,003**	5,370
Bank balances and cash	*25*	**4,004**	12,573
		13,007	17,943
Current liabilities			
Other payables	*26*	**4,131**	13,980
		4,131	13,980
Net current assets		**8,876**	3,963
Total assets less current liabilities		**248,179**	55,310
Non-current liabilities			
Convertible bonds	*27*	**–**	5,364
NET ASSETS		**248,179**	49,946
Capital and reserves			
Share capital	*28*	**33,448**	122,979
Reserves	*29*	**214,731**	(73,033)
TOTAL EQUITY		**248,179**	49,946

Approved and authorised for issue by the Board of Directors on 31 March 2014

Hsu Tung Sheng	**Hsu Tung Chi**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to equity holders of the Company											
		Reserves										
	Share capital HK$'000	Share premium HK$'000 (Note 29(i))	Special reserve HK$'000 (Note i)	Warrant reserve HK$'000 (Note 29(iii))	Foreign currency translation reserve HK$'000 (Note29(vi))	Share options reserve HK$'000 (Note 29(iv))	Convertible bonds reserve HK$'000 (Note 29(v))	Accumulated losses HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	112,655	159,556	10,084	291	178	12,251	5,680	(179,710)	8,330	120,985	8,506	129,491
Loss for the year and total comprehensive loss for the year	–	–	–	–	–	–	–	(68,928)	(68,928)	(68,928)	(29,326)	(98,254)
Transactions with equity holders												
Contribution and distribution												
Extinguishment of convertible bonds	–	–	–	–	–	–	(504)	–	(504)	(504)	–	(504)
Conversion of convertible bonds	9,574	10,614	–	–	–	–	(3,897)	–	6,717	16,291	–	16,291
Shares issued upon exercise of warrants	750	3,345	–	(15)	–	–	–	–	3,330	4,080	–	4,080
Total transactions with equity holders	10,324	13,959	–	(15)	–	–	(4,401)	–	9,543	19,867	–	19,867
At 31 December 2012	122,979	173,515	10,084	276	178	12,251	1,279	(248,638)	(51,055)	71,924	(20,820)	51,104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

		Attributable to equity holders of the Company												
			Reserves											
	Note	Share capital HK$'000	Share premium HK$'000 (Note 29(i))	Special reserve HK$'000 (Note i)	Capital reserve HK$'000 (Note ii)	Warrant reserve HK$'000 (Note 29(iii))	Foreign currency translation reserve HK$'000 (Note 29 (vi))	Share options reserve HK$'000 (Note 29(iv))	Convertible bonds reserve HK$'000 (Note 29(v))	Accumulated losses HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013		122,979	173,515	10,084	-	276	178	12,251	1,279	(248,638)	(51,055)	71,924	(20,820)	51,104
Profit for the year		-	-	-	-	-	-	-	-	5,294	5,294	5,294	1,707	7,001
Other comprehensive income														
Items that may be reclassified subsequently to profit or loss														
Foreign currency translation differences		-	-	-	-	-	328	-	-	-	328	328	180	508
Total other comprehensive income for the year		-	-	-	-	-	328	-	-	-	328	328	180	508
Total comprehensive income for the year		-	-	-	-	-	328	-	-	5,294	5,622	5,622	1,887	7,509
Disposal of subsidiaries	35	-	-	-	-	-	-	-	-	-	-	-	(1,839)	(1,839)
Transactions with equity holders														
Contribution and distribution														
Capital reorganisation	28(i)	(98,383)	98,383	-	-	-	-	-	-	-	98,383	-	-	-
Conversion of convertible bonds		850	5,858	-	-	-	-	-	(1,279)	-	4,579	5,429	-	5,429
Release upon expiry of share options	30	-	-	-	-	-	-	(12,251)	-	12,251	-	-	-	-
Release upon expiry of warrants	31	-	-	-	-	(276)	-	-	-	276	-	-	-	-
Issue of consideration shares for acquisition of subsidiaries	34	8,002	198,381	-	-	-	-	-	-	-	198,381	206,383	-	206,383
Issue of unlisted warrants	31	-	-	-	-	276	-	-	-	-	276	276	-	276
		(89,531)	302,622	-	-	-	-	(12,251)	(1,279)	12,527	301,619	212,088	-	212,088
Changes in ownership interests														
Change in ownership interest in subsidiaries without change in control	36	-	-	-	(20,749)	-	-	-	-	-	(20,749)	(20,749)	20,749	-
Non-controlling interest arising from acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	14,046	14,046
		-	-	-	(20,749)	-	-	-	-	-	(20,749)	(20,749)	34,795	14,046
Total transactions with equity holders		(89,531)	302,622	-	(20,749)	-	-	(12,251)	(1,279)	12,527	280,870	191,339	34,795	226,134
At 31 December 2013		33,448	476,137	10,084	(20,749)	276	506	-	-	(230,817)	235,437	268,885	14,023	282,908

Notes:

(i) The special reserve represents the difference between the nominal amount of shares and share premium of subsidiaries acquired and the nominal amount of the Company's shares issued as consideration pursuant to the Group Reorganisation took place in 2003.

(ii) The capital reserve represents the share of net liabilities of additional interest in subsidiaries acquired without change in control.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Profit (Loss) before taxation		**12,891**	(97,573)
Depreciation and amortisation		**2,694**	1,652
Impairment loss on interest in associates		**–**	21,518
Gain on disposal of subsidiaries	*35*	**(280)**	–
Gain on deemed disposal of associates		**(920)**	–
Written off of prepayments to licensors		**–**	39,380
(Reversal) Provision of allowance for doubtful debts, net		**(2,717)**	20,225
Write-down of inventories		**–**	162
Impairment loss of goodwill arising from acquisition of subsidiaries		**–**	5,000
Gain on extinguishment of convertible bonds		**–**	(208)
Finance costs		**65**	1,153
Interest income		**(942)**	(711)
Share of results of associates		**(1,869)**	(388)
Changes in working capital:			
Inventories		**(56)**	44
Accounts and other receivables		**(15,811)**	4,899
Accounts and other payables		**(1,997)**	6,063
Cash (used in) from operations		**(8,942)**	1,216
Income taxes refunded (paid)		**108**	(86)
Net cash (used in) from operating activities		**(8,834)**	1,130
INVESTING ACTIVITIES			
Subscription of share capital in an associate		**–**	(400)
Acquisition of interest in subsidiaries	*34*	**2,284**	–
Net cash disposed on disposal of subsidiaries	*35*	**(213)**	–
Purchase of property, plant and equipment		**(75)**	(521)
Revolving loans and advance to joint ventures		**–**	(11,351)
Repayment of revolving loans from joint ventures		**2,622**	529
Interest received		**942**	711
Net cash from (used in) investing activities		**5,560**	(11,032)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES			
Interest on convertible bonds paid		**–**	(40)
Proceeds from unlisted warrants issued		**276**	–
Proceeds from shares issued upon exercise of warrants		**–**	4,080
(Repayment to) Advance from an individual		**(1,244)**	1,829
Advances from directors, net		**8,238**	14,305
Net cash from financing activities		**7,270**	20,174
Net increase in cash and cash equivalents		**3,996**	10,272
Cash and cash equivalents at beginning of year		**17,528**	7,256
Effect of foreign exchange rate changes, net		**(73)**	–
Cash and cash equivalents at end of year	*25*	**21,451**	17,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are detailed in note 19 to the consolidated financial statements.

2. STATEMENT OF COMPLIANCE

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 consolidated financial statements except for the adoption of certain new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in note 3 to the consolidated financial statements.

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

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

Amendments to HKAS 1: Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to group together items within other comprehensive income that will not be reclassified to profit or loss separately from items that may be reclassified subsequently to profit or loss if certain conditions are met. Other than the presentation changes, the application of the amendments does not have an impact on the amounts recognised.

Furthermore, these amendments change the title for the "statement of comprehensive income" to the "statement of profit or loss and other comprehensive income". However, HKAS 1 retains the option to use titles for the statement other than those used in HKAS 1. The Group continues to use the "statement of comprehensive income" instead of the "statement of profit or loss and other comprehensive income".

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

HKFRS 10: Consolidated financial statements

HKFRS 10, which replaces the requirements in HKAS 27 relating to the preparation of consolidated financial statements and HKSIC-Int 12, introduces a single control model to determine whether an investee should be consolidated. It changes the definition of control by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

In accordance with the transitional provisions of HKFRS 10, the Group reassessed the control conclusion for its investees at the date of initial application. The exercise does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at that date.

HKFRS 11: Joint arrangements

HKFRS 11, which replaces HKAS 31 and HKSIC-Int 13, divides joint arrangements into joint operations and joint ventures. Such classification is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, legal form, contractual terms and other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement while a joint venture is a joint arrangement whereby those parties have rights to the net assets of the arrangement. Joint operations are recognised on a line-by-line basis to the extent of the joint operator's interest while joint ventures are accounted for using the equity method. Proportionate consolidation is no longer allowed.

