2015
Annual Report
年度報告

Lajin Entertainment Network Group Limited
拉近網娛集團有限公司*

(formerly known as China Star Cultural Media Group Limited)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
*(前稱中國星文化產業集團有限公司)**
(在開曼群島註冊成立及於百慕達存續之有限公司)

(股份代號 Stock Code: 8172)

Lajin 拉近

* 僅供識別

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

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

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

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

香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)之特色

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由於創業板上市公司之新興性質所然，在創業板買賣之證券可能會較於聯交所主板買賣之證券承受較大之市場波動風險，同時無法保證在創業板買賣之證券會有高流通量。

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本報告乃遵照聯交所創業板證券上市規則之規定而刊載，旨在提供有關Lajin Entertainment Network Group Limited(拉近網娛集團有限公司)(前稱China Star Cultural Media Group Limited(中國星文化產業集團有限公司*)(「本公司」)之資料；本公司各董事(「董事」)願就本報告之資料共同及個別負全責。各董事經作出一切合理查詢後，確認就彼等所深知及確信，本報告所載資料在各重要方面均屬準確及完備，沒有誤導或欺詐成份，且並無遺漏任何其他事項致使本報告或其所載任何陳述產生誤導。*

* 僅供識別

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Wu Li
Mr. Chan Kam Kwan Jason

NON-EXECUTIVE DIRECTORS

Mr. Zou Xiao Chun
Mr. Zhou Ya Fei
Mr. Luo Ning

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Ju
Mr. Ng Wai Hung
Mr. Lam Cheung Shing, Richard

COMPANY SECRETARY

Mr. Chan Kam Kwan, Jason

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REMUNERATION COMMITTEE

Mr. Lam Cheung Shing Richard *(Committee Chairman)*
Mr. Zou Xiao Chun
Mr. Ng Wai Hung

NOMINATION COMMITTEE

Mr. Ng Wai Hung *(Committee Chairman)*
Mr. Lam Cheung Shing, Richard
Mr. Zhou Ya Fei

AUDIT COMMITTEE

Mr. Lam Cheung Shing Richard *(Committee Chairman)*
Mr. Zhou Ya Fei
Mr. Ng Wai Hung

PRINCIPAL BANKER

Hang Seng Bank Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 4203 Far East Finance Centre,
16 Harcourt Road,
Admiralty, Hong Kong

CORPORATE WEBSITE

http://www.irasia.com/listco/hk/lajin/

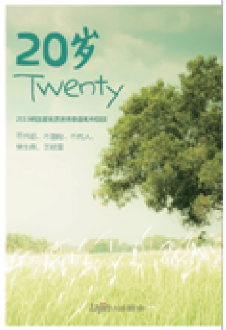
GEM STOCK CODE

8172

Stars
明星的誕生

Uncontrollably Fond
任意依戀

Mondainoaru Restaurant
問題餐廳



Twenty
20歲

Keeping Time
忘記我

The Guest
不速之客

Songs Of The Youth
記得少年那首歌

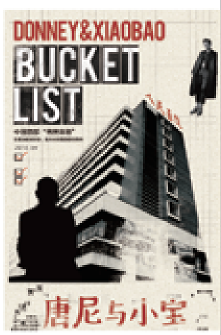
Cute And Dangerous
古惑狗

Rock Of Ages
搖滾時代

晉陽三尺雪

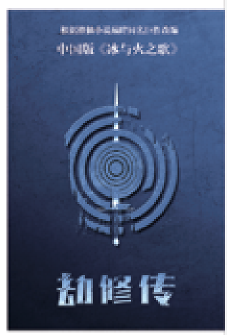
Everybody Loves Charles
人人都愛查爾斯

She Is Pretty
她很漂亮



DONNEY&XIAOBAO
唐尼與小寶

The Best Divorce
最完美的離婚



劫修傳


iHQ
战略合作
签约仪式
许钟民
郑勋卓


明星的诞生
任意依恋
晋阳三尺雪
CUTE AND DANGEROUS
劫修传
20岁
Twenty
唐尼与小宝
问题餐厅

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF COMPANY NAME

On 27 April 2015 the Company proposed to change the English name of the Company from "China Star Cultural Media Group Limited" to "Lajin Entertainment Network Group Limited" and the Chinese name of the Company "拉近網娛集團有限公司" will be adopted to replace "中國星文化產業集團有限公司" for identification purpose only. Please refer to the Company's announcement dated 27 April 2015 and circular dated 13 May 2015 for more details. On 29 July 2015, the Certificate of Registration of Alteration of Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong confirming the registration of the new name "Lajin Entertainment Network Group Limited 拉近網娛集團有限公司*" of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong). With effect from 7 August 2015, the Shares of the Company was traded on the Stock Exchange under the new stock short name of "LAJIN ENT" in English and "拉近網娛" in Chinese instead of the previous trading names. The stock code of the Company remains as 8172.

CHANGE IN DIRECTORS AND SECRETARY

On 19 March 2015, Ms. Wu Li has been appointed as executive Director, Mr. Zou Xiao Chun has been appointed as non-executive director, and Mr. Ng Wai Hung and Mr. Lam Cheung Shing Richard have been appointed as independent non-executive directors.

On 26 March 2015, Mr. Chan Kam Kwan Jason has been appointed as the Company Secretary of the Company following Mr. Leung Wai Man's resignation as company secretary.

On 2 April 2015, Ms. Li Yee Mei has resigned as executive director and authorized representative, and Mr. Yip Tai Him and Mr. Law Yiu Sang, Jacky have resigned as independent non-executive directors. On the same date, Mr. Zhou Ya Fei has been appointed as non-executive director of the Company and Mr. Chan Kam Kwan Jason has been appointed as the authorized representative of the Company.

On 30 June, 2015, Mr. Leung Wai Man has resigned as executive director, authorized representative and the compliance officer of the Company and Mr. Fung Wai Ching has resigned as independent non-executive director. On the same date, Mr. Wang Ju has been appointed as independent non-executive director of the Company and Ms. Wu Li, an executive director of the Company, has been appointed as the authorized representative and the compliance officer of the Company.

On 23 November 2015, Mr. Chan Kam Kwan Jason was appointed as executive director of the Company and on the same date, Mr. Luo Ning was appointed as non-executive director of the Company.

BUSINESS REVIEW

During the year under review, the Group has experienced a major change in its shareholding structure following the completion of a fund raising transaction on 19 March 2015 whereas a group of new controlling shareholders were introduced and a substantial amount of new capital were raised. Subsequently, while building up the skeleton for the new media businesses, the Group has also issue new shares (approximately 16%) to CITIC as our strategic investor. In the past few months, the Group has also recruited people of high calibre and with extensive experience in the industry to assist us in the building of "Lajin" platform. "Lajin", in Chinese means "to get closer". We hope that our different media platforms can bring different people together, let them stay closer and enjoy what we produce for them.

Our main business focus are (i) Movies and TV/Internet programs; (ii) Music; (iii) Events and Shows; and (iii) Artists Management.

* *For identification only*

Movies and TV/Internet programs

The Group has completed its first movie "The Guest"(不速之客)starring Mr. Leon Lai(黎明), Mr. Geng Le(耿樂) and Miss Han Chae Young(韓彩英)and will be released to theatres in April 2016. Our strategy is to focus on small to medium production scale with average investment amount not exceeding RMB50 million for each project. We will invite other investors to co-invest in the projects should we feel appropriate and necessary. We will still participate in movies of higher budget by only sharing a low percentage of investment of such movie. In August, the Group has announced the engagement of Ms. Shang Na to act as the Group's Vice President and CEO of our "Lajin Pictures" and "Young Films", being two of our brands for movies and TV/Internet investments. The Group has also established a joint venture company with Ms. Shang for the investment in this area. Please refer to sectioned headed "Profile of Directors and Senior Management" in the annual report for Ms. Shang's biographical information and the circular of the Company dated 23 December 2015 for the details of joint venture co-operations. Another brand that the Group has established is called "Jiaxuan Global Pictures", which is led by its CEO Mr. Qian Zhongyuan (please refer to sectioned headed "Profile of Directors and Senior Management" in the annual report for Mr. Qian's biographical information). As at the date of this annual report. Lajin Pictures, Young Film and Jiaxuan Global Pictures, in aggregate have more than 21 movies and TV/Internet programs projects on their project pipeline, with average investment budget per project of approximately RMB30 million. These projects are expected to be completed and released during 2016 and 2017.

Besides the local resources, we have actively co-operate with reputable Korean producers as Korean contents and other resources has become very popular in Chinese market. Recently we have reached cooperation agreement with Mr. Jung Hoon-Tak ("Mr. Jung") (鄭勳卓)to form joint ventures in both Korean and China for investment of movies. Mr. Jung is one of the most reputable producers in Korea and has involved in the productions of many popular movies and he has founded IHQ Inc, a company listed on the Korean Stock Exchange, principally engaged in film production, music album production and artists management businesses. Mr. Jung was the former manager of Jun Ji-hyun(全智賢), Jung Woo-sung(鄭宇盛)and Cha Tae-hyun(車太玄)and etc, and he is currently the manager of Kim Woo-bin(金宇彬) and many other artists and singers. We believe that this strategic cooperation will allow us to access to the intellectual properties (content) and artists resources in Korea. And based on the experience of the production team led by Mr. Jung, we hope that we can jointly produce many high quality programs for the audience in China.

In addition to the cooperation with Mr. Jung, in October 2015, the Group has invested in a convertible note of KRW1,123,560,000 (approximately HK$7,549,000), issued by a local Korean production company focusing on the production of TV variety shows. A joint venture company (70% owned by the Group and 30% owned by such Korean company) is being registered in China. The joint venture company will leverage on the expertise and experience of the Korean production team to produce creative variety programs for the Chinese market. Currently the team has already started creating their first program.

Music and Artists Management

The Group is developing an integrated music related platform. Such platform will consist of different elements, aiming at fostering new and talented artists and providing massive high quality entertainment media contents, including but not limited to live broadcast, mobile broadcast, interaction between audiences and artists, marketing and promotion of music related contents and resources & etc. The platform is designed and executed by the top-tier production, artist training and IT professionals from both China and Korea. A small scale trial run of live broadcast programs was conducted successfully, and coming up next would be the audition for potential artists (to be conducted online or offline), which is scheduled to commence in April 2016. As planned, first phrase of such platform will be launched in mid-2016.

Events and shows

The Group is organising a motor car drifting race event in China. The Group will also organise various themed music festivals and concerts. It is intended that these series of events would be held around October 2016, subject to permission granted by local authority. We will continue to seek for opportunities to organise other events and show such as sports-related entertainment events, concerts and music festivals.

Acquisition of production base

In December, 2015, the Group has announced the proposed acquisition of the premises situated in Beijing Economic Technological Area 北京經濟技術開發區 for a total consideration of RMB68,323,440. We intend to turn the premise into a multi-functional base with production studios (both video and audio), live performance stage, artist training centre & etc.

Other Investments

The sourcing of artists is crucial for the entertainment business. The Group has made an investment to a model agency in China in order to help sourcing high potential artists.

Prospects

The Group has committed to develop an integrated and cross-media entertainment platform in China. Although it takes a longer time than expected to lay the ground work for rolling out the business plan, the Group is optimistic of its future going forward. We have paved a clear path of development by formulating the right business strategy and focus, recruiting and co-operating with high calibre personnel, and more importantly, raising sufficient working capital for the time being. In the coming future, we will continue to source for more quality media contents, as well as other acquisition opportunities in China and Korea of reasonable price. We know that competition would be keen in the industry but we are confident that our strategy is right and with the support by our major shareholders, the Group will have a great success.

Challenge

According to the statistics published in January 2016 by the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China, a 48.7% increase in box office was recorded over last year in 2015, amounting to approximately RMB44.07 billion. Among such, approximately RMB27.1 billion was contributed by domestic releases, representing a 61.58% share of the total box office. Some industry experts have estimated that the total box office will reach RMB100 billion in the next 5 – 10 years. Albeit the market saw staggering growth in recent years, it was not all without challenges. Competition is intense for almost everything related to movies, from sourcing the attractive scripts, artists, directors, production crews, to the allocation of the theatre schedule. Cost of a movie has inevitably increased. Besides, more stringent limitations over the contents of movies and programs, and tighter control over the internet by government policies also create burdens to implement some of our innovative ideas. We must therefore carefully set our strategy right for the market, control our cost and be close enough to follow the ever-changing policies.

ENVIRONMENTAL POLICY AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Environmental Protection

As a responsible entity, the Group has endeavoured to comply with local laws and regulations in relation to waste disposal. The Group also encourages staff to save energy, minimize the use of natural resources and paper products. The existing businesses of the Group is not expected to create material damages to the environment and therefore the Group has not conducted any statistics in respect of the environment protection. We will continue to ensure in the future that environmental protection is at the top priority when planning any business activities ahead.

Compliance with Laws and Regulations

During the year, to the best knowledge of the management, the Group has complied with the relevant standards, laws and regulations that have a significant impact to our businesses. At the same time, the Group always maintains a safe working environment for staff in accordance with relevant safety policies.

Relationship with Employees, Customers and Suppliers

The Group believes that human resources is the most important asset for the Group's sustainable development. We offer competitive remuneration packages and high quality working environment for our employees. It is our customs to respect each other and to ensure that fairness is applied to everyone. From time to time, we provide relevant on-the-job trainings to enhance employees' professional knowledge. The Group also organises different leisure events and frequent group discussions for the participation of employees to enhance the bonding of the employees and communications with management.

Due to the nature of our businesses, we do not rely on single suppliers or customers. Having said that, we are always trying to build up long term relationships with our existing and potential customers and suppliers and we are not aware of any unresolved disputes with any of the customers and suppliers during the year.

Remuneration Policy

The Group's compensation strategy is to cultivate a pay-for-performance culture to reward employee performance that will maximize shareholder value in the long run. The Group from time to time reviews remuneration packages provided to its employees to ensure that the total compensation is internally equitable, externally competitive and supports the Group's business strategy.

FINANCIAL REVIEW

The revenue of the Group was approximately HK$5,662,000 for the year ended 31 December 2015 (2014: HK$5,949,000), and it was generated from the provision of artists management and investment in movies, TV programs and internet contents, representing a decrease of 4.8% as compared with the year ended 31 December 2014. Cost of sales for the year ended 31 December 2015 increased to approximately HK$4,807,000 from approximately HK$4,429,000 as compared with the year ended 31 December 2014.

Artists Management

During the year under review, the revenue contributed by such segment was approximately HK$2,429,000 (2014: HK$5,939,000), representing a decrease of approximately 59.1% due to the tough business competition as compared with the year ended 31 December 2015.

The gross profit margin decreased to approximately 25.1% (2014: 25.5%).

Movies, TV programs and internet contents

During the year under review, the revenue contributed by such segment was approximately HK$3,233,000 (2014: HK$10,000), representing the sales of film rights owned by the Group and service income of the internet.

The gross profit margin of the Company decreased to approximately 15.1% (2014: 25.5%).

Administrative expenses were mainly the staff costs, operating leases and other general administrative expenses of the Group incurred during the year under review. Administrative expenses increased by 259.8% to approximately HK$42,037,000 from approximately HK$11,682,000 in prior year. It was mainly attributed to the increase in expenses on operating leases amounted to approximately HK$6,191,000 (2014: HK$1,122,000) and salaries and allowances amounted to approximately HK$18,509,000 (2014: HK$3,765,000) due to the expansion of offices and increased number of employees to cope with the business development of the Group.

During the year under review, loss for the year attributable to owners of the Company was approximately HK$30,343,000 (2014: HK$2,601,000), which was mainly attributed to the increase in administrative expenses amounted to approximately HK$42,037,000 (2014: HK$11,682,000). However, a gain arising on change in fair value of financial assets classified as held for trading investments of HK$9,780,000 should have mitigated part of the loss for the year attributable to owners of the Company.

Pending Litigation

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

Liquidity and Financial Resources

At 31 December 2015, the Group had total assets of approximately HK$1,074,689,000 (2014: HK$179,021,000), including cash and cash equivalents of approximately HK$905,836,000 (2014: HK$158,800,000). During the year under review, the Group financed its operation with the proceeds from fund raising activities.

