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

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

ANNUAL REPORT 2015

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Hsu Tung Sheng *(Chairman)*
Hsu Tung Chi *(Chief Executive Officer)*
Pang Hong Tao

Independent Non-executive Directors

Kwok Chi Sun, Vincent
Wong Tak Shing
Chang Ching Lien

AUDIT COMMITTEE

Kwok Chi Sun, Vincent
Wong Tak Shing
Chang Ching Lien

REMUNERATION COMMITTEE

Kwok Chi Sun, Vincent
Hsu Tung Chi
Chang Ching Lien

NOMINATION COMMITTEE

Kwok Chi Sun, Vincent
Hsu Tung Chi
Wong Tak Shing

COMPANY SECRETARY

Chan Kin Ho, Philip

COMPLIANCE OFFICER

Hsu Tung Chi

AUTHORISED REPRESENTATIVES

Hsu Tung Chi
Chan Kin Ho, Philip

AUDITOR

Mazars CPA Limited
Certified Public Accountants

LEGAL ADVISER

PHILLIPS Solicitors

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR

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

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

WEBSITE ADDRESS

www.cdculture.com

STOCK CODE

8175

FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	29,315	28,691	48,623	115,384	**90,046**
(Loss) Profit for the year attributable to:					
Equity holders of the Company	(37,857)	(68,928)	5,294	24,890	**23,957**
Non-controlling interests	2,506	(29,326)	1,707	7,753	**4,934**
(Loss) Profit for the year	(35,351)	(98,254)	7,001	32,643	**28,891**

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	184,552	93,053	329,530	404,760	**555,938**
Total liabilities	(55,061)	(41,949)	(46,622)	(47,076)	**(72,113)**
Non-controlling interests	(8,506)	20,820	(14,023)	(21,274)	**(26,290)**
Net assets attributable to equity holders of the Company	120,985	71,924	268,885	336,410	**457,535**

Note:

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board"), we hereby present the annual report of China Digital Culture (Group) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2015.

RESULTS PERFORMANCE

During the year, the Group recorded turnover of approximately HK$90,046,000 and profit attributable to equity holders of the Company of approximately HK$23,957,000.

The decrease in profit from 2014 to 2015 was primarily attributable by decreased performance in the music licensing business and the effects of general economic slowdown in China.

LATEST DEVELOPMENT

The Company will focus its efforts on developing the e-Sports business, celebrity intellectual property and the economy from fans. The Company signed a memorandum of understanding with Eastern Eagle Investment Company Limited for the proposed grant of rights to the Company to use the image and name of Mr. Jay Chou (周杰倫) in the E-sports field. In addition, the Company acquired 100% of Dream World Holdings Limited which is principally engaged in operating large film-based cultural theme parks.

OUTLOOK

As we enter into 2016, the Company will continue to develop its core business segments but also seek new investment opportunities to expand operations. Our vision is to provide premier media, entertainment and cultural content through various channels to audiences worldwide.

To achieve this vision, our future plans include:

- Acquisitions and joint ventures of/with businesses operating in other cultural sectors, including the E-sports and live web business
- Strategic investments in both regional and overseas movie, television and musical productions
- Continued development and expansion of e-Sports related businesses

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

Hsu Tung Sheng
Chairman

Hong Kong, 31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Company recorded a turnover of approximately HK$90,046,000 (2014: HK$115,384,000) and a profit before taxation of approximately HK$36,465,000 (2014: HK$42,429,000).

The decrease in profit was primarily due to reduced contribution from the entertainment segment as a result of decreased performance in the music licensing business.

Sports Segment

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

During the year, the sports segment recorded a turnover of approximately HK$51,650,000 (2014: HK$66,617,000) and a profit before taxation and unallocatable income, expenses and finance costs of approximately HK$38,507,000 (2014: HK$32,832,000).

Nova Dragon and its subsidiaries are principally engaged in assisting professional athletes, such as Jeremy Lin (林書豪), an NBA player, with marketing and promotional activities worldwide. Socle and its subsidiaries are principally engaged in the licensing of sports content and is one of the foremost providers of sports and entertainment content in the PRC.

Entertainment Segment

The entertainment segment includes the music and movie/television content licensing business and the investment in movie and musical productions which is operated by Far Glory Limited ("Far Glory") and Orient Digital Entertainment Limited ("ODE"), respectively.