As a result of the adoption of HKFRS 11, the Group has re-evaluated its involvement in its joint arrangements and has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the amounts recognised.

HKFRS 12: Disclosure of interests in other entities

HKFRS 12 sets out in a single standard all the disclosure requirements relevant to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosures required by HKFRS 12 are more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, those disclosures are set out in notes 19, 20 and 21 to the consolidated financial statements.

HKFRS 13: Fair value measurement

This new standard improves consistency by providing a single source of guidance for fair value measurement and disclosures about fair value measurement when such measurement is required or permitted by other HKFRSs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

HKFRS 13: Fair value measurement (Continued)

In accordance with the transitional provisions, the standard has been applied prospectively. Apart from the additional disclosures about fair value measurements for the current year, the application of the new standard does not have any material impact on the amounts recognised.

Basis of measurement

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

Basis of consolidation

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

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

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

Allocation of total comprehensive income

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in ownership interest

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

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

Subsidiaries

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

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

Associates and joint ventures

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Associates and joint ventures *(Continued)*

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

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

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

Goodwill

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

Discontinued operations

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

Property, plant and equipment

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

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

Leasehold improvements	10%
Computer equipment	$33^1/_3$%
Furniture, fixtures and office equipment	18% – 20%
Motor vehicles	10%

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Intangible assets

Software licence rights

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

Broadcasting licence rights

Licence rights for professional sports event and entertainment content are stated at cost less amounts expensed and any impairment loss considered necessary by the management. Their costs are amortised over the shorter of their economic lives and the underlying licence period as set out below:

Software licence rights	20%
Broadcasting licence rights	$33^1/_3$%

Research and development costs

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

Financial instruments

Recognition and derecognition

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

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

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

Initial measurement

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Loans and receivables

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

Financial liabilities

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

Impairment of financial assets

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

Convertible bonds

The component of a convertible bond that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of issue costs.

On the issue of a convertible bond, the fair value of the liability component is determined using market rate for a similar bond that does not have a conversion option; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bonds reserve within equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bonds reserve is transferred to share premium. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bonds reserve is transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Convertible bonds *(Continued)*

Issue costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of proceeds.

Cash equivalents

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

Revenue recognition

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

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

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

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

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

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

Sale of learning products is recognised on transfer of risk and rewards of ownership, which generally coincides with the time when the products are delivered to customers and the title is passed.

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

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

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

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

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

- Income and expenses for each statement of comprehensive income are translated at average exchange rate;

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and

- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

Impairment of non-financial assets

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

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

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

For investments in associates and joint ventures recognised using the equity method, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount. The impairment loss is reversed if there has been a favourable change in the estimates uses to determine the recoverable amount.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Leases

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

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

Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled transactions

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

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

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

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

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

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

Taxation

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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

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

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

(c) dependants of that person or that person's spouse or domestic partner.

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

Segment reporting

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements

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

Allowance for bad and doubtful debts

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

Impairment of investments and receivables

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 18 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in HKFRSs

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

Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	*Investment Entities – Amendments to Separate Financial Statements, Consolidated Financial Statements, Disclosure of Interests in Other Entities* [1]
Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets* [1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting* [1]
HK(IFRIC) – Int 21	*Levies* [1]
Amendments to HKAS 19 (2011)	*Defined Benefit Plans – Employee Contributions* [2]
Various HKFRSs	*Annual Improvements Project – 2010-2012 Cycle* [3]
Various HKFRSs	*Annual Improvements Project – 2011-2013 Cycle* [3]
HKFRS 14	*Regulatory Deferral Accounts* [4]
HKFRS 9	*Financial Instruments* [5]
Amendments to HKFRS 9 and HKFRS 7	*Transition Disclosure of HKFRS 9* [5]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	*Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)* [5]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 July 2014, except for certain amendments which are effective prospectively for relevant transactions occurred on or after 1 July 2014
4 Effective for annual periods beginning on or after 1 January 2016
5 No mandatory effective date but is available for adoption

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

4. SEGMENTAL INFORMATION

The Group manages its businesses by individual companies, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reporting segments. No operating segments have been aggregated to form the following reporting segments.

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

(a) Segment revenue and results

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

Year ended 31 December 2013

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

4. SEGMENTAL INFORMATION *(Continued)*

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

Year ended 31 December 2012

	Continuing operations			Discontinued operations	
	e-Licensing business – Entertainment HK$'000	e-Licensing business – Sports HK$'000	Sub-total HK$'000	e-Learning business HK$'000	Consolidated HK$'000
Segment revenue					
Sale to external customers	15,285	–	15,285	13,406	28,691
Loan interest income from a joint venture	708	–	708	–	708
	15,993	–	15,993	13,406	29,399
(Loss) Profit for the year before the following items:	(3,505)	–	(3,505)	446	(3,059)
Impairment loss of goodwill	–	–	–	(5,000)	(5,000)
Written off of prepayments to licensors	(39,380)	–	(39,380)	–	(39,380)
Allowance for doubtful debts on loans to and due from joint ventures	(20,225)	–	(20,225)	–	(20,225)
Impairment loss on interest in associates	–	(21,518)	(21,518)	–	(21,518)
Share of results of associates	–	388	388	–	388
Segment results	(63,110)	(21,130)	(84,240)	(4,554)	(88,794)
Unallocated income			462	–	462
Unallocated expenses			(8,088)	–	(8,088)
Unallocated finance costs			(1,153)	–	(1,153)
Loss before taxation			(93,019)	(4,554)	(97,573)
Taxation	(588)	–	(588)	(93)	(681)
Loss for the year			(93,607)	(4,647)	(98,254)

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

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

4. SEGMENTAL INFORMATION *(Continued)*

(b) Segment assets and liabilities

Year ended 31 December 2013

	Continuing operations			Discontinued operations	
	e-Licensing business – Entertainment HK$'000	e-Licensing business – Sports HK$'000	Sub-total HK$'000	e-Learning business HK$'000	Consolidated HK$'000
Segment assets	21,454	72,485	93,939	–	93,939
Goodwill	113,240	106,549	219,789	–	219,789
Loans to and due from joint ventures	345	–	345	–	345
Unallocated assets			15,457	–	15,457
Consolidated total assets			329,530	–	329,530
Segment liabilities	19,004	23,668	42,672	–	42,672
Unallocated liabilities			3,950	–	3,950
Consolidated total liabilities			46,622	–	46,622

Year ended 31 December 2012

	Continuing operations			Discontinued operations	
	e-Licensing business – Entertainment HK$'000	e-Licensing business – Sports HK$'000	Sub-total HK$'000	e-Learning business HK$'000	Consolidated HK$'000
Segment assets	42,782	–	42,782	9,283	52,065
Goodwill	18,545	–	18,545	2,751	21,296
Interest in associates	–	6,618	6,618	–	6,618
Loans to and due from joint ventures	345	–	345	–	345
Unallocated assets			12,729	–	12,729
Consolidated total assets			81,019	12,034	93,053
Segment liabilities	29,858	–	29,858	5,822	35,680
Unallocated liabilities			6,269	–	6,269
Consolidated total liabilities			36,127	5,822	41,949

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

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

4. SEGMENTAL INFORMATION *(Continued)*

(c) Other segment information

Year ended 31 December 2013

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

Year ended 31 December 2012

	Continuing operations			Discontinued operations	
	e-Licensing business – Entertainment HK$'000	e-Licensing business – Sports HK$'000	Sub-total HK$'000	e-Learning business HK$'000	Consolidated HK$'000
Other segment information					
Amortisation of intangible assets	732	–	732	–	732
Depreciation of property, plant and equipment	895	–	895	25	920
Capital expenditure	485	–	485	36	521

4. SEGMENTAL INFORMATION *(Continued)*

(d) Geographic information

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

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

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**5,706**	13,406	**198,406**	2,945
PRC	**30,917**	15,285	**35,059**	34,043
Taiwan	**12,000**	–	**–**	–
	48,623	28,691	**233,465**	36,988

(e) Information about major customers

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

	Group	
	2013	2012
	HK$'000	HK$'000
Customer A	**12,000**	6,913
Customer B	**5,765**	3,488
Customer C	**5,005**	–
	22,770	10,401

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

5. TURNOVER AND REVENUE

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

	Group	
	2013	2012
	HK$'000	HK$'000
Turnover		
Continuing operations		
e-Licensing business – Entertainment		
– Licensing of entertainment content	**5,765**	6,913
– Sale of entertainment content	**12,000**	–
– System development consultancy service income	**5,903**	7,322
– Agency service income	**–**	1,050
e-Licensing business – Sports		
– Licensing of sports events content	**10,285**	–
– Marketing and promotional service commission income	**8,965**	–
	42,918	15,285
Discontinued operations		
e-Learning business		
– Subscription income	**427**	10,062
– Sale of learning products	**4,081**	1,370
– Examination fee income	**1,197**	1,974
	5,705	13,406
	48,623	28,691
Other revenue		
Continuing operations		
Loan interest income from joint venture	**934**	708
Total revenue	**49,557**	29,399