CAPITAL STRUCTURE

Subscription of shares and new preferred shares

Reference is made to the circular of the Company dated 18 February 2015, capitalized terms used shall have the same meanings as those defined in the circular unless the context stated otherwise.

On 24 November 2014, the Company and the Subscribers (including Jiaxuan, Vision Path, First Charm and REORIENT Global) entered into the Subscription Agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 2,759,609,727 Subscription Shares, comprising 1,379,804,865 new Ordinary Shares (with a nominal value of HK$13,798,048.65) and 1,379,804,862 new Preferred Shares (with a nominal value of HK$13,798,048.62) at an issue price of HK$0.20 per Subscription Share. The net proceeds per Subscription Share upon completion of the Subscription and payment in full of the Subscription Price represent a net price of approximately HK$0.19 per Subscription Share. The Subscription Price of HK$0.20 per Share represents a discount of approximately 71.4% to the last trading price (before suspension) of HK$0.70 per Share as quoted on 21 November 2014, being the last trading day when the Subscription Price was fixed. The Directors are of the view that taking into account the experience, expertise and business network in the PRC, in particular the entertainment industry in the PRC, that our substantial shareholder would bring in, the Subscription represents a valuable opportunity for the Group to recruit a solid strategic corporate investor. The Directors considered that entering into the Subscription Agreement represents a good opportunity to (i) raise a substantial amount of additional funds for the Company; (ii) improve the financial position and liquidity of the Group; (iii) provide the Company with the financial flexibility necessary for the Group’s future business development and the capability to capture any prospective investment opportunities as and when they arise; and (iv) strengthen the Group’s capability to develop the PRC market. Net proceeds of approximately HK$538.4 million was raised and will be used for investment in Korean media resources including scripts, film directors, artists and copyrights, and artists management and training; for organising exhibitions, performance shows and concerts; for the investment and production of TV programmes and movies; and for the establishment of an online platform to provide media contents on the Internet.

On 16 March 2015, a special general meeting was held and independent shareholders’ approval in relation to the subscription and the increase in authorised share capital have been sought. The authorised share capital of the Company was increased from HK$30,000,000 to HK$100,000,000 by (i) the creation of an additional 5,000,000,000 ordinary shares and (ii) the creation of 2,000,000,000 new preferred shares, such that the authorised share capital of the Company was HK$100,000,000 divided into 8,000,000,000 ordinary shares and 2,000,000,000 preferred shares. The completion of the subscription has taken place on 19 March 2015.

The Subscribers have been granted a whitewash waiver, waiving the obligation of the Subscribers to make a general offer under Rule 26 of the Takeovers Code upon conversion of such preferred shares.

On 15 June 2015, 55,192,194 of the preferred shares have been converted into ordinary shares of the Company.

CITIC Subscription

Reference is made to the announcement of the Company dated on 13 July 2015 and 31 August 2015 in relation to the subscription of the ordinary shares by CITIC Investment (HK) Limited (“CITIC”). On 14 September 2015, the subscription was completed and 459,934,954 new ordinary shares (with a nominal value of HK$4,599,349.54) of the Company have been duly allotted and issued as fully paid at an issue price of HK$1.05 per share, raising a net proceed of approximately HK$482.9 million. The net Subscription Price of HK$1.05 per share represents a discount of 19.85% of the closing price of HK$1.31 per share as quoted on 31 August 2015, being the date when the subscription price was fixed.

Subsequent to the completion of the abovementioned subscription, the conversion price of the preferred shares of the company is adjusted to HK$0.19 per ordinary share.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group intends to develop more kinds of entertainment businesses including films, dramas, concerts, sports events, and shows, etc. and to establish an online media platform for different media contents, carry out acquisition and investment in Korean entertainment companies, develop and establish its production base in the PRC and it requires a generous amount of working capital. Not only that the above subscription provides additional funding for the Group's continuous business development, the Company believes that the Subscription will bring in the Subscriber as a strategic shareholder to contribute to the development of the Group's entertainment business.

As at the date of this annual report, the Company has in issue a total of 2,814,801,922 ordinary shares, and 1,324,612,668 convertible preferred shares which are convertible to 1,394,329,124 ordinary Shares based on the adjusted convertible preferred shares based on the adjusted conversion price.

USE OF PROCEEDS

The Company has conducted the following fund raising activities during the year ended 31 December 2015.

Date of Completion of the fund raising activities	Fund raising activities	Net proceeds (approximate)
19 March 2015	Subscription of 1,379,804,865 new ordinary shares and 1,379,804,862 new preferred shares ("First Subscription")	HK$538.4 million
14 September 2015	Subscription of 459,934,954 new ordinary shares ("Second Subscription")	HK$482.6 million

As at the date of this annual report, the Group had utilised approximately HK$187.7 million of the net proceeds from the first Subscription as follows:

(i) As to approximately HK$100.6 million was used in investment in movies, TV programs and internet contents and other related investments in Korean entertainment companies;

(ii) As to approximately HK$39.3 million for acquisition of properties in PRC; and

(iii) As to approximately HK$47.8 million for general working capital and acquisition of fixed assets.

Specific Mandate to Issue Consideration Shares Due to the JV Co-Operation Arrangement with Ms. Shang

Reference is made to the announcement dated 28 August 2015 and the circular dated 23 December 2015. Capitalised terms therein should contain the same meanings unless otherwise specified. Pursuant to the Subscription Agreement entered into between the Company, Ms. Shang Na, and Best of Us Company Limited (the "JV Partner"), a wholly-owned company by Ms. Shang, the Company has agreed to subscribe for 51% interest in a joint venture company, Young Film Company Limited, and the rest 49% interest (the "JV Shares") is agreed to be held by the JV Partner. The joint venture shall engage in the business of sourcing and production of media contents. The Company has also entered into the Deed in relation to the granting of the Shang Put Option and the Company Call Option entitling (i) the JV Partner to require the Company to purchase the JV Shares beneficially held by it at the Option Price; or (ii) the Company to require the JV Partner to sell the JV Shares beneficially held by it to the Company at the Option Price (as applicable). The Option Price calculated on the basis of an estimated accumulated profit of RMB150 million shall be settled by the allotment and issuance of a maximum of 228,438,228 Consideration Shares in batches, in accordance with the formula and manner as set out in the Deed. Shareholders' approval has been sought on 12 January 2016 for the granting of such Shang Put Option and the Company Call Option, hence the Consideration Issue under specific mandate.

Gearing Ratio

The gearing ratio, expressed as percentage of total liabilities over total assets, was approximately 3.2% (2014: 2.4%). The change in gearing ratio was mainly derived from the increase of current liabilities in accruals and other payables from approximately HK$1,357,000 to HK$9,475,000 as compared with that in prior year. At the same time, the increase of film rights and films in progress from HK$592,000 to HK$38,799,000, deposits, prepayments and other receivables from HK$2,502,000 to HK$50,210,000 and cash and cash equivalents from HK$158,800,000 to HK$905,836,000 also contributed to the change in the Company's gearing ratio.

Charge on the Group's Assets

At 31 December 2015, the Group did not have any charge on its assets.

Foreign Exchange Risk

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

Commitments

At 31 December 2015, the Group had capital commitments of approximately HK$15,738,000 (2014: nil).

Contingent Liabilities

At 31 December 2015, the Group had no contingent liabilities (2014: nil).

Employees

At the date of the report, the Group had 112 employees, including approximately 105 employees in PRC and 7 employees in Hong Kong and Korea. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performances, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options granted or to be granted under the share option scheme.

Connected Transaction

Details of connected transaction can be referenced to P.33 of this annual report.

PROFILES OF DIRECTORS AND MANAGEMENT

EXECUTIVE DIRECTORS

Ms. Wu Li

Ms. Wu Li, aged 36, graduated from the University of Electronic Science and Technology of China((中國)電子科技大學)with a bachelor's degree in English for Science and Technology and has completed the Postgraduate Diploma in Integrated Marketing Communications (IMC) in Institute for China Business of The University of Hong Kong School of Professional and Continuing Education. She currently also serves the Company as executive director, authorised representative and compliance officer. Ms. Wu has over 14 years of experience in cultural and media sector and has extensive marketing experience. She was a senior officer in Jingwen Records Co., Ltd. ("Jingwen") responsible for the production, promotion and copyrights management of audio and video products from 2000 to 2006. She joined Beijing Hwellso Pharmaceutical Co., Ltd.(北京華素製藥股份有限公司)in 2006 and was the Brand Director and an assistant to the chairman of the company when she left the company in 2013.

Mr. Chan Kam Kwan, Jason

Mr. Chan Kam Kwan, Jason, aged 42, currently also serves as the Company Secretary and authorised representative of the Company. Mr. Chan graduated from the University of British Columbia in Canada with a Bachelor of Commerce degree and he holds a certificate of Certified Public Accountant issued by the Washington State Board of Accountancy in the United States. Mr. Chan is currently an executive director and company secretary of Brockman Mining Limited (stock code: 159), as well as the company secretary of both Frontier Services Group Limited (stock code: 500) ("Frontier") and Concord New Energy Group Limited (formerly known as China Windpower Group Limited) (stock code: 182). He is currently an independent non-executive director of Canvest Environmental Protection Group Company Limited (stock code: 1381). Previously he had been an independent non-executive director of AMCO United Holding Limited until June 2015; and an executive director of Concord New Energy Group Limited from 2006 to 2014. Mr. Chan has extensive experience in corporate finance and accounting.

NON-EXECUTIVE DIRECTORS

Mr. Zou Xiao Chun

Mr. Zou Xiao Chun, aged 46, graduated from the Department of Law of Nanchang University (formerly known as Jiangxi University)(南昌大學(原江西大學)法律專業專科)in June 1990 and was granted the Chinese Lawyers Qualification Certificate(中國律師資格證書)in July 1991. Mr. Zou was also granted the Chinese Tax Advisers Qualification Certificate(中國税務師資格證書)in September 1995 and the Pass Certificate for the National Notary Public Qualification Examination(國家公證員資格考試合格證書)in December 1995. Furthermore, Mr. Zou was qualified as an industrial economist(工業經濟師)in October 1996. Mr. Zou has been a practising lawyer for 20 years and has practiced in legal areas relating to capital markets in the PRC for 10 years. Mr. Zou is currently a member of the remuneration committee of the Company. In June 2006, Mr. Zou founded Beijing John & Law Firm(北京市中逸律師事務所)and he still serves as a founding partner of this firm. Between 2001 and 2011, Mr. Zou has been acting as the retainer legal adviser for Beijing Eagle Investment Co. Ltd(北京鵬潤投資有限公司)and Beijing Gome Electrical Appliance Co., Ltd(北京國美電器有限公司), both of which are owned or controlled by Mr. Wong Kwong Yu. Between December 2008 and March 2011, Mr. Zou was a director and vice chairman of Beijing Centergate Technologies (Holding) Co., Limited(北京中關村科技發展(控股)股份有限公司)(a company listed on the Shenzhen Stock Exchange) and since May 2012, has been re-appointed as a director of such company. Since 2011, Mr. Zou has been appointed as a member of the Executive Committee of GOME Holding Group Company Limited(國美控股集團有限公司), a company owned or controlled by Mr. Wong Kwong Yu. Between June 2011 and June 2014, Mr. Zou was a director and vice chairman of Sanlian Commercial Co., Limited(三聯商社股份有限公司)(a company listed on the Shanghai Stock Exchange). Since December 2010, Mr. Zou has been an executive director of GOME Electrical Appliances Holding Ltd. (together with its subsidiaries, the "GOME Group"), a company listed on the main board of the Stock Exchange and controlled by

Mr. Wong Kwong Yu. From December 2010 to December 2013, Mr. Zou also served as the Vice President and then the Senior Vice President of the GOME Group. Since December 2013, Mr. Zou became the director and chairman of YouWan Technology (Beijing) Co., Limited（優萬科技(北京)股份有限公司）(a company listed on National Equities Exchange and Quotations). Mr. Zou was appointed as the executive director of Beijing YiPing Capital Management Co., Limited and the chairman of Jian Dao Zhong Chuang Investment Co., Limited in August 2014. From March 2015, Mr. Zou has been appointed as the independent non-executive director of the Company.

Mr. Zhou Ya Fei

Mr. Zhou Ya Fei, aged 48, graduated from the Beijing Institute of Technology with a master's degree. Prior to joining the Group, he was the Chief Financial Officer of GOME Appliance Co Ltd. from 2000 to 2004, and subsequently remained his position as the Chief Financial Officer for GOME Electrical Appliances Holding Limited (Stock Code: 493) from 2004 to 2008 after the asset injection, and was the executive vice president since 2009. Mr. Zhou has over 20 years of experience in PRC accounting, finance and tax consulting. He is a registered accountant (non-practising) and a registered tax agent (non-practising) in the PRC. Currently, Mr. Zhou serves as member of both audit committee and nomination committee of the Company.

Mr. Luo Ning

Mr. Luo Ning, aged 56, is currently the Assistant to the President of CITIC Group Corporation (a major shareholder of the Company), deputy chairman of CITIC Guoan Group Company Limited, chairman and general manager of CITIC Networks Company Limited, and chairman of CITIC Guoan Information Industry Company Limited (a company listed on the Shenzhen Stock Exchange Limited in the PRC). He is also a non-executive director of Asia Satellite Telecommunications Holdings Limited (stock code: 1135) and an executive director of CITIC Telecom International Holdings Limited (stock code:1883) and Frontier Services Group Limited (stock code: 500) (all the companies are listed on the main board of the Stock Exchange). He also holds the position of director of a number of subsidiaries of CITIC Group Corporation. Mr. Luo was previously the vice chairman of CITIC 21CN Company Limited (now being "Alibaba Health Information Technology Limited") from 2002 to 2014. Mr. Luo possesses extensive experience in the communication industry and holds a bachelor degree in communication from The Wuhan People's Liberation Army Institute of Communication Command.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Wai Hung

Mr. Ng Wai Hung, aged 52, is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has been admitted as a Hong Kong solicitor since 1992. Currently, Mr. Ng serves as the chairman of the nomination committee, and member of both audit committee and remuneration committee of the Company. Mr. Ng has been an independent non-executive director of Fortune Sun (China) Holdings Limited since June 2006, Tech Pro Technology Development Limited since April 2011, GOME Electrical Appliances Holding Limited since June 2011, Trigiant Group Limited since August 2011, Sustainable Forest Holdings Limited since February 2013, On Time Logistics Holdings Limited since June 2014 and Kingbo Strike Limited since June 2015, all being companies listed on the Stock Exchange. Mr. Ng was also an independent non-executive director of HyComm Wireless Limited (currently known as Qingdao Holdings International Limited) from January 2008 to September 2014, Yun Sky Chemical (International) Holdings Limited (currently known as King Stone Energy Group Limited) from September 2008 to February 2010, KTP Holdings Limited (currently known as Ares Asia Limited) from November 1999 to February 2011, Tomorrow International Holdings Limited (currently known as Talent Property Group Limited) from March 2000 to January 2012 and Perception Digital Holdings Limited (currently known as E-Rental Car Company Limited) from January 2013 to August 2014, all being companies listed on the Stock Exchange.

PROFILES OF DIRECTORS AND MANAGEMENT

Mr. Lam Cheung Shing Richard

Mr. Lam Cheung Shing Richard, aged 56, is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Currently, Mr. Lam serves as the chairman of both the audit committee and the remuneration committee, and as a member of the nomination committee of the Company. Mr. Lam was admitted to the master's Degree of Business Administration in The Chinese University of Hong Kong in 2006. Mr. Lam spent over ten years in PriceWaterhouseCoopers, an international accounting firm, and promoted to be a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Mr. Lam was admitted as an Executive Director of Everchina Int'l. Holdings Company Limited ("Everchina"), a company listed on the Stock Exchange, since September 2000, and is the deputy chairman and chief executive officer of Everchina since June 2009. Prior to joining Everchina, Mr. Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited. Mr. Lam was also an independent non-executive director of Eagle Legend Asia Limited from May 2013 to December 2014, an executive director of Kai Yuan Holdings Limited from December 2001 to July 2008 and re-designated as a non-executive director from July 2008 to November 2008, and an executive director of China Pipe Group Limited from June 2007 to February 2009, all being companies listed on the Stock Exchange.