During the year, the entertainment segment recorded a turnover of approximately HK$38,396,000 (2014: HK$48,767,000) and a profit before taxation and unallocatable income, expenses and finance costs of approximately HK$18,765,000 (2014: HK$30,930,000). The profit was mainly contributed by ODE.

MANAGEMENT DISCUSSION AND ANALYSIS

ODE and its subsidiaries are principally engaged in the business of promotion, sales and distribution of movie and television licensed content worldwide and the organization of music concerts, programs and related services. ODE also invests in the production of movies and musicals.

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded turnover of approximately HK$90,046,000, a decrease of approximately 22% from approximately HK$115,384,000 for the previous financial year. Cost of services rendered for 2015 was approximately HK$24,596,000 which is a decrease of 39% from approximately HK$40,104,000 in 2014. Gross profit margin in 2015 was 73% which is higher than the gross profit margin of 65% for the previous financial year.

During the reporting period, administrative expenses incurred by the Group were approximately HK$30,028,000 (2014: HK$30,080,000).

During the reporting period, the Group recorded HK$1,832,000 (2014: HK$5,758,000) in selling and distribution costs. The decrease in selling and distribution costs is primarily attributable to reduced revenue in 2015.

As a result of the aforesaid figures, the Group reported a net profit attributable to equity holders of the Company for the year amounted to approximately HK$23,957,000 (2014: HK$24,890,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had current assets of approximately HK$191,143,000 (2014: HK$143,243,000) and current liabilities of approximately HK$72,113,000 (2014: HK$47,076,000). The current assets were comprised mainly of bank balances and cash of approximately HK$63,792,000 (2014: HK$20,979,000) and accounts and other receivables of approximately HK$125,297,000 (2014: HK$122,264,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK$56,718,000 (2014: HK$26,919,000). The Group had no bank borrowings as at 31 December 2015 and 2014. As at 31 December 2015, the Group had a current ratio of approximately 2.65 as compared to that of 3.04 as at 31 December 2014.

Most of the business transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2015, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 18 February 2015, the Company completed the acquisition of 北京東方力恒影視傳媒有限公司 (Beijing East Liheng Television Media Co., Ltd.) ("Liheng") through contractual arrangements allowing the Company to have the right to consolidate the financial results of Liheng as if it were a wholly-owned subsidiary of the Company. The aggregate cash consideration of the acquisition was HK$24,000,000. Liheng is principally engaged in the business of television show production, the licensing of television related content and the management of actors. The purpose of the acquisition was to diversify and enhance the Company's business segments. Please refer to the announcements of the Company dated 10 November 2014, 31 December 2014, 6 February 2015 and 18 February 2015 for further information concerning the details of the contractual arrangements. As at 31 December 2015, there has been no material change to the contractual arrangements since completion of the acquisition of Liheng.

On 6 July 2015, the Company entered into an acquisition agreement (as supplemented and amended by the supplemental agreement dated 22 July 2015, the confirmation letter dated 28 August 2015, the second supplemental agreement dated 29 September 2015 and the third supplemental agreement dated 18 December 2015) with Ease Wing Limited, Best Million Holdings Limited and Earnwise Limited (the "Vendors") to acquire 100% of the issued share capital in Dream World Holdings Limited ("Dream World"). Dream World, a company incorporated in the Cayman Islands with limited liability, is principally engaged in the business of operating large film-based cultural theme parks. The aggregate Consideration shall be up to HK$587,250,000, to be paid by the Company to the Vendors by (i) cash payment of HK$150,000,000; (ii) the issue of consideration shares for a total amount of HK$77,250,000; and (iii) subject to the fulfilment of profit guarantee requirements, the issue of convertible bonds in the principal amount of up to HK$360,000,000 by the Company. Dream World is experienced in the planning, operating and managing of cultural and tourism focused projects and is currently in the process of managing the development of a film-based cultural theme park in Huaqiao, Kunshan, Jiangsu Province, PRC (the "Project"). Dream World's wholly owned subsidiary currently holds the exclusive operating rights of the Project for 40 years beginning from 2012. As the Company's operations include investing in the production of movies and developing the cultural industry, the Board believes that there are significant synergies to be gained by acquiring Dream World. The acquisition of Dream World will strengthen and diversify the Company's overall business and further increase the Company's presence in the cultural industry. Please refer to the announcements of the Company dated 10 July 2015, 22 July 2015, 29 September 2015 and 18 December 2015 and circular dated 28 October 2015 for further information.