6. OTHER INCOME

	Group 2013 HK$'000	Group 2012 HK$'000
Continuing operations		
Bank interest income	**8**	2
Exchange gain, net	**375**	–
Gain on extinguishment of convertible bonds	**–**	208
Gain on deemed disposal of associates	**920**	–
Reversal of allowance for doubtful debts on loans to and due from a joint venture, net	**2,717**	–
Sundry income	**256**	5
	4,276	215
Discontinued operations		
Bank interest income	**–**	1
Sundry income	**312**	246
	312	247
	4,588	462

7. FINANCE COSTS

	Group 2013 HK$'000	Group 2012 HK$'000
Continuing operations		
Interest on convertible bonds	**65**	1,153

8. PROFIT (LOSS) BEFORE TAXATION

Profit (Loss) before taxation is stated after charging (crediting):

Continuing operations

	Group	
	2013	2012
	HK$'000	HK$'000
Employee benefits expenses (including directors' remuneration)		
Salaries and allowances	**6,450**	7,022
Contribution to defined contribution retirement schemes	**647**	1,485
	7,097	8,507
Auditor's remuneration	**965**	569
Amortisation of intangible assets		
– included in cost of services rendered	**933**	–
– included in administrative and other expenses	**751**	732
Cost of services rendered	**9,189**	5,460
Depreciation of property, plant and equipment	**990**	895
(Reversal) Provision of allowance for doubtful debts on loans to and due from joint ventures, net	**(2,717)**	20,225
Written off of prepayments to licensors	**–**	39,380
Impairment loss on interest in associates included in other operating expenses	**–**	21,518
Operating lease payments on hire of equipment	**215**	141
Operating lease payments on premises	**2,909**	1,759

Discontinued operations

	Group	
	2013	2012
	HK$'000	HK$'000
Employee benefits expenses (including directors' remuneration)		
Salaries and allowances	**1,896**	3,753
Contribution to defined contribution retirement schemes	**56**	115
	1,952	3,868
Auditor's remuneration	**–**	41
Cost of good sold	**511**	932
Cost of services rendered	**2,020**	5,974
Depreciation of property, plant and equipment	**20**	25
Impairment loss of goodwill arising from acquisition of subsidiaries	**–**	5,000
Operating lease payments on hire of equipment	**22**	56

9. DIRECTORS' REMUNERATION

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

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

9. DIRECTORS' REMUNERATION *(Continued)*

	Directors' fees HK$'000	Salaries and allowances HK$'000	Contribution to defined contribution retirement schemes HK$'000	Total HK$'000
Year ended 31 December 2012				
Executive directors				
Hsu Tung Sheng	120	680	–	800
Hsu Tung Chi	120	856	–	976
Pang Hong Tao	240	–	–	240
Au Shui Ming, Anna	120	600	148	868
	600	2,136	148	2,884
Independent non-executive directors				
Kwok Chi Sun, Vincent	60	–	–	60
Lee Kun Hung	60	–	–	60
Wong Tak Shing	60	–	–	60
	180	–	–	180
	780	2,136	148	3,064

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2013 and 2012. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 December 2013 and 2012.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included four (2012: three) directors, details of whose remuneration are set out in note 9 to the consolidated financial statements above. Details of the remuneration of the remaining one (2012: two) highest paid individual, who is not a director, for the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries and allowances	**360**	706
Contribution to defined contribution retirement schemes	**15**	17
	375	723

The above one (2012: two) highest paid individual fell within the band of nil to HK$1,000,000.

No remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2013 and 2012.

11. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

PRC Enterprise Income Tax ("EIT") has been provided at the rate of 25% on the estimated assessable profits of the PRC subsidiaries during the year. In 2012, EIT has not been provided as the PRC subsidiaries incurred a loss for taxation purpose.

	Group	
	2013	2012
	HK$'000	HK$'000
Continuing operations		
Hong Kong Profits Tax		
Current year provision	**2,703**	588
EIT		
Current year provision	**3,061**	–
Tax expense from continuing operations	**5,764**	588

11. TAXATION *(Continued)*

	Group	
	2013	2012
	HK$'000	HK$'000
Discontinued operations		
Hong Kong Profits Tax		
Current year provision	**69**	105
Under (Over) provision in prior year	**57**	(12)
Tax expense from discontinued operations	**126**	93
Total tax expense for the year	**5,890**	681

Reconciliation of effective tax rate

	Group	
	2013	2012
	%	%
Income tax at applicable tax rate	**24.5**	(17.6)
Share of results of associates	**(2.8)**	–
Non-deductible expenses	**25.9**	18.1
Non-taxable revenue	**(10.3)**	(2.3)
Unrecognised tax losses	**12.3**	2.5
Utilisation of previously unrecognised tax losses	**(5.3)**	–
Overprovision in prior year	**0.4**	–
Others	**0.9**	–
Effective tax rate for the year	**45.6**	0.7

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

12. DISCONTINUED OPERATION

Disposal of e-Learning business

In April 2013, Wonder Link Limited ("Wonder Link"), an indirect wholly-owned subsidiary of the Company entered into an agreement with a company (the "Purchaser") for the disposal of the Group's entire interest in Start Bright Limited and its subsidiaries ("Start Bright Group"), which constitute the e-Learning business segment of the Group, at an aggregate cash consideration of HK$5,100,000. The Purchaser is beneficially owned by the son of a shareholder of a non-wholly owned subsidiary of the Company. The disposal constitutes a connected transaction under GEM Listing Rules, details of which are set out in note 37(iv) to the consolidated financial statements. In July 2013, all of the conditions precedent in the agreement had been fulfilled and the disposal was therefore completed.

Management considers that following the disposal of Start Bright Group, the e-Learning business segment, had been discontinued and thereby constituted discontinued operations. Accordingly, certain comparative figures in the consolidated statement of comprehensive income have been re-presented to separately reflect the results of the continuing operations and discontinued operations. The results and net cash flows of the discontinued operations for the years ended 31 December 2013 and 2012 are summarised as follows:

	2013 **HK$'000**	2012 HK$'000
Turnover	**5,705**	13,406
Cost of services rendered and cost of good sold	**(2,531)**	(6,906)
Other income	**312**	247
Gain on disposal of subsidiaries	**280**	–
Selling and distribution costs	**–**	(629)
Administrative and other expenses	**(2,913)**	(5,672)
Impairment loss of goodwill arising from acquisition of subsidiaries	**–**	(5,000)
Profit (Loss) before taxation	**853**	(4,554)
Income tax expense	**(126)**	(93)
Net profit (loss) attributable to discontinued operations	**727**	(4,647)

	2013 **HK$'000**	2012 HK$'000
Net cash inflow (outflow) from		
Operating activities	**1,328**	5,873
Investing activities	**(50)**	(36)
Financing activities	**(156)**	(3,435)
Total cash inflows	**1,122**	2,402

13. PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit (2012: loss) attributable to equity holders of the Company for the year ended 31 December 2013 includes a loss of HK$13,855,000 (2012: HK$99,158,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

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

15. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the net profit (2012: net loss) attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares in issue during the year as follows:

	2013 HK$'000	2012 HK$'000
Profit (Loss) attributable to equity holders of the Company		
Continuing operations	**4,786**	(64,109)
Discontinued operations	**508**	(4,819)
	5,294	(68,928)

	2013 No. of shares '000	2012 No. of shares '000
Issued ordinary shares at 1 January	**2,459,590**	2,253,101
Effect of shares issued during the year	**606,194**	36,470
Weighted average number of ordinary shares for basic earnings (loss) per share	**3,065,784**	2,289,571
Effect of dilutive potential shares from:		
– Unlisted warrants	**10,765**	N/A
– Convertible bonds	**5,250**	N/A
Weighted average number of ordinary shares for diluted earnings (loss) per share	**3,081,799**	2,289,571

Diluted loss per share is the same as basic loss per share for the year ended 31 December 2012 because the potential ordinary shares have anti-dilutive effects on the basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amount					
– Year ended 31 December 2012					
At beginning of reporting period	5,726	442	439	–	6,607
Additions	278	181	62	–	521
Depreciation	(623)	(199)	(98)	–	(920)
At end of reporting period	5,381	424	403	–	6,208
Reconciliation of carrying amount					
– Year ended 31 December 2013					
At beginning of reporting period	**5,381**	**424**	**403**	**–**	**6,208**
Additions – business combination	**–**	**30**	**429**	**510**	**969**
Additions	**–**	**75**	**–**	**–**	**75**
Depreciation	**(650)**	**(221)**	**(121)**	**(18)**	**(1,010)**
Disposals	**–**	**(91)**	**–**	**–**	**(91)**
Effect on foreign currency exchange differences	**206**	**12**	**15**	**–**	**233**
At end of reporting period	**4,937**	**229**	**726**	**492**	**6,384**
At 31 December 2012					
Cost	6,205	1,033	508	–	7,746
Accumulated depreciation	(824)	(609)	(105)	–	(1,538)
Net carrying amount	5,381	424	403	–	6,208
At 31 December 2013					
Cost	**6,453**	**647**	**957**	**510**	**8,567**
Accumulated depreciation	**(1,516)**	**(418)**	**(231)**	**(18)**	**(2,183)**
Net carrying amount	**4,937**	**229**	**726**	**492**	**6,384**