Mr. Wang Ju

Mr. Wang Ju, aged 62, received his education from the Beijing Broadcasting Institute 北京廣播學院 (currently known as the Communication University of China（中國傳媒大學)) with a vocal major in the School of Television and Film Art. Mr. Wang is the chief secretary and the vice president of the China Audio-Video and Digital Publishing Association（中國音像與數字出版協會）. Prior to that, he was an associate chairperson of the judging panel of the China Gold Record Award（中國金唱片獎）and a member of the judging panel of PRC Outstanding Publication Award（中華優秀出版物評獎）, and actively participated in the judging panel of various award programmes. He was also a member of the National Technical Committee on Press and Publication Information of Standardization Administration of China（全國新聞出版標準化技術委員）under the Committee Panel of the Standardization Administration of the PRC（國家標準化管理委員會）and a member of a special committee of the National Copyright Administration of the PRC（國家版權局）, involved in the editing of the Copyright Law of the People's Republic of China（中華人民共和國著作權法）and other copyright laws. He is also an expert of the authority in the PRC approving the imported audio and video products from 2010 onwards.

SENIOR MANAGEMENT

Mr. Xu Zhongmin – Chief Strategist

Mr. Xu Zhongmin has extensive business connections and network in the entertainment industry in the PRC. He was the founder of Jingwen. Jingwen was a music producer and was one of the largest music album distributors in the PRC which has fostered a number of famous artists including Han Hong（韓紅）, Cui Jian（崔健）and Wang Feng（汪峰）. It published and distributed albums of Mao Yamin（毛阿敏）, Li Yundi（李雲迪）, Lang Lang（郎朗）and other famous artists in the PRC. While Jingwen was developing the local original music, it introduced music albums and video contents from international producers and distributors including Warner Bros. Records, EMI, Universal Music, Universal Picture, Discovery Channel and National Geographic Channel. It extended its business to publication of books and investment in multi-media educational materials. Mr. Xu was also actively involved in the investment in TV programmes and artist management business and has been involved in producing concerts in the PRC and performance show PANDA! in Las Vegas, the United States of America.

PROFILES OF DIRECTORS AND MANAGEMENT

Mr. Hu Qinggang – Chief Financial Officer

Mr. Hu Qinggang has extensive experience in the finance field and had worked in the Finance Department of CITIC Group Corporation, a substantial shareholder of the Company, as the deputy director of the Finance and Planning Division. Mr. Hu holds a bachelor's degree in Economics from the Beijing University of Technology and a master's degree in Economics from the University of International Business and Economics in the PRC. Mr. Hu is an executive director of Frontier.

Ms. Shang Na – Group Vice President, CEO of Lajin Pictures

Ms. Shang Na has over 12 years of professional experience in the industry, encompassing the internet, film and television production. During 2006 and 2014, Ms. Shang worked in Sohu, one of the most popular online platform in the PRC. She was the chief editor of Sohu's entertainment channel搜狐娛樂頻道and Sohu Video搜狐視頻, responsible for content productions, distribution and oversight of operations of the Sohu Video Channel. Ms. Shang led a team of 300 members and helped increase the number of audience of Sohu Video Channel to over 80 million. She was involved in the production of various popular internet comedies in the PRC including Diors Man(屌絲男士)and Wonder Lady(極品女士). In addition to internet comedies, Ms. Shang also produced high-quality internet drama series and variety shows such as "Back in Time"(匆匆那年)(with hit rate over 1.5 billion for the entire series) and "隱秘而偉大". Recently, Ms. Shang was also in charge of the overall production of the film "A Hero or Not"(煎餅俠)which has achieved box office success of more than RMB1 billion in the PRC.

Mr. Qian Zhongyuan – CEO of Jiaxuan Global Picture

Mr. Qian Zhongyuan joined the Group since 2016. He is equipped with a broad spectrum of experience in various fields within the entertainment industry, covering areas on project development, production, sales and distribution, supply chain management and investment and management. As a seasoned movie producer, he has produced various famous films, and TV soap opera series and has participated in the production of over 40 films such as Wolf Totem《狼圖騰》、Where the Wind Settles《對風説愛你》、Tiny Times 1.0《小時代》、Tiny Times 2《小時代青木時代》、Bait in 3D《大海嘯鯊口逃生》、The Mood《楊善洲》、Major Secretary《第一書記》、Full Circle《飛躍老人院》、I Do《我願意》、Love for Life《最愛》、The Swordman Dream《嘻遊記》、Far From Home《我的美麗鄉愁》and TV series such as《神機妙算劉伯溫》、Ju Zi《菊子》、《少年康熙》and many others. As a producer, he has won many domestic/international awards from various organizations, such as awards from the Shanghai International Film Festival, the Best Works Award, the Huabiao Award, the Golden Rooster Award etc.

From 1997 to 2015, he has served Beijing Forbidden City Pictures Co.,Ltd as the assistant general manager, and he has also worked in Xian Zijincheng Entertainment Co.,Ltd as general manager, and in Beijing Forbidden City Sanlian Distribution Co.,Ltd. as director.

Mr. Qian's social contribution to the media and entertainment community includes his undertaking as member of the film selection committee for the Beijing International Film Festival, and he has also served as the supervisor for the committee of producers for the Beijing Film Association.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICES

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

Throughout the financial year ended 31 December 2015, the Group has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules save for certain deviations, details of which will be explained in the relevant paragraphs in this report. The Board has, since the amendments to the GEM Listing Rules regarding corporate governance practices were first proposed by the Stock Exchange, continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to Directors and senior management of the Group to ensure awareness to issues regarding corporate governance practices.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transaction, appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities. The statement of the auditors of the Company in relation to their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditors' Report on pages 35 to 36 of this annual report.

Composition

As at 31 December 2015, the Board comprises eight Directors: including two executive Directors, namely, Ms. Wu Li and Mr. Chan Kam Kwan Jason, three non-executive Directors, namely, Mr. Zhou Ya Fei, Mr. Zou Xiao Chun, and Mr. Luo Ning and three independent non-executive directors, namely Mr. Wang Ju, Mr. Ng Wai Hung and Mr. Lam Cheung Shing Richard.

Two of the independent non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive Directors is more than one-third of the Board.

Biographical details of the Directors are set out in the section of Profiles of Directors and Management on pages 13 to 16.

The presence of five non-executive Directors (including 3 independent non-executive Directors) is considered by the Board to be a reasonable balance between executive and non-executive Directors. The Board is of the opinion that such balance can provide adequate checks and balances for safeguarding the interests of shareholders and of the Group. The non-executive Directors provide to the Group with a wide range of expertise and experience so that independent judgement can effectively be exercised as well as ensuring that the interests of all shareholders are taken into account. They are also responsible for participating in Board meetings, dealing with potential conflicts of interest, serving on audit committee, remuneration committee and nomination committee, scrutinizing the Group's performance and reporting. Through their active participation, they provide their valuable skills, expertise and experience to the Board and the committees on which they serve so that the management process can be critically reviewed and controlled.

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

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

Pursuant to Article 86(2) of the Bye-laws, Mr. Luo Ning, Mr. Chan Kam Kwan Jason and Mr. Wang Ju, being newly appointed directors of the Company, shall hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

INDEPENDENCE

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

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

DEVIATION FROM THE CG CODE

Throughout the year ended 31 December 2015, the Company complied with the CG Code in Appendix 15 to the GEM Listing Rules, with the exception of CG Code Provisions A.2.1 (separation of roles of chairman and chief executives), A.4.1 (specific terms of non-executive Directors) and A.6.7 (Directors attending general meetings).

(a) Chairman and Chief Executive Officer

Under the CG Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As of the date of this report, both of the positions of Chairman and Chief Executive Officer at the Group level were still left vacant. However, the Company has appointed a number of Chief Executive Officers at subsidiary level for each business segments, who will be held responsible for the oversight of each business segments' operations. The Company will continue to look for the appropriate candidate to fill the vacancy as chairman and the chief executive officer where appropriate.

(b) Terms of non-executive Directors

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

(c) Non-executive Directors attending general meeting

Under the CG Code provision A.6.7, non-executive Directors should attend general meetings. During the year, due to directors, other commitments and travels, not all of the non-executive directors of the Company attended all general meetings.

BOARD MEETINGS AND SHAREHOLDERS' MEETINGS

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

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

Name of Director	Board Meetings Attended/ Eligible to attend	Audit Committee Meetings Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	General Meetings Attended/ Eligible to attend
Ms. Wu Li	13/13	N/A	N/A	N/A	1/1
Mr. Chan Kam Kwan Jason	1/1	N/A	N/A	N/A	0/0
Mr. Zhou Ya Fei	10/10	3/3	N/A	3/3	0/1
Mr. Zou Xiao Chun	12/12	N/A	3/3	N/A	0/1
Mr. Luo Ning	1/1	N/A	N/A	N/A	0/0
Mr. Ng Wai Hung	12/12	3/3	3/3	3/3	1/1
Mr. Lam Cheung Shing Richard	12/12	3/3	3/3	3/3	1/1
Mr. Wang Ju	6/6	N/A	N/A	N/A	0/0
Mr. Leung Wai Man*	8/8	N/A	N/A	N/A	2/2
Mr. Law Yiu Sang, Jacky*	3/4	1/1	1/1	1/1	1/1
Ms. Li Yee Mei*	3/4	N/A	N/A	N/A	1/1
Mr. Yip Tai Him*	3/4	1/1	1/1	1/1	1/1
Mr. Fung Wai Ching*	5/8	1/1	1/1	1/1	1/1

* resigned

During regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual, interim and quarterly results, set annual budgets, as well as discuss and decide on other significant matters. The execution of daily operational matters is delegated to management of the Group. Monthly updates on the Companies' performances is prepared by management to the Board so as to enable directors to discharge their duties.

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

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

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

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

Independent non-executive directors and other non-executive directors will make positive contribution to the strategy and policies of the Company through independent, constructive and informed comments.

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

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

During the year ended 31 December 2015, apart from the annual general meeting held on 12 June 2015, and a special general meeting held on 16 March 2015, the Company did not hold any other general meetings.

TRAINING AND SUPPORT FOR DIRECTORS

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

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

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

During the year, the Company had arranged tailor-made training programmes conducted by reputable international legal firms and other professional bodies for Directors with an emphasis on the updates of Listing Rules.

According to records maintained by the Company, the Directors received trainings in the following areas:

	Corporate Governance/ Updates on Laws, and Rules	
	Read Materials	Attended Seminars
Executive Directors		
Wu Li	✓	✓
Chan Kam Kwan Jason	✓	✓
Non-Executive Directors		
Zhou Ya Fei	✓	✓
Zou Xiao Chun	✓	
Luo Ning	✓	
Independent Non-Executive Directors		
Wang Ju	✓	
Ng Wai Hung	✓	
Lam Cheung Shing Richard	✓	

REMUNERATION COMMITTEE

A remuneration committee was formed with specific written terms of reference. As at 31 December 2015, the remuneration committee consists of two independent non-executive Directors, namely, Mr. Lam Cheung Shing, Richard, Mr. Ng Wai Hung, and one non-executive Director, Mr. Zou Xiao Chun. Mr. Lam Cheung Shing, Richard is the chairman of the committee.

The remuneration committee is responsible for formulating and recommending to the Board the remuneration policy, determining the remuneration of executive Directors and members of senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues, and ensure that no director or any of his associates is involved in deciding his own remuneration and has access to professional advice if deemed necessary. The remuneration committee is also provided with other resources enabling it to discharge its duties.

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

During the year under review, the remuneration committee held four meetings to determine the remuneration package for the executive Directors, non-executive Directors and independent non-executive Directors, approving the terms of executive Director's service contracts and approve the grant of options.

Remuneration of senior management other than directors for the full year of 2015

TOTAL REMUNERATION BANDS	NUMBER OF EXECUTIVES
Nil to HK$1,000,000	4
HK$1,000,001 – HK$1,500,000	—

NOMINATION COMMITTEE

A nomination committee was formed with specific written terms of reference on 26 March 2012. As at 31 December 2015, the nomination committee consists of two independent non-executive Directors, namely, Mr. Ng Wai Hung, Mr. Lam Cheung Shing, Richard, and one non-executive director, Mr. Zhou Ya Fei. Mr. Ng Wai Hung is the chairman of the nomination committee.

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

The nomination committee assesses and considers the relevant experiences, skills and qualification, and independence (applicable to independent directors) in its nomination procedure to select and recommend candidates for directorship.

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

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

The nomination committee is in the process of formulating its policy concerning diversity of Board members, subject to finalization and board approval for adoption.

AUDIT COMMITTEE

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

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

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

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

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

As at 31 December 2015, the audit committee has three members, namely Mr. Lam Cheung Shing Richard (chairman of the audit committee), Mr. Zhou Ya Fei and Mr. Ng Wai Hung, all being independent non-executive Directors except for Mr. Zhou Ya Fei who is a non-executive director of the Company. No member of the audit committee is a former partner of the existing auditing firm of the Company within one year on the date of his ceasing to be a partner or had any financial interest in the auditing firm. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management team of the Company. During the year, the audit committee held four meetings to review the Group's annual report, interim report and quarterly reports.

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

The Company's annual report for the year ended 31 December 2015 has been reviewed by the audit committee. The accounts for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

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

AUDITORS' REMUNERATION

For the year ended 31 December 2015, the remuneration in respect of audit services provided by the auditors, HLB Hodgson Impey Cheng Limited, amounted to HK$790,000 (2014: HK$570,000). For non-audit services, the fees paid amounted to HK$14,000 (2014: HK$55,000).

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2015, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company's Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

No corporate governance committee has been established and the Board will therefore be responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance to the CG Code and disclosure in the Corporate Governance Report.

During the financial year ended 31 December 2015, the Board has reviewed the Company's policies and practices on corporate governance.

INTERNAL CONTROL

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

In such review, the Board has considered factors such as changes since the last review, scope and quality of management's monitoring of risks, adequacy of resources, staff qualification and experience, training programmes and budget; incidence of significant control failings and weaknesses identified; and effectiveness relating to financial reporting and compliance with the applicable laws and regulations including the GEM Listing Rules, and the Board is satisfied with the effectiveness of the internal control systems and considers it adequate.

The Company is in the process of developing its independent internal audit function by identifying the appropriate personnels for the oversight internal audit issues. If considered necessary, the Board may retain the service of independent professional advisers for such purpose.

COMPANY SECRETARY

The company secretary is an employee of the Company and is appointed by the Board. The company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The company secretary is also responsible for advising the Board on governance matters. All Directors of the Company may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and board committee. During the year, Mr. Leung Wai Man resigned as the company secretary of the Company, and Mr. Chan Kam Kwan Jason was appointed as the company secretary effective from 26 March 2015. Mr. Chan is later appointed as an executive director on 23 November 2015. The biographical details of Mr. Chan set out in the section of Profiles of Directors and Management on page 13 of this report. Mr. Chan has undertaken not less than 15 hours of relevant professional training to update his skills and knowledge in 2015.

DELEGATION BY THE BOARD

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

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

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

SHAREHOLDERS RELATIONS

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

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

The proceedings of the annual general meeting are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. The annual general meeting circular, which is circulated to all shareholders at least 21 clear days or 20 clear business days (whichever is longer) prior to the holding of the annual general meeting, sets out the details in relation to each resolution proposed, voting procedures (including procedures for demanding and conducting a poll) and other relevant information and notice of at least 14 clear days or 10 clear business days (whichever is longer) shall be given to shareholders for all other general meetings. At the Company annual general meeting, all the resolutions were put to the vote by poll and the Company's Hong Kong Branch Share Registrar, was engaged as scrutineer to ensure the votes were properly counted. The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meeting are contained in the Company's Bye-laws.

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

SHAREHOLDERS' RIGHTS

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

As regards proposing a person for election as a director, please refer to the procedures as set out in the Bye-Laws on the GEM website and the Company's website at http://www.irasia.com/listco/hk/lajin/index.htm.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong at Unit 4203, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

INVESTOR RELATIONS

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

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

During the year ended 31 December 2015, the Bye-laws of the Company has been amended and following a special resolution passed on 16 March 2015, a copy of which can be found on the Company's website. Save as disclosed above, there were no significant changes to the Company's constitutional documents.