On 14 January 2016, the Company completed the acquisition of Dream World Holdings Limited.

Save as discussed above, the Group has made no other material acquisitions nor disposals of subsidiaries and affiliated companies of the Company during the year ended 31 December 2015.

FOREIGN EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no material contingent liabilities.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had 34 (2014: 43) full-time employees. Employee costs for the year 2015, excluding directors' emoluments, amounted to approximately HK$6,459,000 (2014: HK$10,157,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code Provision") as set out in Appendix 15 of the GEM Listing rules. The Company has complied with the Code Provision throughout the year ended 31 December 2015.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2015.

BOARD OF DIRECTORS AND BOARD MEETINGS

The board members for the year ended 31 December 2015 and up to the date of this report were:

Executive directors:

Mr. Hsu Tung Sheng *(Chairman)*
Mr. Hsu Tung Chi *(Chief Executive Officer)*
Mr. Pang Hong Tao

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent
Mr. Wong Tak Shing
Mr. Chang Ching Lien

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

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

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

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

The Board held a full board meeting for each quarter.

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

	Board meeting	**General meeting**
Executive directors:		
Mr. Hsu Tung Sheng	36/36	0/3
Mr. Hsu Tung Chi	36/36	3/3
Mr. Pang Hong Tao	36/36	0/3
Non-executive directors:		
Mr. Kwok Chi Sun, Vincent	36/36	1/3
Mr. Wong Tak Shing	36/36	0/3
Mr. Chang Ching Lien	36/36	1/3

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

REMUNERATION COMMITTEE

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

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

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

Members	Attendance
Mr. Kwok Chi Sun, Vincent	1/1
Mr. Hsu Tung Chi	1/1
Mr. Chang Ching Lien	1/1

NOMINATION COMMITTEE

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

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

During the year under review, the nomination committee did not hold any meetings.

AUDIT COMMITTEE

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

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

Members	Attendance
Mr. Kwok Chi Sun, Vincent	4/4
Mr. Wong Tak Shing	4/4
Mr. Chang Ching Lien	4/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 December 2015 have been reviewed by the audit committee during the year, who were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

	Reading materials/ In-house briefing	Attending training course
Executive directors:		
Mr. Hsu Tung Sheng	✓	
Mr. Hsu Tung Chi	✓	
Mr. Pang Hong Tao	✓	
Independent non-executive directors:		
Mr. Kwok Chi Sun, Vincent	✓	✓
Mr. Wong Tak Shing	✓	✓
Mr. Chang Ching Lien	✓	✓

AUDITOR'S REMUNERATION

During the year ended 31 December 2015, the fees paid to the auditor in respect of audit and non-audit services provided by the auditor of the Group were as follows:

Nature of services	**Amount (HK$'000)**
Audit services	1,210
Non-audit services	
– Professional fee in connection with acquisition transactions	510
– Others	50

COMPANY SECRETARY

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

INTERNAL CONTROL

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

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

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

ACCOUNTABILITY AND AUDIT

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

SHAREHOLDERS' RIGHTS

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

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

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

B. Procedures for putting forward proposals at a Shareholders meeting

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

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

INVESTOR RELATIONS

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

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

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Hsu Tung Sheng, aged 48, was appointed as an executive director on 3 June 2009 and redesignated as chairman of the Company on 1 February 2011. Mr. Hsu is a brother of Mr. Hsu Tung Chi. Mr. Hsu holds a bachelor's degree in law from the National Chengchi University (Taiwan) (國立政治大學(台灣)). Mr. Hsu has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Hsu was a consultant of Toyota Tsusho Corporation ("Toyota Tsusho") and participated in numerous large investment projects for Toyota Tsusho. Mr. Hsu has built up a good relationship with enterprises in Japan. Mr. Hsu will be responsible for marketing, management function and business operation of the copyright management and digital licensing business of the Group. He was previously an executive director and chairman of China Neng Xiao Technology (Group) Limited, a company listed on the GEM of the Stock Exchange.

Mr. Hsu Tung Chi, aged 47, was appointed as an executive director and chief executive officer of the Company on 1 February 2011. Mr. Hsu is a brother of Mr. Hsu Tung Sheng. Mr. Hsu holds a bachelor's degree in Economics from Fu Jen Catholic University (輔仁大學) in Taiwan. Mr. Hsu Tung Chi has over 10 years' experience in advisory on management, operation and strategic planning. He was previously an executive director of China Neng Xiao Technology (Group) Limited, a company listed on the GEM of the Stock Exchange.