17. INTANGIBLE ASSETS

Group

	Software licence right HK$'000	Sports events licence right HK$'000	Total HK$'000
Reconciliation of carrying amount			
– Year ended 31 December 2012			
At beginning of reporting period	3,598	–	3,598
Amortisation	(732)	–	(732)
At end of reporting period	2,866	–	2,866
Reconciliation of carrying amount			
– Year ended 31 December 2013			
At beginning of reporting period	**2,866**	**–**	**2,866**
Additions – business combinations	**–**	**26,965**	**26,965**
Amortisation	**(751)**	**(933)**	**(1,684)**
Cancellation of licences	**–**	**(20,669)**	**(20,669)**
Effect on foreign currency exchange differences	**104**	**(290)**	**(186)**
At end of reporting period	**2,219**	**5,073**	**7,292**
At 31 December 2012			
Cost	3,659	–	3,659
Accumulated amortisation	(793)	–	(793)
Net carrying amount	2,866	–	2,866
At 31 December 2013			
Cost	**3,805**	**6,006**	**9,811**
Accumulated amortisation	**(1,586)**	**(933)**	**(2,519)**
Net carrying amount	**2,219**	**5,073**	**7,292**

18. GOODWILL

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

	Group	
	2013	2012
	HK$'000	HK$'000
Reconciliation of carrying amount		
At beginning of reporting period	**21,296**	75,296
Acquisition of subsidiaries	**201,244**	–
Adjustments to purchase consideration	**–**	(49,000)
Disposal of subsidiaries	**(2,751)**	–
Impairment losses	**–**	(5,000)
At end of reporting period	**219,789**	21,296
At 31 December		
Cost	**250,789**	60,296
Accumulated impairment losses	**(31,000)**	(39,000)
	219,789	21,296

Goodwill arose because the consideration paid for the acquisitions effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes. Details of these acquisitions are set out in note 34 to the consolidated financial statements.

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

	Group	
	2013	2012
	HK$'000	HK$'000
e-Learning business	**–**	2,751
e-Licensing business – Entertainment		
– Music content	**18,545**	18,545
– Other entertainment content	**94,695**	–
e-Licensing business – Sports		
– Sports events content	**2,838**	–
– Marketing and promotional services	**103,711**	–
	219,789	21,296

18. GOODWILL *(Continued)*

CGU of e-Learning business

Goodwill associated with e-Learning business arose when the business was acquired by the Group in 2008. During the year, the Group disposed of the e-Learning business and derecognised the corresponding goodwill. Details of the disposal are set out in notes 12 and 35 to the consolidated financial statements.

CGUs of e-Licensing business – Entertainment and Sports

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

The recoverable amount of the CGUs exceeded its carrying amount based on value-in-use calculations. Accordingly, goodwill was not impaired during the year (2012: HK$5,000,000).

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

	e-Licensing – Entertainment				e-Licensing – Sports			
	Music content		Other entertainment content		Sports content		Marketing and promotional services	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Gross profit margin	**67%**	45%	**59%**	–	**35%**	–	**54%**	–
Average growth rate	**10%**	14%	**51%**	–	**3%**	–	**76%**	–
Long-term growth rate	**3%**	3%	**3%**	–	**3%**	–	**3%**	–
Discount rate	**34%**	22%	**26%**	–	**43%**	–	**25%**	–

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

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

19. INTEREST IN SUBSIDIARIES

	Note	Company 2013 HK$'000	Company 2012 HK$'000
Unlisted shares, at cost		**1**	1
Due from subsidiaries	*(iii)*	**360,945**	173,342
Allowance for doubtful debts		**(161,643)**	(161,996)
		199,302	11,346
		199,303	11,347

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

Name of subsidiary	Place of incorporation/type of legal entity	Place of operation	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Rise Assets Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$1	100%	–	Investment holding
Wonder Link Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$1	–	100%	Investment holding
Far Glory Group						
Cheer Plan Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$1	–	100%	Investment holding
Far Glory Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$10,900	–	97.61% (2012: 51%)	Investment holding
Great Wave Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$1	–	97.61% (2012: 51%)	Investment holding
Sky Asia Investments Limited	Hong Kong/ limited liability company	Hong Kong	Ordinary HK$1	–	97.61% (2012: 51%)	Investment holding

19. INTEREST IN SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/type of legal entity	Place of operation	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing LianYiHuiZhong Technology Company Limited* 北京聯易匯眾科技有限公司	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital HK$6,000,000	–	97.61% (2012: 51%)	Distribution of copyright-protected items and other entertainment-related business
Marvel Cosmos Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$1	–	100%	Investment holding
Silver Season Investments Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$1	–	100%	Investment holding
ODE Group *(Note 20)*						
Orient Digital Entertainment Company Limited#	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$1,000	–	100% (2012: 20%)	Investment holding
Orient Digital Entertainment Limited##	Hong Kong/ limited liability company	Hong Kong	Ordinary HK$1,000	–	100% (2012: 20%)	Licensing and sales of entertainment content
Nova Dragon Group						
Nova Dragon International Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$10	–	100%	Investment holding
MVP Sports Marketing Company Limited	Hong Kong/ limited liability company	Hong Kong	Ordinary HK$10,000	–	100%	Assisting professional athletes in marketing and promotional activities
Socle Group *(Note 20)*						
Socle Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary with no par value	–	65% (2012: 25%)	Investment holding
Imagine Communications Holding Limited	Cayman Islands/ limited liability company	Hong Kong	Ordinary US$2	–	65% (2012: 25%)	Investment holding

19. INTEREST IN SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/type of legal entity	Place of operation	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Olympic Wealth Limited	British Virgin Islands/ limited liability company	The PRC	Ordinary US$1	–	65% (2012: 25%)	Licensing of professional sports events and entertainment content
Star Global Management Limited	Hong Kong/ limited liability company	Hong Kong	Ordinary HK$1	–	65% (2012: 25%)	Inactive
Goldline Enterprises Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$1	–	65% (2012: 25%)	Investment holding
Orient Ace Holdings Limited	Hong Kong/ limited liability company	Hong Kong	Ordinary HK$1	–	65% (2012: 25%)	Investment holding
Shenzhen Chuangzhan Corporate Image Planning Limited* 深圳創展企業形象策劃有限公司	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital RMB500,000	–	65% (2012: 25%)	Investment holding
China Sports (Beijing) Media Limited* 體奧動力(北京)體育傳播有限公司	The PRC/private enterprise	The PRC	Paid-up capital RMB1,000,000	–	65% (2012: 25%)	Licensing of professional sports events and entertainment content
Shanghai YiTiDongLi Cultural and Sports Communications Limited* 上海壹體動力文化體育傳播有限公司	The PRC/private enterprise	The PRC	Paid-up capital RMB2,000,000	–	65% (2012: 25%)	Licensing of professional sports events and entertainment content

* English translation of company name is for identification purpose only
\# Formerly known as China Digital Entertainment Company Limited
\## Formerly known as China Digital Entertainment Company Limited

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

19. INTEREST IN SUBSIDIARIES *(Continued)*

(ii) Financial information of subsidiaries with individually material NCI

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

	Socle Group
At 31 December 2013	
Proportion of NCI's ownership interests	35%

	HK$'000
Non-current assets	26,949
Current assets	53,563
Current liabilities	(25,148)
Non-current liabilities	(12,682)
Net assets	42,682
Carrying amount of NCI	14,939

Post-acquisition result for the year ended 31 December 2013

	HK$'000
Revenue	10,668
Expenses	(8,131)
Profit for the year and total comprehensive income for the year	2,537
Profit and total comprehensive income attributable to NCI	888
Net cash inflow from	
Operating activities	1,544
Investing activities	6
Total cash inflows	1,550

19. INTEREST IN SUBSIDIARIES *(Continued)*

(ii) Financial information of subsidiaries with individually material NCI *(Continued)*

No comparative figures for the year ended 31 December 2012 is shown as Socle Group became a non-wholly owned subsidiary of the Group in October 2013. Details of the acquisition of Socle Group are set out in note 34(iii) to the consolidated financial statements.