CONCLUSION

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

REPORT OF DIRECTORS

The Directors present the report of the directors and the audited consolidated financial statements for the year ended 31 December 2015.

BUSINESS REVIEW

The business review of the Company is as set out in the section of "Management Discussion and Analysis" on page 5 to 12 of this annual report.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Details of the activities of its subsidiaries and interests in joint ventures are set out in notes 36 and 17 to the consolidated financial statements respectively.

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

RESULTS AND APPROPRIATIONS

The results of the Group for year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37 of this annual report.

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

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 108 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 26 to the consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year are set out on page 40 of this annual report and in note 28 to the consolidated financial statements respectively.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2015 amounting to HK$575,000 (2014: HK$7,221,000).

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 37 to the consolidated financial statements.

PUBLIC FLOAT

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

DIRECTORS

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

Executive Directors

Mr. Chan Kam Kwan Jason (appointed on 23 November 2015)
Ms. Wu Li (appointed on 19 March 2015)
Ms. Li Yee Mei (resigned on 2 April 2015)
Mr. Leung Wai Man (resigned on 30 June 2015)

Non-Executive Directors

Mr. Zou Xiao Chun (appointed on 19 March 2015)
Mr. Zhou Ya Fei (appointed on 2 April 2015)
Mr. Luo Ning (appointed on 23 November 2015)

Independent Non-Executive Directors

Mr. Ng Wai Hung (appointed on 19 March 2015)
Mr. Lam Cheung Shing Richard (appointed on 19 March 2015)
Mr. Wang Ju (appointed on 30 June 2015)
Mr. Yip Tai Him (resigned on 2 April 2015)
Mr. Law Yiu Sang, Jacky (resigned on 2 April 2015)
Mr. Fung Wai Ching (resigned on 30 June 2015)

REPORT OF DIRECTORS

Pursuant to Article 86(2) of the Bye-laws, Mr. Luo Ning, Mr. Chan Kam Kwan Jason and Mr. Wang Ju, being newly appointed directors of the Company, shall hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 87(1) of the Bye-laws, Mr. Ng Wai Hung will retire at the annual general meeting and, being eligible, will offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

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

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

At 31 December 2015 the interests and short positions of the Directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code were as follows:

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

Name of Director	Capacity	Number of issued ordinary shares held	Number of share options held	Approximate percentage of the issued share capital of the Company
Ms. Wu Li	Beneficial owner	—	8,000,000	0.28%
Mr. Chan Kam Kwan Jason	Beneficial owner	—	12,000,000	0.43%
Mr. Zhou Ya Fei	Beneficial owner	—	1,000,000	0.04%
Mr. Zou Xiao Chun	Beneficial owner	—	1,000,000	0.04%
Mr. Ng Wai Hung	Beneficial owner	—	1,000,000	0.04%
Mr. Lam Cheung Shing Richard	Beneficial owner	—	1,000,000	0.04%
Mr. Wang Ju	Beneficial owner	—	1,000,000	0.04%

Save as disclosed above, none of the Directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2015.

SHARE OPTION SCHEME

On 10 June 2014, the Company adopted a new share option scheme ("Share Option Scheme") and terminated the share option scheme adopted by the Company on 6 March 2002. The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants ("Participants") in order to recognise and motivate the contribution of the Participants to the Group. The Share Option Scheme is effective for 10 years and will be expired in June 2024.

The scope of the Participants was determined to provide flexibility for the Company to encourage and reward a broad range of the Participants to contribute to the development of the Group. The Board is of the view that the Participants (including employees, directors, supplier, consultants, distributors, agents, customers, partners, joint venture partners, promoter, service providers and advisers to the Group) are persons who may contribute to the growth and development of the Group through their services or investments. The Directors are of the view that the New Share Option Scheme will serve to motivate the Participants to continue to optimise their performance and efficiency for better serving the Group in the future, as well as to attract and retain or otherwise maintain ongoing business or investment relationship with the Participants depending on many factors such as their interest in the shares, their business/working relationship with the Group, and their contribution that has or may have been made to the Group etc.

During the year, a total of 58,000,000 options has been granted to eligible Participants and subsequent to the year-end date, a further 15,000,000 options has been granted. The exercise price of these two tranches of options was HK$1.088.

The basis of determination of the exercise price was in accordance to rule 23.03(9) of the GEM Listing Rules, in which the exercise price was at least the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, (ii) the average closing price of the shares of the Company as stated in the Stock Exchanges' daily quotations sheets for the five business days immediately preceding the date of grant, or (iii) nominal value of the shares of the Company.

The total number of shares of the Company available for issue under the Share Option Scheme amounts to 156,967,477 shares as at the date of this report, representing 5.58% of the issued share capital outstanding.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes, at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

DIRECTORS' INTEREST IN CONTRACTS

During the year, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company against all losses and liabilities & etc which they may incur or sustain by reason about the execution of their duties, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the directors. The Company has also arranged appropriate directors' and liability insurance coverage for the directors and officers of the Group.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2015, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

Name of substantial shareholder	Capacity	*Notes*	Interest in shares	Interest in underlying shares *(vi)*	Total interest in shares	Approximate percentage of the Company's issued share capital
Jiaxuan	Beneficial owner	*(i)*	965,863,405	1,016,698,320	1,982,561,725	70.43%
Eagle King Investment Holding Limited	Interest of controlled corporation	*(i)*	965,863,405	1,016,698,320	1,982,561,725	70.43%
Mr. Wong Kwong Yu	Interest of controlled corporation	*(i)*	965,863,405	1,016,698,320	1,982,561,725	70.43%
Great Majestic Global Holdings Limited	Interest of controlled corporation	*(i)*	965,863,405	1,016,698,320	1,982,561,725	70.43%
Ms. Ma Qing	Interest of controlled corporation	*(i)*	965,863,405	1,016,698,320	1,982,561,725	70.43%
CITIC Group Corporation	Interest of controlled corporation	*(ii)*	459,934,954	—	459,934,954	16.34%
CITIC Limited	Interest of controlled corporation	*(ii)*	459,934,954	—	459,934,954	16.34%
Famous Peak Investments Limited	Beneficial owner	*(ii)*	459,934,954	—	459,934,954	16.34%
Vision Path Limited	Beneficial owner	*(iii)*	206,970,730	217,863,925	424,834,655	15.09%
Ms. Yu Nan	Interest of controlled corporation	*(iii)*	206,970,730	217,863,925	424,834,655	15.09%
First charm Investments Limited	Beneficial owner	*(iv)*	151,778,535	159,766,879	311,545,414	11.07%
Mr. Ko Chun Shun Johnson	Interest of controlled corporation	*(iv)*	151,778,535	159,766,879	311,545,414	11.07%
Best of Us Company Limited	Beneficial owner	*(v)*	228,438,228	—	228,438,228	8.12%
Ms. Shang Na	Interest of controlled corporation	*(v)*	228,438,228	—	228,438,228	8.12%

Notes:

(i) Pursuant to the Subscription Agreement between the Company (as the issuer), Jiaxuan Group Company Limited ("Jiaxuan"), Vision Path Limited ("Vision Path"), First Charm Investments Limited ("First Charm") and Reorient Global Limited ("Reorient Global") (together being the "Subscribers") dated 24 November 2014, which has been completed on 19 March 2015), Jiaxuan has subscribed for 965,863,405 ordinary shares and 965,863,404 convertible preferred shares of the Company. On 14 September 2015, a subsequent subscription by CITIC Investment (HK) Limited was duly completed. As a result, the conversion price for the preferred shares was adjusted from HK$0.20 to HK$0.19 per ordinary share. The convertible preferred shares as mentioned above can therefore be converted into 1,016,698,320 ordinary shares of the Company. Jiaxuan is owned as to 55% by Eagle King Investment Holding Limited ("Eagle King") and as to 45% by Great Majestic Global Holdings Limited ("Great Majestic"). Mr. Wong Kwong Yu owns 100% of Eagle King and Ms. Ma Qing owns 100% of Great Majestic.

(ii) Pursuant to the Subscription Agreement dated 10 July 2015 and the Supplemental Agreement dated 31 August 2015 entered into between the Company and CITIC Investment (HK) Limited, in which the subscription of shares was completed on 14 September 2015, the subscriber has agreed to subscribe for 459,934,954 subscription shares of the Company. Famous Peak Investments Limited is a wholly-owned subsidiary of CITIC Investment (HK) Limited, being one of the wholly-owned subsidiaries of CITIC Limited. CITIC Group Corporation is the holding company of the CITIC Group of companies.

(iii) Pursuant to the Subscription Agreement as mentioned in note (i), Vision Path has subscribed for 206,970,730 ordinary shares and 206,970,729 convertible preferred shares of the Company. Following the completion of subscription as mentioned in Note (ii), the change in conversion price of the preferred shares has brought about the increase to the interest in underlying shares of the preferred shares subscribed. The convertible preferred shares as mentioned above can be converted into 217,863,925 ordinary shares of the Company. Ms. Yu Nan owns 100% of Vision Path.

(iv) Pursuant to the Subscription Agreement as mentioned in note (i), First Charm has subscribed for 151,778,535 ordinary shares and 151,778,535 convertible preferred shares of the Company. Following the completion of subscription as mentioned in Note (ii), the change in conversion price of the preferred shares has brought about the increase to the interest in underlying shares of the preferred shares subscribed. The convertible preferred shares as mentioned above can be converted into 159,766,879 ordinary shares of the Company. Mr. Ko Chun Shun, Johnson owns 100% of First Charm.

(v) Pursuant to the Shareholders' Agreement entered into between the Company and Ms. Shang Na, the Company has agreed to subscribe for 51% interest in a joint venture company, Young Film Company Limited, and the rest 49% interest (the "JV Shares") is agreed to be held by Best of Us Company Limited (the "JV Partner"), a wholly-owned company by Ms. Shang. The joint venture shall engage in the business of sourcing and production of media contents. The Company has also entered into the Deed in relation to the granting of the Shang Put Option and the Company Call Option entitling (i) the JV Partner to require the Company to purchase the JV Shares beneficially held by it at the Option Price; or (ii) the Company to require the JV Partner to sell the JV Shares beneficially held by it to the Company at the Option Price (as applicable). The Option Price shall be settled by the allotment and issuance of the Consideration Shares in batches, in accordance with the formula and manner as set out in the Deed. The 228,438,228 ordinary shares disclosed above is the maximum number of Consideration Shares to be issued by the Company, with the Option Price being calculated on the basis of an estimated accumulated profit of RMB150 million. Ms. Shang owns 100% of Best of Us Company Limited.

(vi) The underlying shares represent the number of shares in which preferred shares can be converted into as mentioned in Notes (i), (iii) and (iv) above. Assuming such preferred shares are fully paid up and converted, a total of 1,394,329,124 new ordinary shares of the Company will be issued accordingly (subject to applicable adjustments). The Subscribers have been granted a whitewash waiver, waiving the obligation of the Subscribers to make a general offer under Rule 26 of the Takeovers Code upon conversion of such preferred shares

Save as disclosed above, at 31 December 2015, the Company has not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales

— the largest customer	44.26%
— five largest customers combined	95.98%

Purchases

— the largest supplier	21.71%
— five largest suppliers combined	82.79%

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

REPORT OF DIRECTORS

CONNECTED TRANSACTION

Continuing Connected Transaction

Reference is made to the announcements dated 21 December 2015 and 28 August 2015 in relation to the continuing connected transaction constituted by entering into the Master Services Agreement and the subscription of new shares in JV Company. Capitalized terms contained herein shall have the same meanings as set out in the announcement, and the circular in relation to the Shang Put Option dated 23 December 2015.

Having regard to the potential implications of the draft PRC Foreign Investment Law proposed by the Ministry of Commerce and after further negotiations among the parties, in lieu of the structured contracts arrangements as disclosed in the announcement dated 28 August 2015, on 21 December 2015 (after trading hours), Young Film Culture Media Company Limited ("Young Film") (a wholly-owned subsidiary of Young Film Company Limited ("the JV Company") and the 青島年青時候影視文化傳媒有限公司 (Qingdao Young Times Video Cultural Media Company Limited) (the "Media Company") entered into the Master Services Agreements pursuant to which the Media Company shall provide to Young Film services including the production and promotion of movies, TV dramas and programmes as requested by the Group for a term of three years from the date of the Master Services Agreement.

During the term of the Master Services Agreement, the Media Company shall provide to the Group services including production and promotion of movies, TV dramas and programmes as requested by the Group. The Group shall provide to the Media Company a shareholders' loan (subject to annual caps as detailed below) for its production. The services under the Master Services Agreement shall be charged on cost basis (as incurred by the Media Company). With regard to each production planned by the Group, the Media Company shall prepare a budget for which the Group shall prepay the budgeted amount to the Media Company. Following completion of the production, the parties shall ascertain the actual costs of production and settle outstanding amounts where appropriate.

	Annual Caps *RMB in millions*
From the period commencing from the date of the Master Services Agreement to 31 December 2015	19.8
For the year ended 31 December 2016	190.9
For the year ended 31 December 2017	182.6
For the year ended 31 December 2018	247.1

Following Completion of the Subscription, Ms. Shang has become a substantial shareholder of the JV Company which is a subsidiary of the Company and therefore is a connected person to the Company at the subsidiary level. The Media Company is an associate of Ms. Shang and the entering into of the Master Services Agreement between Young Film (an indirect subsidiary of the Company) and the Media Company constitutes a continuing connected transaction for the Company. As the Master Services Agreement was entered into on normal commercial terms or better, and Ms. Shang is a connected person of the Company at subsidiary level, the entering into of the Master Services Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules. The transactions contemplated under the Master Services Agreement is subject to the annual review requirements under Rules 20.53 to 20.57 of the GEM Listing Rules.

Reasons for the transaction

The Group is principally engaged in the provision of artists management services and film production and distribution. The Group intends to develop more kinds of entertainment business including films, dramas, concerts, sports events, and shows, etc. and to establish an online media platform for different media contents. In view of Ms. Shang's extensive experience and business network in the industry, the Group has agreed to co-invest in the JV Company with Ms. Shang and through the JV Company to engage in the TV/film production business in the PRC.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Master Services Agreement are in the ordinary and usual course of business of the Group and the terms of the Master Services Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors have a material interest in the Master Services Agreement that requires them to abstain from voting at the Board's resolution regarding the Master Services Agreement.

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 (Revised) "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 their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with GEM Listing Rule 20.54. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

For the year ended 31 December 2015, films/TV related services provided to Young Film by the Media Company amounted to approximately HK$24,000,000 (RMB19,800,000).

As the applicable percentage ratio under the GEM Listing Rules for the transaction is more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

Save as disclosed above, during the year ended 31 December 2015, there were no connected transactions or continuing connected transactions under the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements thereunder.