Mr. Pang Hong Tao, aged 47, was appointed as an executive director of the Company in July 2007. Mr. Pang holds a bachelor's degree in economics from Nankai University, the PRC and a master degree in economics from the Renmin University of China. Mr. Pang is the chairman of Finance Committee of ShanDong- HongKong SME Association. He is a member of Chinese Institute of Certified Public Accountants and China Appraisal Society, a certified consultant expert in Shan Dong province and a certified senior enterprise risk manager in Asia. Mr. Pang has over fifteen years of experience in financial management, risk management, financial budgeting and corporate finance. He has worked as a chief accountant in an international five-star hotel, the general manager in a management consultancy company and a partner in a Certified Public Accountants firm. Mr. Pang is currently the principal partner and president of a Certified Public Accountants firm in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Chi Sun, Vincent, aged 53, was appointed an independent non-executive director in October 2004. Mr. Kwok is also a member of the audit committee, the nomination committee and the remuneration committee of the Company, is a sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of five other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Evergreen International Holdings Limited and China Neng Xiao Technology (Group) Limited, the former four named companies are listed on the main board of the Stock Exchange while the last named company is listed on the GEM of the Stock Exchange.

Mr. Wong Tak Shing, aged 53, was appointed as an independent non-executive director of the Company in December 2009. Mr. Wong is also a member of the audit committee and the nomination committee of the Company, graduated from the University of New England, Australia with a Postgraduate Diploma in Financial Management and from the University of Southampton, U.K. with a Bachelor of Social Science in Business Economics and Accounting. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 26 years of experience in corporate finance, accounting, personnel and administration. Mr. Wang is also an independent non-executive director of Pa Shun Pharmaceutical International Holdings Limited. Mr. Wong was previously an executive director of China Neng Xiao Technology (Group) Limited, a company listed on the GEM of the Stock Exchange and an independent non-executive director of Digital Domain Holdings Limited, a company listed on the main board of the Stock Exchange.

Mr. Chang Ching Lien, aged 47, obtained a master degree in business administration from A.B. Freeman Business School, Tulane University in the United States in 2001. He possesses extensive experience in corporate finance, investments and strategic planning. He was the chief investment officer of Matrass Mining Group and was responsible for fund raising, corporate finance and financial modeling for the company from 2011 to 2012. Prior to Matrass Mining Group, Mr. Chang was the managing director and an executive committee member of Xinhua Finance from 2001 to 2011, and was responsible for sales and market expansion across the Asian region and had built up sales force and network and established the company's long-term strategy.

DIRECTORS' REPORT

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

DATE OF INCORPORATION

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

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 29.

The directors do not recommend the payment of a dividend.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity on pages 32 and 33.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company does not have any reserves available for cash distribution and/or distribution in specie. In addition, the Company's share premium account had a balance of approximately HK$599,286,000 as at 31 December 2015 (2014: HK$508,587,000).

PROPERTY, PLANT AND EQUIPMENT

Details of significant changes in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Hsu Tung Sheng *(Chairman)*
Mr. Hsu Tung Chi *(Chief Executive Officer)*
Mr. Pang Hong Tao

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent
Mr. Wong Tak Shing
Mr. Chang Ching Lien

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

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those transaction as disclosed in note 30 to the consolidated financial statements, no director of the Company has a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

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

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

As at 31 December 2015, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were (a) required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or (b) required, pursuant to section 352 of the SFO, to be entered in the register to therein, or (c) required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in Shares

Name of director	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Hsu Tung Sheng	Beneficial	18,375,000 (L)	1.6%
Mr. Hsu Tung Chi *(Note 1)*	Beneficial	70,825,000 (L)	6.1%
	Interest of controlled corporation	18,246,223 (L)	1.6%
Daily Technology Company Limited *(Note 1)*	Beneficial	18,246,223 (L)	1.6%
Mr. Pang Hong Tao	Beneficial	250,000 (L)	0.02%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 70,825,000 shares. Daily Technology Company Limited ("Daily Technology") is beneficially owned as to 100% by Mr. Hsu. Daily Technology beneficially owns 18,246,223 shares. Under the SFO, Mr. Hsu is deemed to be interested in 18,246,223 shares.