(iii) Due from subsidiaries

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

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

20. INTEREST IN ASSOCIATES

	Group	
	2013	2012
	HK$'000	HK$'000
Unlisted shares		
Share of net assets	**–**	6,618

As at 31 December 2012, the Group held 25% equity interest in Socle Group. In October 2013, the Group acquired 40% additional equity interest in Socle Group at an aggregate consideration of HK$18,890,000. Upon the completion of the acquisition, the Group holds 65% equity interest in Socle Group. Details of Socle Group are set out in note 19 to the consolidated financial statements.

As at 31 December 2012, the Group held 20% equity interest in Orient Digital Entertainment Company Limited ("ODE") and its subsidiary (together the "ODE Group"). In April 2013, the Group acquired the remaining equity interest in ODE Group at an aggregate consideration of HK$93,357,000. Upon the completion of the acquisition, the Group holds 100% equity interest in ODE Group. Details of ODE Group are set out in note 19 to the consolidated financial statements.

20. INTEREST IN ASSOCIATES *(Continued)*

Fair value of investments

At 31 December 2012, all of the Group's associates were private companies and there was no quoted market price available for the investments.

Financial information of individually material associates

Summarised financial information of each of the material associates of the Group up to the date of becoming subsidiaries of the Group in 2013 is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	ODE Group HK$'000	**Socle Group HK$'000**	**Total HK$'000**
Year ended 31 December 2013			
Gross amount			
Revenue	**–**	**57,861**	**57,861**
(Loss) Profit from continuing operations and total comprehensive income up to the date of becoming subsidiaries	**(297)**	**7,712**	**7,415**
Group's ownership interest	**20%**	**25%**	
Group's share of results of associates	**(59)**	**1,928**	**1,869**

	ODE Group HK$'000	Socle Group HK$'000	Total HK$'000
Year ended 31 December 2012			
Gross amount			
Revenue	–	88,233	88,233
(Loss) Profit from continuing operations and total comprehensive income for the year	(1,328)	2,616	1,288
Group's ownership interest	20%	25%	
Group's share of results of associates	(266)	654	388

20. INTEREST IN ASSOCIATES *(Continued)*

	ODE Group HK$'000	Socle Group HK$'000	Total HK$'000
As at 31 December 2012			
Financial position at end of reporting period			
Total non-current assets	–	20,906	20,906
Total current assets	684	37,294	37,978
Total current liabilities	(12)	(28,579)	(28,591)
Total non-current liabilities	–	(3,686)	(3,686)
Net assets	672	25,935	26,607
Group's ownership interest	20%	25%	
Group's share of net assets of associates	134	6,484	6,618

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

21. INTEREST IN JOINT VENTURES

	Group	
	2013 **HK$'000**	2012 HK$'000
Unlisted shares		
Share of net liabilities	**–**	–

21. INTEREST IN JOINT VENTURES *(Continued)*

Particulars of the joint ventures which are all 50% (2012: 50%) held by a 97.61% (2012: 51%) owned subsidiary of the Group are as follows:

Name of joint venture	Place of incorporation/ type of legal entity	Place of operation	Nominal value of issued ordinary share/ registered capital	Effective percentage of equity indirectly attributable to the Group	Principal activities
Shinning Day Limited	British Virgin Islands/ limited liability company	Hong Kong	Ordinary US$4	48.81% (2012: 25.5%)	Investment holding
Golden Sino Limited	Hong Kong/ limited liability company	Hong Kong	Ordinary HK$1,000	48.81% (2012: 25.5%)	Investment holding
Beijing YiLaiShen Technology Company Limited* 北京易來申科技有限公司	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital HK$12,000,000	48.81% (2012: 25.5%)	Distribution of copyright-protected items and other entertainment-related business
e-License Shanghai Co. Limited* 上海易來申科技有限公司	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital HK$400,000	48.81% (2012: 25.5%)	Inactive

* English translation of company name is for identification purpose only

Fair value of investments

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

Financial information of joint ventures

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

21. INTEREST IN JOINT VENTURES *(Continued)*

Financial information of joint ventures *(Continued)*

At 31 December	2013 HK$'000	2012 HK$'000
Gross amount		
Current assets	**1,178**	871
Non-current assets	**65**	173
Current liabilities	**(27,247)**	(25,876)
Equity	**(26,004)**	(24,832)
Group's ownership interests	**48.81%**	25%
Group's share of equity**	**–**	–
Included in above:		
Cash and cash equivalents	**235**	518
Current financial liabilities*	**(25,896)**	(23,008)

Year ended 31 December	2013 HK$'000	2012 HK$'000
Gross amount		
Revenue	**90**	687
Loss from continuing operations and total comprehensive loss for the year	**(912)**	(4,098)
Group's ownership interest	**48.81%**	25%
Group's share of result of joint ventures**	**–**	–
Included in above:		
Depreciation and amortisation	**(85)**	(120)
Interest income	**1**	1
Interest expenses	**(1,241)**	(1,028)

* Exclude trade and other payables and provisions.

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

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

The unrecognised share of losses of joint ventures for the current year and cumulatively up to the end of the reporting period amounted to HK$445,000 (2012: HK$1,045,000) and HK$4,813,000 (2012: HK$4,368,000) respectively.

22. LOANS TO AND DUE FROM JOINT VENTURES

		Group	
	Note	**2013** **HK$'000**	2012 HK$'000
Due from joint ventures	*(i)*	**948**	4,106
Loans to a joint venture	*(ii)*	**17,000**	16,464
		17,948	20,570
Allowance for doubtful debts	*(iii)*	**(17,603)**	(20,225)
		345	345

Notes:

(i) The amounts due from joint ventures are unsecured, interest-free and have no fixed repayment term. The directors expected the amount will not be realised in the next twelve months of the end of the reporting period.

(ii) On 1 January 2011, the Group granted a revolving loan facility of HK$17,000,000 to a joint venture, which is unsecured, interest-bearing at prime rate plus 1.5% per annum and repayable within 36 months from the date of agreement.

On 27 December 2013, the Group signed the supplemental agreement with the joint venture and agreed to extend the terms of loan facility under the original agreement signed on 1 January 2011 from 28 December 2013 to 28 December 2016. All other terms and conditions of the supplemental agreement shall continue to be in full force and effect. The joint venture had drawn down HK$17,000,000 (2012: HK$16,464,000) as at 31 December 2013.

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

Movement in allowance for doubtful debts is as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
At beginning of reporting period	**20,225**	–
Increase in allowance	**975**	20,225
Reversal of allowance	**(3,692)**	–
Effect on foreign currency exchange differences	**95**	–
At end of reporting period	**17,603**	20,225

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

23. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Finished goods	**–**	94

24. ACCOUNTS AND OTHER RECEIVABLES

		Group		Company	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Accounts receivable	*(i)*				
From third parties		**42,412**	8,007	**–**	–
Allowance for doubtful debts		**(380)**	–	**–**	–
		42,032	8,007	**–**	–
Other receivables					
Deposits, prepayments and other receivables		**6,027**	1,993	**637**	150
Prepayments to a licensor and a consultant		**8,590**	–	**–**	–
Loan interest receivable from a subsidiary		**–**	–	**8,366**	5,220
Due from a director of subsidiaries of the Company	*(ii)*	**7,932**	–	**–**	–
Due from a related company	*(ii)*	**3,096**	–	**–**	–
Due from an associate		**–**	6	**–**	–
Due from directors	*(iii)*	**6,592**	27,985	**–**	–
		32,237	29,984	**9,003**	5,370
		74,269	37,991	**9,003**	5,370

24. ACCOUNTS AND OTHER RECEIVABLES *(Continued)*

Notes:

(i) Accounts receivable

In general, the Group allows a credit period of 30 days to its customers upon the presentation of the invoices. Included in the Group's accounts receivable balance are debtors with carrying amounts of HK$24,987,000 (2012: HK$2,953,000), which were past due at the end of the reporting period but not impaired as there has not been a significant change in credit quality and part of which has been subsequently settled. These relate to a wide range of customers for whom there is no recent history of default.