The related party transactions set out in note 30(a)&(b) to the consolidated financial statements of the Company constituted connected transactions but are exempted from the reporting, announcement and independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

The account for the year ended 31 December 2015 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Kam Kwan, Jason
Director

Hong Kong, 24 March 2016

INDEPENDENT AUDITORS' REPORT

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

31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
LAJIN ENTERTAINMENT NETWORK GROUP LIMITED
(FORMERLY KNOWN AS CHINA STAR CULTURAL MEDIA GROUP LIMITED)
(originally incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Lajin Entertainment Network Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 107, which comprise the consolidated statement of financial position at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	7	**5,662**	5,949
Cost of sales		**(4,807)**	(4,429)
Gross profit		**855**	1,520
Other revenue and other income	8	**1,123**	685
Administrative expenses		**(42,037)**	(11,682)
Gain arising on change in fair value of financial assets classified as held for trading investments		**9,780**	2,253
Gain on disposal of subsidiaries		**—**	5,261
Loss arising on change in fair value of conversion options embedded in convertible notes receivable		**(97)**	—
Share of results of joint ventures		**(4)**	(638)
Loss before tax	9	**(30,380)**	(2,601)
Income tax expense	10	**—**	—
Loss for the year		**(30,380)**	(2,601)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations:			
Exchange differences arising during the year		**(2,043)**	—
Other comprehensive loss for the year		**(2,043)**	—
Total comprehensive loss for the year		**(32,423)**	(2,601)
Loss for the year attributable to:			
Owners of the Company		**(30,343)**	(2,601)
Non-controlling interests		**(37)**	—
		(30,380)	(2,601)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(32,386)**	(2,601)
Non-controlling interests		**(37)**	—
		(32,423)	(2,601)
Loss per share	12		
Basic and diluted		**HK(1.39) cents**	HK(0.35) cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	7,267	8
Film rights	16	—	592
Interests in joint ventures	17	—	4
Available-for-sale financial assets	18	20,026	—
Convertible notes receivable	19	4,971	—
Conversion options embedded in convertible notes receivable	19	2,586	—
Deposit paid for interest in an associate	20	5,847	—
Deposit paid for acquisition of property, plant and equipment	20	39,135	—
Total non-current assets		79,832	604
Current assets			
Held for trading investments	21	—	17,115
Film rights and films in progress	16	38,799	—
Deposits, prepayments and other receivables	22	50,210	2,502
Amount due from a joint venture	23	12	—
Cash and cash equivalents	24	905,836	158,800
Total current assets		994,857	178,417
LIABILITIES			
Current liabilities			
Accruals and other payables		9,475	1,357
Receipts in advance		300	2,875
Amount due to a joint venture	23	3	3
Amount due to a related company	23	602	—
Amount due to a shareholder	23	24,424	—
Convertible loan notes	25	—	—
Total current liabilities		34,804	4,235
Net current assets		960,053	174,182
Total assets less current liabilities		1,039,885	174,786
Net assets		1,039,885	174,786

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
EQUITY			
Share capital — ordinary shares	26	**28,147**	9,198
Share capital — preferred shares	26	**13,246**	—
Reserves		**998,526**	165,588
Equity attributable to owners of the Company		**1,039,919**	174,786
Non-controlling interests		**(34)**	—
Total equity		**1,039,885**	174,786

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2016 and signed on its behalf by:

Wu Li
Director

Chan Kam Kwan, Jason
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital — ordinary shares *HK$'000*	Share capital — preferred shares *HK$'000*	Share premium *HK$'000* *(Note i)*	Share-based payment reserve *HK$'000* *(Note ii)*	Contributed surplus *HK$'000* *(Note iii)*	Convertible loan notes reserve *HK$'000* *(Note iv)*	Exchange reserve *HK$'000* *(Note v)*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2014	5,056	—	47,383	—	28,294	4,265	—	(10,805)	74,193	9	74,202
Loss and total comprehensive loss for the year	—	—	—	—	—	—	—	(2,601)	(2,601)	—	(2,601)
Release of non-controlling interests upon disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(9)	(9)
Placement of new shares	4,000	—	103,000	—	—	—	—	—	107,000	—	107,000
Share issuing expenses	—	—	(3,806)	—	—	—	—	—	(3,806)	—	(3,806)
Conversion of new convertible loan notes	142	—	4,123	—	—	(4,265)	—	—	—	—	—
At 31 December 2014 and at 1 January 2015	9,198	—	150,700	—	28,294	—	—	(13,406)	174,786	—	174,786
Loss for the year	—	—	—	—	—	—	—	(30,343)	(30,343)	(37)	(30,380)
Other comprehensive loss for the year	—	—	—	—	—	—	(2,043)	—	(2,043)	—	(2,043)
Total comprehensive loss for the year	—	—	—	—	—	—	(2,043)	(30,343)	(32,386)	(37)	(32,423)
Subscription of new shares	18,397	13,798	740,495	—	—	—	—	—	772,690	—	772,690
Settlement of share subscription price	—	—	136,325	—	—	—	—	—	136,325	—	136,325
Issue of ordinary shares upon conversion of preferred shares	552	(552)	—	—	—	—	—	—	—	—	—
Recognition of equity-settled share-based payments	—	—	—	2,256	—	—	—	—	2,256	—	2,256
Share issuing expenses	—	—	(13,752)	—	—	—	—	—	(13,752)	—	(13,752)
Non-controlling interests arising on issuing ordinary share of subsidiaries	—	—	—	—	—	—	—	—	—	3	3
At 31 December 2015	**28,147**	**13,246**	**1,013,768**	**2,256**	**28,294**	**—**	**(2,043)**	**(43,749)**	**1,039,919**	**(34)**	**1,039,885**

Notes:

(i) Under the Companies Act 1981 of Bermuda (as amended), the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(ii) Share-based payment reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised as staff costs and related expenses with a corresponding increase in the share-based payment reserve.

(iii) The contributed surplus of the Company represents the capital reduction and capital reorganisation of share capital and reserves of the Company during the year ended 31 December 2010. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(iv) Under Hong Kong Accounting Standard ("HKAS") 32 *Financial Instruments: Presentation*, convertible loan notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using a market interest rate for similar non-convertible debts and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost.

The equity component is recognised in the convertible loan notes reserve until the convertible loan notes are either converted (in which case it is transferred to share premium) or the convertible loan notes are redeemed (in which case it is released directly to accumulated losses).

(v) Exchange reserve represents 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 (i.e. Hong Kong dollar) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to accumulated losses on the disposal of the foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss before tax		**(30,380)**	(2,601)
Adjustments for:			
Bank interest income		**(803)**	(433)
Share of results of joint ventures		**4**	638
Depreciation of property, plant and equipment		**1,251**	134
Written off of property, plant and equipment		**—**	1,579
Impairment loss recognised in respect of film rights		**—**	320
Loss arising on change in fair value in respect of conversion options embedded in convertible notes receivable		**97**	—
Imputed interest income on convertible notes receivable		**(105)**	—
Share-based payment expenses		**2,256**	—
Gain arising on change in fair value of financial assets classified as held for trading investments		**(9,780)**	(2,253)
Gain on disposal of subsidiaries		**—**	(5,261)
Operating cash flow before movements in working capital		**(37,460)**	(7,877)
Decrease/(increase) in financial assets classified as held for trading investments		**26,895**	(14,862)
Decrease in trade receivables		**—**	50
(Increase)/decrease in deposits, prepayments and other receivables		**(47,479)**	653
Increase in film rights and films in progress		**(38,207)**	—
(Increase)/decrease in amounts due from a joint venture		**(12)**	6
Increase/(decrease) in accruals and other payables		**8,118**	(1,241)
Decrease in receipts in advance		**(2,575)**	(2,339)
Increase in amount due to a joint venture		**—**	3
Increase in amount due to shareholder		**24,424**	—
Increase in amount due to related party		**602**	—
Cash used in operations		**(65,694)**	(25,607)
Bank interest received		**574**	433
Net cash used in operating activities		**(65,120)**	(25,174)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(8,696)**	—
Acquisition of available-for-sale financial assets		**(20,440)**	—
Subscription of convertible notes receivable		**(7,549)**	—
Deposit paid for acquisition of property, plant and equipment		**(39,332)**	—
Deposit paid for interest in an associate		**(5,847)**	—
Proceeds from reduction of investment in joint ventures		**—**	27,675
Net cash inflow arising from disposal of subsidiaries	29	**—**	8,629
Net cash outflow arising from acquisition of subsidiary	29	**—**	(4,304)
Net cash (used in)/generated from investing activities		**(81,864)**	32,000
Cash flows from financing activity			
Proceeds from issue of new shares		**909,015**	107,000
Share issuing expenses		**(13,752)**	(3,806)
Proceeds from issue of shares from non-controlling interests		**3**	—
Net cash generated from financing activities		**895,266**	103,194
Net increase in cash and cash equivalents		**748,282**	110,020
Cash and cash equivalents at the beginning of the reporting period		**158,800**	48,780
Effect of foreign exchange rate changes		**(1,246)**	—
Cash and cash equivalents at the end of the reporting period	24	**905,836**	158,800

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

1. GENERAL INFORMATION

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

Its ultimate holding company is Jiaxuan Group Company Limited, a company incorporated in People's Republic of China (the "PRC") with limited liabilities.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 4203, Far East Finance Centre,16 Harcourt Road, Admiralty, Hong Kong respectively.

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

The principal activity of the Company is investment holding and the principal activities of its joint ventures and subsidiaries are set out in notes 17 and 36 respectively.

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

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning from 1 January 2015. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on the Group's consolidated financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24 *Related Party Disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
HKFRS 9	Financial Instrument[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, which have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors do not anticipated that the application of other new and revised HKFRSs will have material impact on these consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) ("new CO") regarding preparation of consolidated financial statements and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the GEM Listing Rules regarding annual financial statements have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or GEM Listing Rules but not under the new CO or amended GEM Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for conversion options embedded in convertible notes receivable and held for trading investments that are measured at revalued amounts or fair values at the end of each reporting period.

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

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

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

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

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

Basis of consolidation

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

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

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

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

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

Basis of consolidation *(continued)*

Changes in the Group's ownership interest in existing subsidiaries

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

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

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

Business combinations *(continued)*

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

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

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

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

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

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

Business combinations achieved in stages were accounted for as separate step. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

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

Interests in joint ventures

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 joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

Interests in joint ventures *(continued)*

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture is recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Revenue recognition

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

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

Sales of film rights are recognised when the master films are delivered and the file title has passed perpetually.

Service income is recognised when services are provided.

Film production and distribution income is recognised when the Group's entitlement to such payments has been established when the notice of delivery is served to the customer.

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

Leasing

The Group as lessee

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

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

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

Foreign currencies

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

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

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving 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 becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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

Borrowing costs

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

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

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates a MPF Scheme under the Hong Kong MPF Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to 1 June 2014). The Group's contributions to the scheme are expensed as incurred are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in People's Republic of China (the "PRC") are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

Share-based payment expenses

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

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

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

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

Share-based payment expenses *(continued)*

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

Taxation *(continued)*

Deferred tax *(continued)*

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

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

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

Current and deferred tax for the year

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

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold improvements	Over the shorter of the lease terms or 20%
Furniture and equipment	20% — 25%
Computer equipment	$33^1/_3$%

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Film rights and films in progress

Film rights

Film rights are stated at cost less accumulated amortisation and accumulated impairment losses (if any). The Group amortises costs of film rights in the same ratio that current period actual revenue bears to estimated total projected revenue. The Group begins amortisation of the capitalised costs of film rights when a film is released and it begins to recognise revenue from that film.

The Group reviews and revises estimates of total projected revenue and total production costs of film rights at the end of each reporting period. If estimates are revised, the Group adjusts the amount of total projected revenue from the period when such changes in estimates take place and re-calculated the ratio for amortisation of film rights. The effect from changes in estimates is recognised on a prospective basis.

Amortisation expense is charged to profit or loss based on the proportion of actual income earned during the year to the total estimated income from the sale of film rights. In the case where there is any impairment in value, the carrying amount is written down to its estimated recoverable amount.

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

Films in progress

Films in progress represents films and televisions drama series under production and is stated at cost at the date incurred, less any identified impairment losses. Cost includes all costs associated with the production of films including remuneration for the film director, casts and production crew, costumes, insurance, makeup and hairdressing as well as rental of camera and lighting equipment. Films in progress is transferred to film rights when the film is released.

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

Impairment of tangible and intangible assets

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

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

Impairment of tangible and intangible assets *(continued)*

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

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

Financial instruments *(continued)*

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), available-for-sale ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) a contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 34 to the consolidated financial statements.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to maturity investments or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to an must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including convertible notes receivable, deposits paid, other receivables, amount due from a joint venture and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses.

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

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

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment loss of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including accruals and other payables, amount due to a joint venture, amount due to a related company and amount due to a shareholder) are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

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

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

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

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

Financial instruments *(continued)*

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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

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

Financial instruments *(continued)*

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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 purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually 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.

Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

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

Related party transactions

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(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); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parents.

Close family members 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of China Star Film Group Limited as a joint venture

China Star Film Group Limited is limited liability company whose legal form confers separation between the parties to the joint arrangements and the companies themselves. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangements. Accordingly, China Star Film Group Limited is classified as joint ventures of the Group. See note 17 to the consolidated financial statements for details.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables

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

Assessment of economic useful lives of fixed assets

Fixed assets with finite useful lives are depreciated over their economic useful lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying amounts.

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

Key sources of estimation uncertainty *(continued)*

Impairment of films in progress

The directors review films in progress at the end of each reporting period, and identify the slow-moving films in progress that is no longer suitable for use in production. The directors estimate the net realisable value of such films in progress primarily based on the latest available market prices and current market conditions. In addition, the Group carries out review on each film at the end of each reporting period and makes allowance for any films in progress which no longer proceed.

Impairment of film rights

Impairment assessments on film rights are performed at the end of each reporting period with reference to both internal and external market information, for example, sales forecast based on expected popularity of the respective titles, the expected production, sales and distribution costs to be reviewed to conclude the sales, and the general economic condition of the relevant markets. Changes in assumptions used in this assessment, including the forecasted revenue, may result in additional provision being made in the consolidated financial statements.

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

6. SEGMENT INFORMATION

Information reported to the directors, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on the types of goods and services delivered or provided. In respect of the "artists management" and "movies, TV programs and internet contents" operations, the information reported to the CODM is further broken down into different sales channels. No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

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

(i)	Artists management	Service income from provision of artists management
(ii)	Movies, TV programs and internet contents	Investment, production and distribution of movies, TV programs and investment in internet contents

6. SEGMENT INFORMATION *(continued)*

(a) Segment revenue and results

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

	Artists Management		Movies, TV programs and internet contents		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue to external customers	**2,429**	5,939	**3,233**	10	**5,662**	5,949
Segment results	**(185)**	(1,392)	**213**	(484)	**28**	(1,876)
Unallocated other revenue and other income					**900**	308
Unallocated expenses					**(40,987)**	(7,909)
Gain arising on change in fair value of financial assets classified as held for trading investments					**9,780**	2,253
Gain on disposal of subsidiaries					**—**	5,261
Loss arising on change in fair value of conversion options embedded in convertible notes receivable					**(97)**	—
Share of results of joint ventures					**(4)**	(638)
Loss before tax					**(30,380)**	(2,601)
Income tax expense					**—**	—
Loss for the year					**(30,380)**	(2,601)

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

Segment results represent the (loss)/profit (suffered)/earned by each of segment without allocation of central administration costs including directors' emoluments, share of results of joint ventures, gain on disposal of subsidiaries, gain arising on change in fair value of financial assets classified as held for trading investments, loss arising on change in fair value of conversion options embedded in convertible notes receivable, other revenue and other income and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

	Artists management		Movies, TV programs and internet contents		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,255**	2,407	**76,688**	2,072	**77,943**	4,479
Unallocated assets					**996,746**	174,542
Total assets					**1,074,689**	179,021
Segment liabilities	**364**	3,181	**5,029**	—	**5,393**	3,181
Unallocated liabilities					**29,411**	1,054
Total liabilities					**34,804**	4,235

For the purposes of resource allocation and performance assessment between segments:

All assets are allocated to reportable segment other than convertible notes receivable, conversion options embedded in convertible notes receivable, interests in joint ventures, deposit paid for interest in an associate, deposits paid for acquisition of property, plant and equipment, held for trading investments, unallocated head office and corporate assets, partial deposits, prepayment and other receivables, amount due from a joint venture and partial cash and cash equivalents as these assets are managed on a group basis. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

All liabilities are allocated to reportable segments other than partial accruals and other payables, amount due to a joint venture, amount due to a related company and amount due to a shareholder as these liabilities are managed on a group basis. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

6. SEGMENT INFORMATION *(continued)*

(c) Other segment information

	Artists managements		Movies, TV programs and internet contents		Unallocated		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**5**	5	**2**	—	**1,244**	129	**1,251**	134
Written off of property, plant and equipment	**—**	—	**—**	—	**—**	1,579	**—**	1,579
Impairment loss recognised in respect of film rights	**—**	—	**—**	320	**—**	—	**—**	320
Bank interest income	**—**	(377)	**(8)**	—	**(795)**	(56)	**(803)**	(433)
Share of results of joint ventures	**—**	—	**—**	—	**4**	638	**4**	638
Interests in joint ventures	**—**	—	**—**	—	**—**	4	**—**	4

(d) Geographical information

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

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

	Revenue from external customers		Non-current assets*	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**3,682**	2,560	**4,806**	—
Hong Kong	**1,980**	3,359	**1,466**	600
Others	**—**	30	**995**	—
	5,662	5,949	**7,267**	600

* Non-current assets excluded those relating to interests in joint ventures, available-for-sale financial assets, convertible notes receivable, conversion options embedded in convertible notes receivable, deposit paid for interest in an associate and deposit paid for acquisition of property, plant and equipment.