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

	Group	
	2013	2012
	HK$'000	HK$'000
0-30 days	**30,685**	5,918
31-60 days	**3,727**	748
61-90 days	**1,527**	278
Over 90 days	**6,093**	1,063
	42,032	8,007

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

	Group	
	2013	2012
	HK$'000	HK$'000
Current	**17,045**	5,054
Less than 1 month past due	**14,275**	864
1 month to 3 months past due	**5,254**	1,026
Over 3 months past due	**5,458**	1,063
	24,987	2,953
	42,032	8,007

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

24. ACCOUNTS AND OTHER RECEIVABLES *(Continued)*

Notes: (continued)

(i) Accounts receivable *(continued)*

Movement in allowance for doubtful debts is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of reporting period	**–**	–
Increase in allowance – business combination	**380**	–
At end of reporting period	**380**	–

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

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

(iii) Due from directors

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

Name of director	**Maximum amount outstanding during the year** HK$'000	**2013** **HK$'000**	2012 HK$'000
Hsu Tung Chi	27,985	**5,818**	27,985
Hsu Tung Sheng	51	**51**	–
Chang Li Cheng	723	**723**	–
		6,592	27,985

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**21,451**	17,528	**4,004**	12,573

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

26. ACCOUNTS AND OTHER PAYABLES

		Group		Company	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Accounts payable					
To third party	*(i)*	**14,883**	2,323	**–**	–
Other payables					
Accrued charges and other payables		**10,643**	9,025	**3,950**	539
Deferred income		**1,171**	2,059	**–**	–
Due to directors	*(ii)*	**2,135**	15,290	**181**	13,441
Due to an individual	*(iii)*	**5,707**	6,951	**–**	–
Due to a joint venture	*(iv)*	**345**	345	**–**	–
		20,001	33,670	**4,131**	13,980
		34,884	35,993	**4,131**	13,980

Notes:

(i) Accounts payable

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

(ii) Due to directors

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

(iii) Due to an individual

The individual is the shareholder of a company which was substantial shareholder of the Company (i.e. which was interested in 10% or more of the nominal value of share capital of the Company) up to November 2012. The amount due is unsecured, interest-free and has no fixed repayment term. The carrying value of the amount due to the individual approximates its fair value.

(iv) Due to a joint venture

The amount due is unsecured, interest-free and has no fixed repayment term. The carrying value of the amount due to a joint venture approximates its fair value.

27. CONVERTIBLE BONDS

The convertible bonds recognised at the end of the reporting period are calculated as follows:

	Group and Company	
	2013	2012
	HK$'000	HK$'000
Liability component at 1 January	**5,364**	24,246
Extinguishment of convertible bonds	**–**	(3,704)
Conversion of convertible bonds	**(5,429)**	(16,291)
Interest expenses	**65**	1,153
Interest paid/payable	**–**	(40)
Liability component at 31 December	**–**	5,364
Portion classified as non-current	**–**	(5,364)
Current portion	**–**	–
Equity component at 1 January	**1,279**	5,680
Extinguishment of convertible bonds	**–**	(504)
Conversion of convertible bonds	**(1,279)**	(3,897)
Equity component at 31 December	**–**	1,279

Upon completion of the acquisition of 21.57% equity interest in Far Glory Group in December 2009, the Company had issued zero coupon convertible bonds with nominal value of HK$26,903,000 to the vendor as part of the consideration. The convertible bonds would mature on the fifth anniversary from the date of issue.

The bondholder may convert the whole or part (in multiples of HK$1,000,000) of the convertible bonds into shares at conversion price of HK$0.094, subject to adjustments, from the date of issue up to the maturity date.

In 2012, convertible bonds with nominal amount of HK$18,000,000 were converted into shares of the Company. The remaining convertible bonds with nominal amount of HK$5,900,000 were converted into shares of the Company during the year ended 31 December 2013.

28. SHARE CAPITAL

	Note	Number of shares '000	Amount HK$'000
Authorised:			
At 1 January 2012 and 31 December 2012, ordinary shares of HK$0.05 each		4,000,000	200,000
Capital Reorganisation	*(i)*	16,000,000	–
At 31 December 2013, ordinary shares of HK$0.01 each		**20,000,000**	**200,000**
Issued and fully paid:			
At 1 January 2012, ordinary shares of HK$0.05 each		2,253,101	112,655
Shares issued upon exercise of warrants		15,000	750
Shares issued upon conversion of convertible bonds		191,489	9,574
At 31 December 2012, ordinary shares of HK$0.05 each		2,459,590	122,979
Capital Reorganisation	*(i)*	–	(98,383)
Shares issued upon conversion of convertible bonds	*(ii)*	85,020	850
Issue of consideration shares	*34*	800,243	8,002
At 31 December 2013, ordinary shares of HK$0.01 each		**3,344,853**	**33,448**

Notes:

(i) At the extraordinary general meeting of the Company held on 5 December 2012, a special resolution in respect of the capital reorganisation of the Company ("the Capital Reorganisation") was approved by the shareholders. The Capital Reorganisation became effective on 9 January 2013 and its effects were as follows:

(a) Reduction of the authorised share capital, which involved the reduction of the nominal value of all shares reducing from HK$0.05 each to HK$0.01 each, resulted in the reduction of the authorised share capital of the Company from HK$200,000,000 divided into 4,000,000,000 shares to HK$40,000,000 divided into 4,000,000,000 new shares;

(b) Capital reduction, which involved the reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK$0.04 on each of the issued shares such that the nominal value of each issued share was reduced from HK$0.05 to HK$0.01. The credit of HK$98,383,000 arose from the capital reduction has been transferred to the share premium account of the Company; and

(c) Increase in authorised share capital, which involved the increase of authorised share capital from HK$40,000,000 (divided into 4,000,000,000 new shares) to HK$200,000,000 (divided into 20,000,000,000 new shares) by the creation of 16,000,000,000 new shares.

(ii) During the year, the bondholders converted the convertible bonds with nominal value of HK$5,900,000 into 85,020,093 ordinary shares of the Company, details of which are set out in note 27 to the consolidated financial statements.

All shares issued in 2013 rank pari passu with the existing shares in all respects.

29. RESERVES

Company

	Note	Share premium HK$'000 (note (i))	Contributed surplus HK$'000 (note (ii))	Warrant reserve HK$'000 (note (iii))	Share option reserve HK$'000 (note (iv))	Convertible bonds reserve HK$'000 (note (v))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012		159,556	3,047	291	12,251	5,680	(164,243)	16,582
Loss for the year and **total comprehensive loss for the year**		–	–	–	–	–	(99,158)	(99,158)
Transactions with equity holders								
Contribution and distribution								
Extinguishment of convertible bonds		–	–	–	–	(504)	–	(504)
Conversion of convertible bonds		10,614	–	–	–	(3,897)	–	6,717
Share issued upon exercise of warrants		3,345	–	(15)	–	–	–	3,330
Total transactions with equity holders		13,959	–	(15)	–	(4,401)	–	9,543
At 31 December 2012		173,515	3,047	276	12,251	1,279	(263,401)	(73,033)
At 1 January 2013		**173,515**	**3,047**	**276**	**12,251**	**1,279**	**(263,401)**	**(73,033)**
Loss for the year and **total comprehensive loss for the year**		**–**	**–**	**–**	**–**	**–**	**(13,855)**	**(13,855)**
Transactions with equity holders								
Contribution and distribution								
Capital Reorganisation	*28(i)*	**98,383**	**–**	**–**	**–**	**–**	**–**	**98,383**
Conversion of convertible bonds		**5,858**	**–**	**–**	**–**	**(1,279)**	**–**	**4,579**
Release upon expiry of share options	*30*	**–**	**–**	**–**	**(12,251)**	**–**	**12,251**	**–**
Release upon expiry of warrants	*31*	**–**	**–**	**(276)**	**–**	**–**	**276**	**–**
Issue of consideration shares for acquisition of subsidiaries	*34*	**198,381**	**–**	**–**	**–**	**–**	**–**	**198,381**
Issue of unlisted warrants	*31*	**–**	**–**	**276**	**–**	**–**	**–**	**276**
Total transactions with equity holders		**302,622**	**–**	**–**	**(12,251)**	**(1,279)**	**12,527**	**301,619**
At 31 December 2013		**476,137**	**3,047**	**276**	**–**	**–**	**(264,729)**	**214,731**

29. RESERVES *(Continued)*

Notes:

(i) The share premium represents the excess of the proceeds or considerations from issuance of the Company's shares over their par value. The share premium of the Company is available for distribution to shareholders subject to certain requirements of the Company Act 1981 of Bermuda (as amended).

(ii) The contributed surplus of the Company arose from the Group Reorganisation which took place in 2003. The balance represents the difference between the nominal amount of the Company's shares issued and the consolidated shareholders' fund of the subsidiaries acquired during the Group Reorganisation.

(iii) The warrant reserve relates to the private placing of unlisted warrants. Further information about the unlisted warrants is set out in note 31 to the consolidated financial statements.

(iv) The share option reserve represents the fair value of the actual or estimated number of unexercised or lapsed share options granted to employees recognised in accordance with the accounting policy adopted for share-based compensation as described in note 3 to these consolidated financial statements. The share option reserve of HK$12,251,000 relating to expired share options was transferred to accumulated losses during the year.

(v) The convertible bonds reserve represents the equity component (conversion right) of the convertible bonds issued as set out in note 27 to the consolidated financial statements.

(vi) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

30. SHARE OPTION SCHEME

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

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

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

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

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

Date of grant	Exercise period	Exercise price	Fair value at grant date
		HK$	HK$
13/12/2010	13/12/2010 to 13/12/2013	0.440	0.1037
16/12/2010	16/12/2010 to 16/12/2013	0.475	0.1122

30. SHARE OPTION SCHEME *(Continued)*

In accordance with the terms of the Old Share Option Scheme, options granted during the financial year ended 31 December 2010 were vested at the date of grant.

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

	Date of grant	
	13/12/2010	**16/12/2010**
Share price at grant date	0.44	0.475
Exercise price	0.44	0.475
Option life	3 years	3 years
Expected volatility	66.26%	66.39%
Expected dividends	Nil	Nil
Risk-free interest rate	0.381%	0.381%

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

30. SHARE OPTION SCHEME *(Continued)*

The following table discloses movements of the Company's number of share options held by employees and directors during the years ended 31 December 2013 and 2012:

Year ended 31 December 2013

Grant date	Exercise period	Exercise price HK$	Outstanding at 1/1/2013	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31/12/2013
Directors							
13/12/2010	13/12/2010 to 13/12/2013	0.440	**31,000,000**	**–**	**–**	**(31,000,000)**	**–**
Employees							
13/12/2010	13/12/2010 to 13/12/2013	0.440	**48,000,000**	**–**	**–**	**(48,000,000)**	**–**
16/12/2010	16/12/2010 to 16/12/2013	0.475	**19,000,000**	**–**	**–**	**(19,000,000)**	**–**
			67,000,000	**–**	**–**	**(67,000,000)**	**–**
			98,000,000	**–**	**–**	**(98,000,000)**	**–**
Exercisable at end of reporting period							**–**
Weighted average exercise price			**HK$0.447**	**–**	**–**	**HK$0.447**	**–**

30. SHARE OPTION SCHEME *(Continued)*

Year ended 31 December 2012

Grant date	Exercise period	Exercise price HK$	Outstanding at 1/1/2012	Granted during the year	Exercised during the year	Expired during the year	Outstanding at 31/12/2012
Directors							
13/12/2010	13/12/2010 to 13/12/2013	0.440	31,000,000	–	–	–	31,000,000
Employees							
13/12/2010	13/12/2010 to 13/12/2013	0.440	48,000,000	–	–	–	48,000,000
16/12/2010	16/12/2010 to 16/12/2013	0.475	19,000,000	–	–	–	19,000,000
			67,000,000	–	–	–	67,000,000
			98,000,000	–	–	–	98,000,000
Exercisable at end of reporting period							98,000,000
Weighted average exercise price			HK$0.447	–	–	–	HK$0.447

No share options were exercised in both years. All the share options expired in December 2013. Share option reserve of HK$12,251,000 was transferred to accumulated losses upon the expiry of the share options.

The share options outstanding at 31 December 2012 had an exercise price of HK$0.44 or HK$0.475 and a weighted average remaining contractual life of 0.95 year.

31. WARRANTS

In September 2010, the Company completed a private placing of 310,500,000 unlisted warrants at an issue price of HK$0.001 per warrant. Each warrant entitles to the warrant holder to subscribe for one new ordinary share of the Company at the subscription price of HK$0.272 within a period of three years commencing from the date of issue of the unlisted warrants.

During the year, no warrants were exercised up to the expiry of the warrants. Upon the expiry of these warrants, the warrant reserve in respect of these warrants of HK$276,000 was transferred to accumulated losses. In 2012, 15,000,000 unlisted warrants were exercised for a total cash consideration, before expenses, of HK$4,080,000.

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

32. RETIREMENT BENEFITS SCHEMES

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Schemes"). The assets of the MPF Schemes are held separately in provident funds managed by independent trustees. Under the MPF Schemes, the Group and each of the employees make monthly contributions to the schemes at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK$25,000 since June 2012.

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

During the year, the amount of employer's contributions made by the Group to the defined contribution plans was approximately HK$703,000 (2012: HK$1,600,000).

33. DEFERRED TAXATION

(a) Movement in the Group's deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation	
	2013	2012
	HK$'000	HK$'000
At beginning of reporting period	**4**	4
Disposal of subsidiaries *(Note 35)*	**(4)**	–
At end of reporting period	**–**	4

(b) Unrecognised deferred tax assets

As at 31 December 2013, tax losses of HK$4,081,000 (2012: HK$10,157,000) arising from the Group's PRC operations could be used to offset against future taxable profits of the respective PRC subsidiaries for a maximum of 5 years. The Group has not recognised deferred tax asset in respect of tax losses because it is uncertain that future taxable profit will be available against which the Group can utilise the benefits therefrom.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Year of expiry		
2016	**–**	276
2017	**4,081**	9,881
	4,081	10,157

The retained earnings of certain PRC subsidiaries would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of retained earnings of these PRC entities were approximately HK$1,909,000 (2012: HK$33,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future. Accordingly, no provision for deferred taxation in respect of withholding tax on dividend have been made.

34. ACQUISITION OF SUBSIDIARIES

(i) Orient Digital Entertainment Company Limited

In April 2013, Silver Season Investments Limited ("Silver Season"), an indirect wholly owned subsidiary of the Company, completed the acquisition of 80% additional equity interest in ODE Group, at an aggregate consideration of HK$93,357,000. The consideration was settled by issuing 405,900,000 ordinary shares of the Company at the market price of HK$0.23 per share. Upon the completion of the acquisition, the Group holds 100% equity interest in ODE Group.

ODE Group is principally engaged in the business of promotion, sales and distribution of movie and TV licensed content worldwide and the organisation of music concerts, programs and related services. With the expertise and connections brought forth from ODE Group, the Company developed business relationships with E-Zen Hall Communications Company Limited (意妍堂製作股份有限公司) and HuaXia Film Distribution Company (華夏電影發行有限責任公司) which broadened the Group's revenue base and created value for the shareholders.

Pursuant to the related sales and purchase agreement, the audited consolidated net profit after taxation of the ODE Group for the year ended 31 December 2013 shall not be less than HK$8,200,000. In the event the actual net profit is less than HK$8,200,000, the vendors shall compensate the Group on 80% of the shortfall. The directors do not consider it probable that this shortfall should be recognised as assets as at the end of the reporting period based on the net profit after taxation as shown in the management accounts of ODE Group.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed, recognised at the date of acquisition:

	HK$'000
Consideration:	
Consideration shares issued, at fair value	93,357
Fair value of the 20% equity interest held before the business combination*	–
	93,357
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	425
Trade and other payables	(1,763)
Total identifiable net liabilities	(1,338)
Goodwill arising on acquisition	94,695
	93,357
Net cash flow on acquisition of subsidiaries:	
Net cash acquired from the subsidiaries	425

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

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(ii) Nova Dragon International Limited

In April 2013, Silver Season acquired the entire equity interest in Nova Dragon International Limited ("Nova Dragon") and its subsidiary, MVP Sports Marketing Company Limited (together the "Nova Dragon Group") at an aggregate consideration of HK$105,000,000, which was settled by the allotment and issue of an aggregate of 350,000,000 ordinary shares of the Company at the market price of HK$0.30 per share.

Nova Dragon Group is principally engaged in assisting professional athletes with marketing and promotional activities worldwide. The Group considers the acquisition of Nova Dragon Group as an opportunity to enter into the professional athlete management business which is expected to broaden the Group's revenue base and create value for the shareholders.

Pursuant to the related sales and purchase agreement, the audited consolidated net profit after taxation of Nova Dragon Group for the year ended 31 December 2013 shall not be less than HK$4,800,000. In the event the actual net profit is less than HK$4,800,000, the vendors shall compensate the Group on the shortfall. The directors do not consider it probable that this shortfall should be recognised as assets as at the end of the reporting period based on the net profit after taxation as shown in the consolidated management accounts of Nova Dragon Group.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of acquisition:

	HK$'000
Consideration:	
Consideration shares issued, at fair value	105,000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Accounts and other receivables	1,431
Cash and cash equivalents	170
Accounts and other payables	(312)
Total identifiable net assets	1,289
Goodwill arising on acquisition	103,711
	105,000
Net cash flow on acquisition of subsidiaries:	
Net cash acquired from the subsidiaries	170

In respect of the acquired subsidiaries, the fair value and total gross contractual amount of accounts and other receivables acquired are HK$1,431,000, of which no balance is expected to be uncollectible.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(iii) Socle Limited

In June 2013, Marvel Cosmos Limited ("Marvel Cosmos"), an indirect wholly owned subsidiary of the Company, entered into a conditional agreement with Swift Plus Limited, as the vendor, a company in which the Company's executive director, Mr. Chang Li Cheng has beneficial interest, and Mr. Chan Poon Yau, Adrian, for the acquisition of 40% additional equity interest of Socle Group for an aggregate consideration of HK$18,890,000 of which HK$10,864,000 was settled by cash and 44,342,857 ordinary shares of the Company at the market price of HK$0.18 per share. The acquisition was completed in October 2013. Upon the completion of the acquisition, the Group holds 65% equity interest in Socle Group. The acquisition constitutes a connected transaction under GEM Listing Rules, details of which are set out in note 37 (iii) to the consolidated financial statements.

Socle Group is principally engaged in sport events licensing including licences such as China Football Association Super League, AFC Champions League, East Asian Football Championship, etc. The Group considered the acquisition of Socle Group further expand its position in the sports licensing business and increase its presence in new media platforms such as television and online-streaming.