6. SEGMENT INFORMATION *(continued)*

(e) Information about major customers

Revenue from customers for the year ended 31 December 2015 and 2014 contributing over 10% of the total revenue of the Group are as follows:

	Reporting segment	**2015** **HK$'000**	2014 HK$'000
Customer A	Sales of film rights	**2,506**	N/A
Customer B	Artists management	**1,049**	N/A
Customer C	Artists management	**1,000**	N/A
Customer D	Sales of film rights	**600**	N/A
Customer E	Artists management	**N/A**	1,261
Customer F	Artists management	**N/A**	684
Customer G	Artists management	**N/A**	597

No other customer contributed 10% or more to the Group's revenue for the year ended 31 December 2015 and 2014.

7. REVENUE

	2015 **HK$'000**	2014 HK$'000
Artists management	**2,429**	5,939
Sales of film rights	**3,106**	—
Services income	**127**	—
Film production and distribution	**—**	10
	5,662	5,949

8. OTHER REVENUE AND OTHER INCOME

	2015 **HK$'000**	2014 HK$'000
Bank interest income	**803**	433
Consultancy fee income	**185**	252
Sundry income	**30**	—
Imputed interest income on convertible notes receivable	**105**	—
	1,123	685

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

	2015	2014
	HK$'000	*HK$'000*
Auditors' remuneration	**823**	760
Depreciation of property, plant and equipment	**1,251**	134
Written off of property, plant and equipment	**—**	1,579
Impairment loss recognised in respect of film rights	**—**	320
Gain arising on change in fair value of financial assets classified as held for trading investments	**(9,780)**	(2,253)
Loss arising on change in fair value of conversion options embedded in convertible notes receivable	**97**	—
Operating leases rentals in respect of rented premises	**6,191**	1,122
Staff costs (excluding directors' remuneration):		
— Salaries and allowances	**18,509**	3,765
— Retirement benefits schemes contributions	**1,210**	88
— Share-based payment expenses	**1,170**	—
	20,889	3,853

10. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25%. Republic of Korea ("Korea") subsidiary is subject to Korea Corporate Income Tax at the maximum progressive rate up to 22% of the assessable profit.

No provision for Hong Kong Profits Tax has been made for both years as the Group have no assessable profits arising in Hong Kong.

No provision for PRC Enterprise Income Tax has been made for the year ended 31 December 2015 as the Group have no assessable profits arising in PRC.

No provision for Korea Corporate Income Tax has been made for the year ended 31 December 2015 as the Group have no assessable profits arising in Korea.

At 31 December 2015, the Group had estimated unused tax losses of approximately HK$113,272,000 (2014: approximately HK$102,417,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams and the unrecognised tax losses could be carry forward.

10. INCOME TAX EXPENSE *(continued)*

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

	2015	2014
	HK$'000	*HK$'000*
Loss before tax	**(30,380)**	(2,601)
Tax calculated at tax rates applicable to the jurisdictions concerned	**(7,179)**	(429)
Tax effect of share of results of joint ventures	**1**	105
Tax effect of expenses not deductible for tax purpose	**7,724**	1,050
Tax effect of income not taxable for tax purpose	**(2,337)**	(1,073)
Tax effect of tax losses not recognised	**1,791**	347
Income tax expense for the year	**—**	—

11. DIVIDEND

No dividend was paid or proposed during 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

12. LOSS PER SHARE

The computations of basic and diluted loss per share attributable to owners of the Company are based on the following data:

	2015	2014
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(30,343)**	(2,601)

	2015	2014
	'000	*'000*
Weighted average number of ordinary shares in issue	**2,176,185**	742,896

The denominators used are the same as those detailed above for both basic and diluted loss per share.

As the Company's share options and preferred shares where applicable had an anti-dilutive effect to the basic loss per share calculation for the year ended 31 December 2015, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

13. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the applicable GEM Listing Rules and the disclosure requirement of the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2015:

	Fees	Salaries and allowances	Retirement benefit schemes contributions	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Ms. Wu Li *(appointed on 19 March 2015)*	352	263	13	407	1,035
Mr. Chan Kam Kwan, Jason *(appointed on 23 November 2015)*	190	—	—	425	615
Mr. Leung Wai Man *(resigned on 30 June 2015)*	30	—	—	—	30
Ms. Li Yee Mei *(appointed on 7 October 2014 and resigned on 2 April 2015)*	30	380	5	—	415
Non-executive directors					
Mr. Zou Xiao Chun *(appointed on 19 March 2015)*	—	—	—	51	51
Mr. Zhou Ya Fei *(appointed on 2 April 2015)*	—	—	—	51	51
Mr. Luo Ning *(appointed on 23 November 2015)*	—	—	—	—	—
Independent non-executive directors					
Mr. Lam Cheung Shing Richard *(appointed on 19 March 2015)*	188	—	—	51	239
Mr. Ng Wai Hung *(appointed on 19 March 2015)*	188	—	—	51	239
Mr. Wang Ju *(appointed on 30 June 2015)*	120	—	—	51	171
Mr. Yip Tai Him *(resigned on 2 April 2015)*	30	—	—	—	30
Mr. Law Yiu Sang, Jacky *(resigned on 2 April 2015)*	30	—	—	—	30
Mr. Fung Wai Ching *(resigned on 30 June 2015)*	30	—	—	—	30
Total	1,188	643	18	1,087	2,936

13. DIRECTORS' REMUNERATION *(continued)*

For the year ended 31 December 2014:

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Share-based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Cheng Yang *(resigned on 28 March 2014)*	30	—	—	—	30
Mr. Leung Wai Man *(resigned on 30 June 2015)*	120	—	—	—	120
Ms. Jiang Di *(resigned on 28 March 2014)*	30	79	—	—	109
Mr. Heung Wah Keung *(appointed on 28 March 2014 and resigned on 7 October 2014)*	63	—	—	—	63
Ms. Li Yee Mei *(appointed on 7 October 2014 and resigned on 2 April 2015)*	28	1,430	17	—	1,475
Independent non-executive directors					
Mr. Yip Tai Him *(resigned on 2 April 2015)*	120	—	—	—	120
Mr. Law Yiu Sang, Jacky *(resigned on 2 April 2015)*	120	—	—	—	120
Mr. Fung Wai Ching *(resigned on 30 June 2015)*	120	—	—	—	120
Total	**631**	**1,509**	**17**	**—**	**2,157**

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 27 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

14. FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2014: one) is director whose emoluments are disclosed in note 13. The aggregate of the emoluments in respect of the other four (2014: four) individuals are as follows:

	2015	2014
	HK$'000	*HK$'000*
Salaries and allowances	2,262	1,171
Retirement benefits scheme contributions	51	52
Share-based payment expenses	744	—
	3,057	1,223

The four (2014: four) individuals include no (2014: no) senior management as disclosed in the section "Profiles of Directors and Management".

The emoluments of the four (2014: four) individuals with the highest emoluments are within the following bands:

	2015	2014
Nil to HK$1,000,000	4	4

During the year ended 31 December 2015, share options were granted to non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 27 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above five individuals with highest emoluments disclosures.

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to the directors or any of the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

Retirement benefit costs

The Group operates a MPF Scheme under the Hong Kong MPF Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administrated by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contribution to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to 1 June 2014). The contributions are charged to profit or loss as incurred. In respect of those employees who leave the Group prior to completion of qualifying service period, the relevant portion of the employer's voluntary contributions forfeited will be reverted to the Group. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund.

14. FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

Retirement benefit costs *(continued)*

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is made the specified contributions under the schemes. The contributions are charged to profit or loss as incurred.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
Cost:				
At 1 January 2014	2,372	257	—	2,629
Written off	(2,372)	(217)	—	(2,589)
At 31 December 2014 and at 1 January 2015	—	40	—	40
Addition	5,456	1,539	1,701	8,696
Exchange alignment	(133)	(36)	(55)	(224)
At 31 December 2015	5,323	1,543	1,646	8,512
Accumulated depreciation and impairment:				
At 1 January 2014	790	118	—	908
Charged for the year	118	16	—	134
Written off	(908)	(102)	—	(1,010)
At 31 December 2014 and at 1 January 2015	—	32	—	32
Charged for the year	963	108	180	1,251
Exchange alignment	(29)	(3)	(6)	(38)
At 31 December 2015	934	137	174	1,245
Carrying amounts:				
At 31 December 2015	**4,389**	**1,406**	**1,472**	**7,267**
At 31 December 2014	—	8	—	8

16. FILM RIGHTS AND FILMS IN PROGRESS

	Film rights HK$'000	Films in progress HK$'000	Total HK$'000
Cost:			
At 1 January 2014, at 31 December 2014 and at 1 January 2015	7,958	—	7,958
Additions	—	41,117	41,117
Disposal	(10,276)	—	(10,276)
Transfer from films in progress to film rights	38,634	(38,634)	—
At 31 December 2015	36,316	2,483	38,799
Accumulated impairment:			
At 1 January 2014	7,046	—	7,046
Impairment loss recognised	320	—	320
At 31 December 2014 and at 1 January 2015	7,366	—	7,366
Disposal	(7,366)	—	(7,366)
At 31 December 2015	—	—	—
Carrying amounts:			
At 31 December 2015	**36,316**	**2,483**	**38,799**
At 31 December 2014	592	—	592

For the purpose of impairment testing, film rights have been allocated to the CGU of movies, TV programs and internet contents operation.

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of film rights and the corresponding recoverable amounts.

At 31 December 2015, the directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amounts would not cause the carrying amounts of the film rights exceed the aggregate recoverable amounts.

At 31 December 2014, the directors assessed the recoverable amount of the film rights with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent qualified professional valuer, and determined impairment loss within the business segment "movies, TV programs and internet contents" due to prevailing marketability circumstances.

The recoverable amount of the film right is present value of expected future revenue arising from the distribution and sub-licencing of the film rights and their residual values, the cash flow are discounted using a discount rate of 14.76% for 2014. The discount rates used are pre-tax and reflect specific risk relating to the segment.

16. FILM RIGHTS AND FILMS IN PROGRESS *(continued)*

During the year ended 31 December 2014, there is an impairment loss of approximately HK$320,000 recognised in respect of film rights.

The impairment loss recognised during the year ended 31 December 2014 solely related to the Group's film production and distribution activities based in Hong Kong. As the CGU has been reduced to its recoverable amount of approximately HK$592,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

17. INTERESTS IN JOINT VENTURES

	2015	2014
	HK$'000	*HK$'000*
Cost of investments in joint ventures		
— Unlisted in Hong Kong	**2,325**	2,325
Share of post-acquisition losses and other comprehensive loss	**(2,325)**	(2,321)
	—	4

On 31 July 2014, China Star Film Group Limited had reduced its issued share capital from HK$1,000,000 per share to HK$77,500 per share.

The Group's joint ventures are unlisted corporate entities whose quoted market prices are not available.

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

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest and voting rights held by the Group		Principal activities
					2015	2014	
China Star Film Group Limited	Incorporated	British Vrigin Islands	Hong Kong	Ordinary	**50%**	50%	Investment holding

China Star Film Group Limited is directly held by the Company.

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

17. INTERESTS IN JOINT VENTURES *(continued)*

Aggregate information of joint ventures that are not individually material

	2015	2014
	HK$'000	*HK$'000*
The Group's share of loss and total comprehensive loss for the year	**4**	638
Aggregate carrying amounts of the Group's interests in joint ventures	**—**	4

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
	HK$'000	*HK$'000*
Unlisted investment:		
— Equity security outside Hong Kong	**20,026**	—

The above unlisted equity investment represents investment in unlisted equity security issued by private entity incorporated outside Hong Kong. Unlisted equity investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that fair value cannot be measured reliably.

At 31 December 2015, the directors assessed the recoverable amount of unlisted equity security with the basis of past performance, management expectation for market development and certain key assumption. Based on the above assessment, the directors considered that there is no indication that material decline or adverse changes in the market in which investee operated occurred and the directors considered that the cost of investment is still considered to be recoverable, thus no impairment loss was recognised for the year ended 31 December 2015.

19. CONVERTIBLE NOTES RECEIVABLE/CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES RECEIVABLE

On 7 October 2015, the Group subscribed for a 5-year interest-free convertible notes issued by a company located in Korea, with principal amount of approximately HK$7,549,000. The convertible notes can be converted at any time from the date of issue to the maturity date. The fair value at initial recognition of the debt component and conversion options component, which amounted to approximately HK$4,866,000 and HK$2,683,000 respectively, are determined based on the valuation provided by Vigers Appraisal & Consulting Limited, a firm of independent professional qualified valuers who is not connected with the Group.

The Group's convertible notes receivable is recognised as follows:

	Convertible notes receivable *HK$'000*	**Conversion options embedded in convertible notes receivable** *HK$'000*
At 1 January 2015	—	—
Subscription of convertible notes	4,866	2,683
Imputed interest income	105	—
Loss arising on change in fair value in respect of conversion options embedded in convertible notes receivable	—	(97)
At 31 December 2015	**4,971**	**2,586**

Debt component

The debt component of the convertible notes is measured at amortised cost and has an effective interest rate of debt component is 9.2% per annum.

Conversion option component

The conversion option is measured at fair value using a binomial option pricing model at the end of each reporting period.

19. CONVERTIBLE NOTES RECEIVABLE/CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES RECEIVABLE *(continued)*

Binomial option pricing model is used for valuation for the conversion option component. The inputs into the model at 31 December 2015 and 7 October 2015, being the subscription date are as follows:

	At 31 December 2015	**At 7 October 2015**
Stock price	KRW32,742.78	KRW32,650.20
Conversion price	KRW40,635.00	KRW40,635.00
Expected volatility	54%	55%
Dividend yield	0%	0%
Option life	5 years	5 years
Risk free rate	1.8%	1.8%

Generally, a change in the assumption made for the expected volatility is accompanied by a directionally similar change in the dividend yield and the option life and an opposite change in the risk-free interest rate.

The following table demonstrates the sensitivity if the Group's loss before tax at the end of 31 December 2015 to a reasonably possible change in combined net effect of the dividend yield, risk-free interest rate and stock volatility of comparable companies (collectively the "CN combined factors"):

	Increase/ (decrease) in percentage	**Combined net effect on loss before tax** *HK$'000*
CN combined factors	10	443
CN combined factors	(10)	(415)

20. DEPOSITS PAID FOR INTEREST IN AN ASSOCIATE/ACQUISITION OF PROPERTY PLANT AND EQUIPMENT

(a) Deposit paid for interest in an associate

During the year ended 31 December 2015, the Group had paid a deposit with the amount of approximately HK$5,847,000 (equivalent to approximately RMB4,900,000) as investment cost for acquisition of 49% equity interests in unlisted company incorporated in the PRC. The investment was not yet completed at the end of the reporting period. Thus, deposits paid for interest in an associate was classified in non-current assets.

(b) Deposit paid for acquisition of property, plant and equipment

On 17 December 2015, 北京拉近互動傳媒科技有限公司("北京拉近"), a wholly-owned subsidiary of the Company, as a purchaser (the "Purchaser") had entered into sale and purchase agreements, pursuant to which the Purchaser agreed to buy, and the vendor agreed to sell, the entire interests in the properties at a total consideration of approximately HK$82,000,000 (equivalent to approximately RMB68,323,000). 北京拉近 had paid approximately HK$39,135,000 as deposit. Thus, deposit paid for acquisition of property, plant and equipment was classified as non-current assets. Details of the acquisition are set out in the Company's announcement dated 17 December 2015.

21. HELD FOR TRADING INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Listed securities:		
— Equity securities listed in Hong Kong, at fair value	—	17,115

At the end of the reporting period, financial assets at FVTPL are stated at fair value. Fair values of listed securities are determined with reference to quoted market bid prices.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Deposits	**2,569**	2,073
Prepayments	**36,268**	416
Other receivables	**11,373**	13
	50,210	2,502

At 31 December 2015, deposits amounted to approximately HK$240,000 (2014: HK$2,059,000) represented the deposits paid for artists management.