The following summarises the consideration paid and the amounts of assets acquired and liabilities assumed, as well as the amount of non-controlling interest recognised at the date of acquisition:

	HK$'000
Consideration:	
Cash paid	10,864
Consideration shares issued, at fair value	8,026
Total consideration transferred	18,890
Fair value of the 25% equity interest held before the business combination	10,033
	28,923
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	969
Intangible assets	26,965
Accounts and other receivables	41,769
Cash and cash equivalents	12,553
Accounts and other payables	(36,772)
Tax payable	(5,353)
Total identifiable net assets	40,131
Non-controlling interest	(14,046)
Goodwill arising on acquisition	2,838
	28,923

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

(iii) Socle Limited *(Continued)*

	HK$'000
Net cash flow on acquisition of subsidiaries:	
Net cash acquired from the subsidiaries	12,553
Consideration paid	(10,864)
	1,689

In respect of Socle Group, the fair value of accounts and other receivables acquired includes accounts receivable and other receivables with a fair value of HK$23,794,000 and HK$17,975,000 respectively. The total gross contractual amount of the accounts receivable and other receivables is HK24,174,000 and HK$17,975,000 respectively, of which HK$380,000 is expected to be uncollectible.

The transaction costs of HK$658,000, HK$314,000 and HK$1,973,000 related to the acquisition of ODE Group, Nova Dragon Group and Socle Group respectively have been included in administrative and other expenses in the consolidated statement of comprehensive income.

Since acquisition, the acquired businesses of ODE Group, Nova Dragon Group and Socle Group have contributed HK$12,000,000, HK$8,965,000, HK$10,286,000 respectively to the revenue of the Group. The ODE Group, Nova Dragon Group and Socle Group contributed HK$7,168,000, HK$4,178,000 and HK$2,537,000 respectively to the Group's results since acquisition.

If the business combinations of ODE Group, Nova Dragon Group and Socle Group effected during the year had been taken place at the beginning of the year, the revenue for the Group would have been HK$42,918,000, HK$44,974,000 and HK$100,780,000 respectively while profit for the Group would have been HK$6,704,000, HK$7,594,000 and HK$14,713,000 respectively.

35. DISPOSAL OF SUBSIDIARIES

As detailed in note 37 to the consolidated financial statements, the Group disposed of its entire interest in Start Bright Group for an aggregate cash consideration of HK$5,100,000 in July 2013.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	91
Inventories	150
Accounts and other receivables	5,540
Bank balances and cash	5,313
Accounts and other payables	(7,211)
Tax payable	(127)
Deferred tax liabilities	(4)
	3,752
Consideration received:	
Cash consideration	5,100

Analysis of net outflow of cash and cash equivalents in respect of disposal of businesses:

	HK$'000
Cash consideration	5,100
Cash and cash equivalents disposed of	(5,313)
Net outflow of cash and cash equivalents	(213)
Gain on disposal of a subsidiary:	
Consideration received	5,100
Net assets disposed of	(3,752)
Assignment of loan	(156)
Goodwill previously recognised	(2,751)
Non-controlling interests	1,839
	280

36. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES THAT DO NOT RESULT IN LOSS OF CONTROL

	2013 **HK$'000**	2012 HK$'000
Net consideration paid	**–**	–
Acquisition of additional equity interests in subsidiaries	**(20,749)**	–
Difference recognised in consolidated statement of changes in equity	**(20,749)**	–

As at 31 December 2012, the Group held 51% equity interest in Far Glory Group. The Group has further increased its equity interest in Far Glory Group from 51% to 97.61% by acquiring 46.61% additional equity interest from several independent third parties of 38.31%, the Company's director (Mr. Hsu Tung Sheng) of 1.5% and Daily Technology Co., Limited (a company in which the Company's directors, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi have beneficial interest) of 6.8%, at a consideration of HK$1. Such acquisition was completed in November 2013. The acquisition from the Company's directors and the related company constitutes connected transactions under GEM Listing Rules, details of which are set out in note 37 (ii) to the consolidated financial statements.

37. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

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

Connected transactions

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

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

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

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

As at 31 December 2013, HK$40,000,000 (2012: HK$40,000,000) was drawn down and the related interest income of HK$8,366,000 (2012: HK$2,723,000) was accrued in respect of the facility utilised.

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

(ii) *Acquisition of 46.61% additional equity interest in Far Glory Group*

In November 2013, the Group has further increased its equity interest in Far Glory from 51% to 97.61% by acquiring 46.61% additional equity interest from several independent third parties of 18.4%, Fine Talent Limited (a substantial shareholder of Far Glory) of 19.91%, the Company's director (Mr. Hsu Tung Sheng) of 1.5% and Daily Technology Co., Limited (a company in which the Company's directors, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi have beneficial interest) of 6.8%, at a consideration of HK$1.

37. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS *(Continued)*

Connected transactions *(Continued)*

(iii) *Acquisition of 40% additional equity interest in Socle Group*

The Group acquired 40% additional equity interest in Socle Group in October 2013 from Swift Plus Limited, a company in which the Company's director, Mr. Chang Li Cheng, has beneficial interest, at an aggregate consideration of HK$18,890,000.

(iv) *Disposal of 51% equity interest in Start Bright Group*

The Group disposed of its entire interest in Start Bright Group in July 2013 to DigiSmart (Group) Limited, which is beneficially owned by the son of a shareholder of a non-wholly owned subsidiary of the Group, at an aggregate cash consideration of HK$5,100,000.

Other related party transactions

		Group	
Related party relationship	**Nature of transaction**	**2013 HK$'000**	2012 HK$'000
Key management personnel (excluding directors*)	Salaries and allowances	**420**	670
Joint venture	Loan interest income	**934**	708

* Directors' remuneration is disclosed in note 9 to the consolidated financial statements.

38. OPERATING LEASE COMMITMENTS

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

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

	The Group	
	2013 HK$'000	2012 HK$'000
Within one year	**1,092**	1,013
In the second to fifth years inclusive	**3,911**	190
Over five years	**2,689**	–
	7,692	1,203

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise convertible bonds, share options, warrants, loans to and due from joint ventures and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as accounts and other receivables and accounts and other payables, which arise directly from its business activities.

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

	Loans and receivables			
	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets as per statements of financial position				
Loans to and due from joint ventures	**345**	345	**–**	–
Due from subsidiaries	**–**	–	**199,302**	11,346
Loans to a subsidiary	**–**	–	**40,000**	40,000
Accounts and other receivables	**64,598**	37,468	**9,003**	5,370
Bank balances and cash	**21,451**	17,528	**4,004**	12,573
Total	**86,394**	55,341	**252,309**	69,289

	Other financial liabilities at amortised cost			
	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities as per statements of financial position				
Accounts and other payables	**33,713**	33,934	**4,131**	13,980
Convertible bonds	**–**	5,364	**–**	5,364
Total	**33,713**	39,298	**4,131**	19,344

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

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

A detailed discussion of the Group's credit risk in respect of accounts receivable is set out in note 24 to the consolidated financial statements. The Group only provides services to recognised and credit-worthy third parties. Management closely monitors all outstanding debts and reviews the collectibility of debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the financial statements. The Group does not hold any collateral over these assets.

At the end of the reporting period, the Group had a concentration of credit risk as 26% (2012: 25%) and 65% (2012: 61%) of the total accounts receivable were made up by the Group's largest customer's and the five largest customers' outstanding balances respectively.

At the end of the reporting period, the Company had a concentration of credit risk on the amount due from subsidiaries because 55% (2012: 78%) of the total amounts due from subsidiaries was due from a subsidiary.

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

Interest rate risk

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

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

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

Group

	2013					2012				
	Total carrying value HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000	Total carrying value HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000
Accounts and other payables	33,713	33,713	28,640	5,073	–	33,934	33,934	33,934	–	–
Convertible bonds	–	–	–	–	–	5,364	5,903	–	–	5,903
	33,713	33,713	28,640	5,073	–	39,298	39,837	33,934	–	5,903
Undrawn loan commitment to a joint venture	–	–	–	–	–	–	536	536	–	–
	33,713	33,713	28,640	5,073	–	39,298	40,373	34,470	–	5,903

Company

	2013					2012				
	Total carrying value HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000	Total carrying value HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000
Other payables	4,131	4,131	4,131	–	–	13,980	13,980	13,980	–	–
Convertible bonds	–	–	–	–	–	5,364	5,903	–	–	5,903
	4,131	4,131	4,131	–	–	19,344	19,883	13,980	–	5,903

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair value

The carrying amount of the Group's and the Company's financial assets and financial liabilities carried at other than fair value are not materially different from their fair value as at 31 December 2013 and 2012.

40. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. The capital structure of the Group consists of bank balances, net debts, and equity attributable to shareholders (comprising issued capital and reserves). No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 2012.