On 21 December 2015, Young Film Culture Media Company Limited ("Young Film"), a non-wholly owned subsidiary of the Company, was entered into a master services agreements ("Master Services Agreements") with 青島年青時候影視文化傳媒有限公司 (Qingdao Young Times Video Cultural Media Company Limited) ("Qingdao Young Times"), pursuant to which Qingdao Young Times shall provide to Young Film services including the production and promotion of movies, TV dramas and programmes as requested by the Group for a term of three years from the date of Master Services Agreements.

During the term of the Master Services Agreement, the Qingdao Young Times shall provide to the Group services including production and promotion of movies, TV dramas and programmes as requested by the Group. The services under the Master Services Agreement shall be charged on cost basis (as incurred by the Qingdao Young Times).

During the year ended 31 December 2015, amount of approximately HK$24,000,000 was advanced by the Group to Qingdao Young Times as prepayment for the services under Master Services Agreement. Details are set out in the Company's announcement dated 21 December 2015.

23. AMOUNT DUE FROM/(TO) A JOINT VENTURE/A RELATED COMPANY/A SHAREHOLDER

The amount due from/(to) a joint venture/a related company/a shareholder are unsecured, interest-free and repayable on demand.

24. CASH AND CASH EQUIVALENTS

Bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default.

	2015	2014
	HK$'000	*HK$'000*
Cash at bank and cash in hand	**905,836**	158,800

At 31 December 2015, the Group's cash and bank balances denominated in United States Dollars ("USD"), South Korea Won ("KRW") and Renminbi ("RMB") are approximately HK$2,000 (2014: HK$2,000), HK$2,000 (2014: nil), and HK$4,593,000 (2014: nil) respectively.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the PRC government except RMB located in Hong Kong which is not subject to the foreign exchange control.

25. CONVERTIBLE LOAN NOTES

On 10 September 2013, the Group announced to have entered into the deed of amendments with the holder of old convertible note whereby the parties agreed to extend the maturity date of the outstanding old convertible note from 24 September 2013 to 23 September 2015. The extension became effective upon the approval by the shareholders of the Company at a special general meeting held on 23 October 2013. The maturity date of the old convertible note has therefore been extended to 24 September 2015 ("CN Amendment") and the mandatory conversion of any outstanding amount of the old convertible note into conversion shares at HK$0.487. The conversion price was adjusted to HK$0.436 per share on 19 June 2014 upon placing of new shares.

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

The New Convertible Notes contain equity component, which contains (a) the Company's option to exchange the obligation to pay the outstanding debt for a fixed number of shares of the Company at any time before maturity; and (b) the bondholder's option to convert the instruments into ordinary share of the Company at any time before the maturity. The fair value of the equity component was determined based on the stock price of the shares multiplied by the number of shares to be delivered.

25. CONVERTIBLE LOAN NOTES *(continued)*

On 16 October 2014, the remaining outstanding amount of HK$6,200,000 million of New Convertible Notes was converted into ordinary shares of the Company.

	Equity component *HK$'000*
New Convertible Notes	
At 1 January 2014	4,265
Conversion of New Convertible Notes	(4,265)
At 31 December 2014, at 1 January 2015 and at 31 December 2015	—

26. SHARE CAPITAL

	2015 Number of shares *'000*	**2015 Share capital** *HK$'000*	2014 Number of shares *'000*	2014 Share capital *HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January	**3,000,000**	**30,000**	3,000,000	30,000
Increase in share capital *(Note i)*	**5,000,000**	**50,000**	—	—
At 31 December	**8,000,000**	**80,000**	3,000,000	30,000
Issued and fully paid:				
At 1 January	**919,869**	**9,198**	505,649	5,056
Subscription of shares *(Note i)*	**1,379,805**	**13,798**	—	—
Issue of ordinary shares upon conversion of preferred shares *(Note ii)*	**55,192**	**552**	—	—
Subscription of shares *(Note iii)*	**459,935**	**4,599**	—	—
Placement of shares *(Note iv)*	**—**	**—**	400,000	4,000
Conversion of New Convertible Notes *(Note v)*	**—**	**—**	14,220	142
At 31 December	**2,814,801**	**28,147**	919,869	9,198

26. SHARE CAPITAL *(continued)*

	2015 Number of shares	2015 Share capital	2014 Number of shares	2014 Share capital
	'000	*HK$'000*	*'000*	*HK$'000*
Preferred shares of HK$0.01 each				
Authorised:				
At 1 January	—	—	—	—
Increase in share capital *(Note i)*	2,000,000	20,000	—	—
At 31 December	2,000,000	20,000	—	—
Issued and fully paid:				
At 1 January	—	—	—	—
Subscription of shares *(Note i)*	1,379,805	13,798	—	—
Conversion into ordinary shares *(Note ii)*	(55,192)	(552)	—	—
At 31 December	1,324,613	13,246	—	—

Notes:

(i) On 24 November 2014, the Company and certain subscribers ("Subscribers") entered into a subscription agreement ("Subscription Agreement") (as amended by the supplemental agreement dated 16 February 2015), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 2,759,609,727 subscription shares ("Subscription Share(s)"), comprising 1,379,804,865 new ordinary shares and 1,379,804,862 new preferred shares ("Preferred Share(s)") at an issue price of HK$0.20 per Subscription Share (the "Subscription"). The aggregate gross subscription price amounts to approximately HK$551,922,000.

On 16 March 2015, a special general meeting was held and a special resolution was passed to approve the increase in authorised share capital of the Company. The authorised share capital of the Company increased from HK$30,000,000 to HK$100,000,000 by (i) the creation of an additional 5,000,000,000 ordinary shares and (ii) the creation of 2,000,000,000 Preferred Shares, such that the authorised share capital of the Company was HK$100,000,000 divided into 8,000,000,000 ordinary shares and 2,000,000,000 Preferred Shares.

The Subscription was completed on 19 March 2015. Pursuant to the Subscription Agreement, 1,379,804,865 new ordinary shares have been duly allotted and issued as fully paid to the Subscribers and 1,379,804,862 Preferred Shares have been duly allotted and issued as partly paid to the Subscribers at HK$0.01 per Preferred Share. In the event that by the last day of the relevant payment dates, the relevant holders of the remaining partially paid Preferred Shares have not paid in full its balance of the aggregate issue price of the Preferred Shares, such Preferred Shares issued to such holders of the Preferred Shares will be forfeited.

The total net proceeds raised from the Subscription amounted to approximately HK$538.4 million and were intended to be used for (i) investment in Korean media resources; (ii) organising exhibitions, performance shows and concerts; (iii) the investment and production of TV programmes and movies; and (iv) the establishment of an online platform to provide media contents on the Internet.

Each preferred Share was convertible into one ordinary share at an initial conversion price of HK0.2 each (subject to adjustment) by the preferred shareholder serving the conversion notice to the Company within the conversion period, without the payment of any additional consideration after the Preferred Shares have been fully paid according to the terms set out in the Subscription Agreement.

The holders of the Preferred Shares are not entitled to attend or vote at any general meeting of the Company and none of the Preferred Shares shall receive any dividend out of the funds of the Company available for distribution.

As a result of the subscription as described in Note (iii) below, the conversion price of the preferred Shares was adjusted at HK$0.19 each.

26. SHARE CAPITAL *(continued)*

Notes: (continued)

(ii) During the year ended 2015, the Company received approximately HK$136,325,000 to pay for 717,498,529 Preferred Shares in full and received notices from the relevant holders of the fully paid Preferred Shares to convert 55,192,194 fully paid Preferred Shares into ordinary shares. The amount transferred from preferred share capital to ordinary share capital was approximately HK$552,000, of which approximately HK$552,000 was allocated to ordinary share capital and approximately HK$10,486,000 was allocated to share premium.

(iii) On 10 July 2015, the Company entered into subscription agreements pursuant to which the Company has conditionally agreed to allot and issue 459,934,954 ordinary shares at the subscription price of HK$1.05 per share. The subscription of ordinary shares was completed on 14 September 2015. The net proceeds of approximately HK$482.6 million were intended to be used for (i) development of an on-line platform; (ii) acquisition and investment in Korean entertainment companies engaged in production of entertainment programmes, musical programmes and artist agency services; (iii) establishment of a production based in the PRC for the development and production of media contents, and as the training centre for artistes; and (iv) general working capital.

(iv) On 17 June 2014, the Company completed the second tranche placing of 300,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.28 per share with the net proceeds from the placing with the amount of approximately HK$81,019,000 intended for used in the film production and/or general working capital purpose. As at 31 December 2014, the net proceeds are placed as interest bearing deposits with licensed bank in Hong Kong.

(v) On 16 October 2014, New Convertible Notes with principal amount of HK$6,200,000 were converted into 14,220,183 ordinary shares at a conversion price of HK$0.436 per share.

27. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a resolution passed at the annual general meeting of the Company held on 10 June 2014, a share option scheme ("Option Scheme") was adopted to the Company.

The major terms of the Option Scheme are summarised as follows:

(i) The purpose is to enable the Company to grant options to the participants in order to recognise and motivate the contribution of the participants of the Group.

(ii) The eligible participants include full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any Invested Entity or any person who, in the sole discretion of the board of directors, has contributed or may contribute to the Group.

(iii) The total number of shares in respect of which share options may be granted under the Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares which may be issued upon exercise of all outstanding share option granted and yet to be exercised under the Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

27. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(iv) The total number of shares issued and to be issued upon exercise of the share options granted to each participant or grantee (including exercised, cancelled and outstanding share options) in any 12-month period shall not exceed 1% of the shares in issue from time to time unless the same is approved by the shareholders.

(v) The total number of shares issued and to be issued upon exercise of the share options granted to each substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of its respective associates or an independent non-executive director or any of his associates (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such grant shall not: (a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, unless the same is approved by the shareholders.

(vi) The exercisable period should be determined by the board of directors upon grant of the share option but in any event should not exceed 10 years from the date of offer for grant.

(vii) Save as determined by the board of directors provided in the offer of the grant of the relevant share options, there is no general requirement that a share option must be held for any minimum period before it can be exercised.

(viii) The acceptance of a share option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1 from the grantee to the Company.

(ix) The subscription price of a share option must be the highest of:

   a. the closing price of a share of the Company on the Stock Exchange on the date of offer;

   b. the average closing price of a share of the Company from the 5 business days immediately preceding the date of offer; and

   c. the nominal value of a share of the Company on the date of offer.

(x) The Option Scheme is effective for 10 years from the date of adoption.

The share options granted during the year ended 31 December 2015 would be vested for one year. The Share Options granted are exercisable on or after 16 November 2016. The number of share options outstanding as at 31 December 2015 was 58,000,000.

27. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

	Number of share options				
Exercisable period	**Outstanding at 1 January 2015**	**Granted during the year**	**Exercised during the year**	**Lapsed/ Cancelled during the year**	**Outstanding at 31 December 2015**
16 November 2016 to 16 November 2018					
Directors					
Mr. Chan Kam Kwan Jason*	—	12,000,000	—	—	12,000,000
Ms. Wu Li	—	8,000,000	—	—	8,000,000
Mr. Zhou Ya Fei	—	1,000,000	—	—	1,000,000
Mr. Zou Xiao Chun	—	1,000,000	—	—	1,000,000
Mr. Ng Wai Hung	—	1,000,000	—	—	1,000,000
Mr. Lam Cheung Shing Richard	—	1,000,000	—	—	1,000,000
Mr. Wang Ju	—	1,000,000	—	—	1,000,000
		25,000,000			25,000,000
Other Employee		33,000,000			33,000,000
		58,000,000			58,000,000
Exercisable at the end of the reporting period					**58,000,000**
Weighted average exercise price	—	HK$1.088	—	—	**HK$1.088**

* Mr. Chan Kam Kwan Jason was appointed as executive director on 23 November 2015.

The fair value was calculated by using the Binomial Tree method. The inputs in the method were as follows:

	Options grant on 16 November 2015
Grant date share price *(HK$)*	0.990
Exercise price *(HK$)*	1.088
Expected volatility *(%)*	66.659%
Expected life *(years)*	3 years
Risk-free rate *(%)*	0.806%
Expected dividend yield	—

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration.

The closing prices of the Company's shares immediately before the dates of grant of share options on 16 November 2015 was HK$1.07 per share.

The fair value of the share options granted during the year was HK$17,950,000 (2014: Nil), of which the Group recognised a share-based payment expense of HK$2,256,000 (2014: Nil) during the year ended 31 December 2015.

The Binomial Tree method has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' of the Company best estimate. The value of an option varies with different variables of certain subjective assumptions.

28. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY

(a) Statement of financial position of the Company

	2015	2014
	HK$'000	*HK$'000*
ASSETS		
Non-current assets		
Interests in subsidiaries	**—**	—
Total non-current assets	**—**	—
Current assets		
Amounts due from subsidiaries	**139,386**	10,983
Deposits, prepayments and other receivables	**33,660**	377
Cash and cash equivalents	**849,579**	156,831
Total current assets	**1,022,625**	168,191
LIABILITIES		
Current liabilities		
Amount due to a joint venture	**21**	21
Accruals and other payables	**2,566**	1,051
Convertible loan notes	**—**	—
Total current liabilities	**2,587**	1,072
Net current assets	**1,020,038**	167,119
Total assets less current liabilities	**1,020,038**	167,119
Net assets	**1,020,038**	167,119
EQUITY		
Share capital — ordinary shares	**28,147**	9,198
Share capital — preferred shares	**13,246**	—
Reserves	**978,645**	157,921
Total equity	**1,020,038**	167,119

Wu Li
Director

Chan Kam Kwan Jason
Director

28. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY *(continued)*

(b) Movement of reserve of the Company

	Share premium HK$'000 (Note i)	Share-based payment reserve HK$'000 (Note ii)	Contributed surplus HK$'000 (Note iii)	Convertible loan notes reserve HK$'000 (Note iv)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	47,383	—	28,294	4,265	(18,854)	61,088
Loss and total comprehensive loss for the year	—	—	—	—	(2,219)	(2,219)
Placement of new shares	103,000	—	—	—	—	103,000
Share issuing expenses	(3,806)	—	—	—	—	(3,806)
Conversion of New Convertible Notes	4,123	—	—	(4,265)	—	(142)
At 31 December 2014 and at 1 January 2015	150,700	—	28,294	—	(21,073)	157,921
Loss and total comprehensive loss for the year	—	—	—	—	(44,600)	(44,600)
Subscription of new shares	740,495	—	—	—	—	740,495
Settlement of share subscription price	136,325	—	—	—	—	136,325
Recognition of equity-settled share-based payments	—	2,256	—	—	—	2,256
Share issuing expenses	(13,752)	—	—	—	—	(13,752)
At 31 December 2015	**1,013,768**	**2,256**	**28,294**	**—**	**(65,673)**	**978,645**

Notes:

(i) Under the Companies Act 1981 of Bermuda (as amended), the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(ii) Share-based payment reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised as staff costs and related expenses with a corresponding increase in the share-based payment reserve.

28. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY *(continued)*

(b) Movement of reserve of the Company *(continued)*

Notes: (continued)

(iii) The contributed surplus of the Company represents the capital reduction and capital reorganisation of share capital and reserves of the Company during the year ended 31 December 2010. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(iv) Under Hong Kong Accounting Standard ("HKAS") 32 *Financial Instruments: Presentation*, convertible loan notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using a market interest rate for similar non-convertible debts and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost.

The equity component is recognised in the convertible loan notes reserve until the convertible loan notes are either converted (in which case it is transferred to share premium) or the convertible loan notes are redeemed (in which case it is released directly to accumulated losses).

29. ACQUISITION/DISPOSAL OF SUBSIDIARIES

(a) Disposal of nine subsidiaries

On 31 March 2014, the Group disposed of the entire issued share capital of nine wholly owned subsidiaries to an independent third party at a cash consideration of HK$24.40. A gain on disposal of approximately HK$5,261,000 arose from this disposal was recognised in the consolidated statement of profit or loss and other comprehensive income. Summary of the effect of the disposal of the subsidiaries is as follows:

	HK$'000
Trade receivables	1
Deposits, prepayments and other receivables	9
Amount due from a shareholder	10
Cash and cash equivalents	6
Accruals and other payables	(73)
Amount due to the ultimate holding company	(5,205)
Net liabilities disposed of	(5,252)

29. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(continued)*

(a) Disposal of nine subsidiaries *(continued)*

	HK$'000
Gain on disposal of subsidiaries:	
Consideration	—
Net liabilities disposed of	5,252
Non-controlling interests	9
	5,261

Net cash outflow in respect of the disposal of subsidiaries

	HK$'000
Cash consideration received	—
Cash and cash equivalents disposed of	(6)
Net cash outflow	(6)

(b) Acquisition of China Star Movie Limited ("CSML")

On 14 April 2014, the Group entered into a conditional sale and purchase agreement with China Star Entertainment Holding Limited ("CSEHL") for acquiring the entire issued shares in and the shareholder's loan due by CSML at a cash consideration of HK$4,340,000. The acquisition was completed on 17 April 2014.

Acquisition related costs of approximately HK$5,000 have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2014.

Assets acquired and liabilities recognised at the date of acquisition:

	HK$'000
Trade receivables	21
Deposits, prepayments and other receivables	6,171
Cash and cash equivalents	36
Accruals and other payables	(1,888)
Shareholder's loan	(9,002)
Net liabilities acquired	(4,662)
Shareholder's loan assigned to the Group	9,002
Total consideration, satisfied by cash	4,340

29. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Acquisition of China Star Movie Limited ("CSML") *(continued)*

Net cash outflow in respect of the acquisition of a subsidiary

	HK$'000
Cash consideration paid	4,340
Cash and cash equivalents acquired	(36)
Net cash outflow	4,304

Included in the loss for the year is HK$166,000 attributable to the additional business generated by CSML, and no turnover was generated from CSML for the year ended 31 December 2014.

Had this business combination been effected at 1 January 2014, the loss for the year would have been approximately of HK$207,000. The directors of the Group consider these "pro-forma" numbers to represent and approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the "pro-forma" revenue and loss of the Group has CSML been acquired at the beginning of the current year, the directors have:

- calculated the asset on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- based borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

29. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(continued)*

(c) Disposal of CSML

On 7 October 2014, the Group entered into a conditional sale and purchase agreement with CSEHL to dispose of the entire equity interest and the shareholder's loan of approximately HK$13,501,000 in CSML at a cash consideration of approximately HK$8,673,000. Summary of the effect of the disposal of CSML is as follows:

	HK$'000
Film in progress	18,437
Deposits, prepayments and other receivables	192
Amount due from fellow subsidiary	8
Cash and cash equivalents	38
Accruals and other payables	(2)
Other borrowings	(10,000)
Shareholder's loan	(13,501)
Net liabilities disposed of	(4,828)
Shareholder's loan assigned to the purchaser	13,501
Consideration received	8,673

Gain on disposal of a subsidiary:

	HK$'000
Consideration	8,673
Net liabilities disposed of	(8,673)
	—

Net cash inflow in respect of the disposal of a subsidiary

	HK$'000
Cash consideration received	8,673
Cash and cash equivalents disposed of	(38)
Net cash inflow	8,635

30. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Acquisition and disposal of subsidiary

On 14 April 2014, Dance Star Group Limited ("Dance Star"), a wholly owned subsidiary of the Company and CSEHL entered into a sale and purchase agreement pursuant to which CSEHL, a wholly owned subsidiary of China Star Entertainment Limited ("CSEL"), has agreed to sell, and Dance Star has agreed to acquire the entire issued shares and the shareholder's loan due by CSML at a cash consideration of approximately HK$4,340,000. Acquisition of a subsidiary from a related Company, which has common chairman and executive director. The transaction was considered as connected transaction for the Company according to Chapter 20 of the GEM Listing Rules. Particulars of the transaction are set out in the Company's announcement dated 14 April 2014.

On 7 October 2014, Dance Star entered into a sale and purchase agreement with CSEHL to dispose entire issued share capital of CSML at a cash consideration of approximately HK$8,673,000 with sale loan of approximately HK$13,501,000. The transaction was considered related party transaction with the Company as one of director of the Company is a member of the key management personnel of the parent of CSEHL. Particulars of the transaction are set out in the Company announcement dated 7 October 2014.

(b) Related company

	Notes	2015 HK$'000	2014 HK$'000
Rental expenses paid to related company	*(i)*	**—**	1,110

Notes:

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

(c) Compensation of key management personnel

	2015 HK$'000	2014 HK$'000
Salaries and allowances	**2,150**	2,140
Retirement benefits schemes contributions	**31**	17
Share based payment expenses	**1,470**	—
	3,651	2,157

The remuneration of the directors of the Company and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

(d) Details of the balances with related parties at the end of the reporting period are set out in note 23 to the consolidated financial statements.

31. COMMITMENTS

Commitments are contracted for at the end of the reporting period but not yet incurred is as follows:

	2015	2014
	HK$'000	*HK$'000*
Film rights and films in progress	**15,738**	—

32. LEASE COMMITMENT

The Group as lessee

The Group leases office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from 1 to 3 years for the year ended 31 December 2015. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

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

	2015	2014
	HK$'000	*HK$'000*
Within one year	**8,149**	—
In the second to fifth years, inclusive	**13,308**	—
	21,457	—

33. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of reporting period (2014: nil).

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
AFS financial assets	**20,026**	—
Conversion options embedded in convertible notes receivable	**2,586**	—
Financial asset classified as held for trading investment	**—**	17,115
Loans and receivables (including cash and cash equivalents)	**924,761**	160,886
Financial liabilities		
Financial liabilities at amortised cost	**34,504**	1,360

34. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies

The risks associated with these financial instruments include market risk (foreign currency risk, equity price risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

Foreign currency risk

The Group operates in Hong Kong, Korea and PRC and majority of transactions are denominated in HK$, USD, KRW and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

At the end of each reporting period, the carrying amounts of the monetary assets and liabilities of the group companies, which are denominated in foreign currencies, are as follows:

	Assets		Liabilities	
	At 31 December			
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB	**12,651**	1,069	**—**	—
USD	**2**	2	**—**	—
KRW	**7,559**	—	**—**	—

The Group is mainly exposed to the foreign currency risk of RMB and KRW against HK$. Since HK$ is pegged to USD, the Group does not expect any significant movement in USD/HK$ exchange rate and this is excluded from the sensitivity analysis below. Management will monitor foreign exchange exposure to mitigate the foreign currency risk.

34. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Foreign currency risk *(continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB and KRW. 5% is the sensitivity rate used which represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in pre-tax loss where the relevant currencies strengthen 5% against HK$. For a 5% weakening of the relevant currencies against HK$, there would be an equal and opposite impact on the loss.

	Profit or loss	
	2015	2014
	HK$'000	*HK$'000*
RMB	**633**	53
KRW	**378**	—

Management considered the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the exposure at the end of each reporting period does not reflect the exposure during the year.

Equity price risk

The Group is exposed to equity price risk through its equity investments classified as held for trading investments in financial assets at FVTPL which are measured at fair value at the end of each reporting period. Management of the Company manages this exposure by maintaining a portfolio of investment with difference risk profiles. The Group's equity price risk is mainly concentrated on equity securities operating business in Hong Kong. In addition, the Group will consider hedging the risk exposure when the need arise.

The Group had no held for trading investments at 31 December 2015.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 5% higher/lower, the Group's pre-tax loss for the year ended 31 December 2014 would increase/decrease by HK$856,000. This is mainly due to the changes in fair value of financial assets classified as held for trading investments.

34. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Interest rate risk

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

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

Liquidity risk

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

The liquidity risk is under continuous monitoring by the management. Management of the Company will raise bank borrowings whenever necessary.

The following table shows the details of the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The amounts disclosed in the table are based on the contractual undiscounted payments, are as follows:

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015							
Non-derivative financial liabilities							
Accruals and other payables	–	9,475	–	–	–	9,475	9,475
Amount due to a joint venture	–	3	–	–	–	3	3
Amount due to a related company	–	602	–	–	–	602	602
Amount due to a shareholder	–	24,424	–	–	–	24,424	24,424
		34,504	–	–	–	34,504	34,504
At 31 December 2014							
Non-derivative financial liabilities							
Accruals and other payables	–	1,357	–	–	–	1,357	1,357
Amount due to a joint venture	–	3	–	–	–	3	3
		1,360	–	–	–	1,360	1,360

34. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objective and policies *(continued)*

Credit risk

The Group's credit risk is primarily attributable to convertible notes receivable and cash and cash equivalents. At 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

For convertible notes receivable, the Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any issuer. Such risk is monitored on a revolving basis and subject to periodic review.

The Group deposited its cash and bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. Management of the Company monitors the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk at 31 December 2015 and at 31 December 2014 were minimal.

The Group has no other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Fair value of financial instruments

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

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

(ii) the fair values of derivative instruments are calculated using quoted prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

34. FINANCIAL INSTRUMENTS *(continued)*

Fair value of financial instruments *(continued)*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are input for which market data are not available; and

Level 3: fair value measured using significant unobservable inputs.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015				
Fair value on a recurring basis				
Conversion options embedded in convertible notes receivable	—	—	**2,586**	**2,586**
At 31 December 2014				
Fair value on a recurring basis				
Held for trading investments	**17,115**	—	—	**17,115**

The directors have engaged with Vigers Appraisal & Consulting Limited to determine the appropriate valuation techniques and inputs for fair value measurements.

34. FINANCIAL INSTRUMENTS *(continued)*

Fair value of financial instruments *(continued)*

The following table presents the changes in contingent consideration receivables which are classified as level 3 instruments for the years ended 31 December 2015:

	Conversion Options embedded in convertible notes receivable *HK$'000*
At 1 January 2015	—
Subscription of convertible notes	2,683
Imputed interest income	—
Loss arising on change in fair value in respect of conversion options embedded in convertible notes receivable	(97)
At 31 December 2015	**2,586**

During the years ended 31st December 2015 and 31st December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the events or change in circumstances that caused the transfer.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable input**	**Relation of significant unobservable inputs to fair value**
Conversion options embedded in convertible notes receivable	Binomial option pricing model	The underlying share prices of the convertible notes issuers and their volatility based on valuation model	The fair value measurement is positively correlated to the share prices of the convertible notes issuers and their volatility

In estimating the fair value of an asset, the directors of the Company work closely with Vigers Appraisal & Consulting Limited to establish the appropriate valuation techniques and inputs to the model. The management of the Company reports the findings to the directors at the end of each reporting period to explain the cause of fluctuations in fair value of the asset.

Information about the valuation techniques and inputs used in determining the fair value of contingent consideration receivables are disclosed above.

35. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising mainly share capital and reserve.

Management reviews the capital structure on a regular basis. As part of this review, Management considers the cost of capital and the risks associates with each class of capital. Based on recommendations of Management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group is not subject to any external imposed capital requirements.

Gearing ratio

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

	2015	2014
	HK$'000	*HK$'000*
Total debt *(i)*	**25,029**	3
Less: Cash and cash equivalents	**(905,836)**	(158,800)
Net debt/(cash)	**(880,807)**	(158,797)
Equity attributable to owners of the Company	**1,039,919**	174,786
Net debt to equity ratio	**N/A**	N/A
Total debt to equity ratio	**2.4%**	0.0%

Note:

(i) Debt comprises amount due to a joint venture, amount due to a related company and amount due to a shareholder as detailed in note 23 to the consolidated financial statements.

36. PARTICULARS OF INTERESTS IN SUBSIDIARIES

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

Name	Place of incorporation/ operation	Class of shares	Issued and fully paid up capital/ registered capital	Proportion of ownership interest and voting power held by the Company		Principal activity
				Directly	Indirectly	
Anglo Market International Limited	BVI	Ordinary	US$1	—	100%	Artist Management
Best Version Holdings Limited	BVI	Ordinary	US$1	100%	—	Investment holdings
Dance Star Group Limited	BVI	Ordinary	US$1	100%	—	Investment holdings
Hong Kong Xuanhe Management Limited (Formerly known as Star Kingdom Management Limited)	Hong Kong	Ordinary	HK$290,000,000	—	100%	Artist Management and investment holdings
Lajin Entertainment Network (HK) Limited	Hong Kong	Ordinary	HK$1	100%	—	Investment holdings
Lajin Film Co., Limited	BVI	Ordinary	US$1	100%	—	Investment holdings
Lajin Korea Company Limited	Korea	Ordinary	KRW300,000,000	—	100%	Entertainment
Lajin Picture (HK) Limited	Hong Kong	Ordinary	HK$1	—	100%	Investment holdings
Lajin Sino-Korean Entertainment Holdings Limited	BVI	Ordinary	US$1	100%	—	Investment holdings
Lajin Sports (HK) Limited	Hong Kong	Ordinary	HK$1	—	100%	Investment holdings
Lajin Sports Holdings Limited	BVI	Ordinary	US$1	100%	—	Investment holdings
Successful Dragon Limited	Hong Kong	Ordinary	HK$1	—	100%	Investment holdings

36. PARTICULARS OF INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Class of shares	Issued and fully paid up capital/ registered capital	Proportion of ownership interest and voting power held by the Company Directly	Indirectly	Principal activity
Young Film Company Limited ("Young Film")	BVI	Ordinary	US$1,000	—	51%	Business of sourcing and production of media contents
Young Film Culture Media Company Limited	Hong Kong	Ordinary	HK$2	—	51%	Business of sourcing and production of media contents
北京拉近互動傳媒科技有限公司	PRC	Ordinary	RMB250,000,000	—	100%	Cultural and entertainment related businesses
北京拉近未來音樂文化傳媒有限公司	PRC	Ordinary	RMB10,000,000	—	100%	Cultural and entertainment related businesses
北京禾熙文化傳媒有限公司	PRC	Ordinary	RMB50,000,000	—	100%	Cultural and entertainment related businesses

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

The directors consider that the non-controlling interests of Young Film and Young Film Culture Media Company Limited during the years ended 31 December 2015 were insignificant to the Group and thus are not separately presented in these consolidated financial statements. In addition, no separate financial information of these non-wholly owned subsidiaries is required to be presented.

37. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2016, the Company granted a total of 15,000,000 share options to eligible persons of the Group under the share option scheme adopted by the shareholders of the Company on 10 June 2014.

Subsequent to the end of the reporting period, the Company received the full payment of the remaining subscription price for the preferred shares, with total amount of approximately HK$125.8 million, all preferred shares were fully paid.

On 28 August 2015, the Company entered a subscription agreement ("Subscription Agreement") between the Company, Shang Na and Best of US Company Limited ("Best of US"), a company wholly-owned by Shang Na, pursuant the Company agreed to subscribe 51% equity interest of Young Film and Best of US agreed to subscribe 49% equity interest of Young Film, which engaged in the business of sourcing and production of media contents. The Company has entered into the put and call option deed (the "Deed") in relation to granting option by the Company to Best of US (the "Shang Put Option") and the option granted by Best of US to the Company (the "Company Call Option"). The option price calculated on the basis of an estimated accumulated profit of RMB150 million shall be settled by the allotment and issuance of a maximum of 228,438,228 consideration shares in batches, in accordance with the formula and manner as set out in the Deed. Shareholders' approval has been sought on 12 January 2016 for the granting of such Shang Put Option and the Company Call Option, hence the issuance of consideration shares was under specific mandate.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2016.

SUMMARY OF FINANCIAL INFORMATION

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

RESULTS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**5,662**	5,949	15,698	26,547	44,330
Loss before tax	**(30,380)**	(2,601)	(12,829)	(12,008)	(8,836)
Income tax expenses	**—**	—	—	—	—
Loss for the year from continuing operations	**(30,380)**	(2,601)	(12,829)	(12,008)	(8,836)
Loss for the year from discontinued operations	**—**	—	—	(3,092)	(11,415)
Loss for the year	**(30,380)**	(2,601)	(12,829)	(15,100)	(20,251)
Loss for the year attributable to:					
Owners of the Company	**(30,343)**	(2,601)	(12,828)	(15,100)	(20,251)
Non-controlling interest	**(37)**	—	(1)	—	—
	(30,380)	(2,601)	(12,829)	(15,100)	(20,251)

ASSETS AND LIABILITIES

	At 31 December				
	2015	2014	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,074,689**	179,021	82,902	95,632	112,809
Total liabilities	**(34,804)**	(4,235)	(8,700)	(12,876)	(14,953)
	1,039,885	174,786	74,202	82,756	97,856

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