(ii) Interest in share options

Name of director	Nature of interests	Number of share options granted	Approximate percentage of interests
Mr. Hsu Tung Sheng	Beneficial	8,251,276	0.71%
Mr. Hsu Tung Chi	Beneficial	5,501,276	0.47%

Save as disclosed above, as at 31 December 2015, none of the directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SHARE OPTION SCHEME

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

Categories of grantees	As at 1 January 2015	Exercised during the period	Lapsed during the period	Share consolidation (every 4 Shares into 1 Share)	Outstanding at 31 December 2015	Exercise price HK$	Grant date	Exercisable period
Directors								
Mr. Hsu Tung Sheng	33,005,104	–	–	(24,753,828)	8,251,276	0.4572	10/06/2014	10/06/2014-09/06/2017
Mr. Hsu Tung Chi	33,005,104	(11,000,000)	–	(16,503,828)	5,501,276	0.4572	10/06/2014	10/06/2014-09/06/2017
Consultant								
Willing International Capital (Shanghai) Company Limited	33,005,104	(11,000,000)	–	(16,503,828)	5,501,276	0.4572	10/06/2014	10/06/2014-09/06/2017
Employees	231,035,728	(143,000,000)	–	(66,026,796)	22,008,932	0.4572	10/06/2014	10/06/2014-09/06/2017
	330,051,040	(165,000,000)	–	(123,788,280)	41,262,760			

Particulars of the Company's share option scheme are set out in note 25 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 31 December 2015, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Interest in shares

Name of substantial shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Ma Bole *(Note 1)*	Interest of controlled corporations	74,424,559 (L)	6.37%
Ms. Xu Ziqi *(Note 1)*	Deemed	74,424,559 (L)	6.37%
Golden Mabole Culture Media Company Limited *(Note 1)*	Beneficial	74,424,559 (L)	6.37%

(L) denotes long position

Notes:

1. Golden Mabole Culture Media Company Limited ("Golden Mabole") is wholly and beneficially owned by Mr. Ma Bole ("Mr. Ma"). Golden Mabole beneficially owns 74,424,559 shares. Under the SFO, Mr. Ma is deemed to be interested in 74,424,559 shares.

   Ms. Xu Ziqi is deemed to be interested in 74,424,559 shares by virtue of being the spouse of Mr. Ma.

Save as disclosed above, as at 31 December 2015, the directors were not aware of any other person (other than the directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

COMPETING INTERESTS

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

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD

On 14 January 2016, the acquisition of Dream World was completed.

On 16 February 2016, the Company signed an memorandum of understanding with Eastern Eagle Investment Company Limited for the proposed grant of exclusive right to the Company to use the image and name of Mr. Jay Chou (周杰倫先生) in the E-sports field.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the Group's largest customer and the five largest customers accounted for 13.3% (2014: 20.8%) and 60.2% (2014: 66.9%) respectively, of the Group's total turnover.

During the financial year, the Group's largest supplier and the five largest suppliers accounted for 20.3% (2014: 14.4%) and 80.0% (2014: 52.1%) respectively, of the Group's total purchases.

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

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

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2015 were audited by Mazars CPA Limited, Certified Public Accountants. A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board

Hsu Tung Sheng
CHAIRMAN

31 March 2016

INDEPENDENT AUDITOR'S REPORT

MAZARS

To the shareholders of
CHINA DIGITAL CULTURE (GROUP) LIMITED
(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of CHINA DIGITAL CULTURE (GROUP) LIMITED (the "Company") and its subsidiaries set out on pages 29 to 98, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of 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 consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2016

Eunice Y M Kwok
Practising Certificate number: P04604

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	5	**90,046**	115,384
Cost of services rendered		**(24,596)**	(40,104)
Gross profit		**65,450**	75,280
Other income	6	**2,875**	2,987
Selling and distribution costs		**(1,832)**	(5,758)
Administrative and other expenses		**(30,028)**	(30,080)
Profit before taxation	7	**36,465**	42,429
Income tax expense	10	**(7,574)**	(9,786)
Profit for the year		**28,891**	32,643
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**(3,477)**	(281)
Total comprehensive income for the year		**25,414**	32,362
Profit attributable to:			
Equity holders of the Company		**23,957**	24,890
Non-controlling interests		**4,934**	7,753
		28,891	32,643
Total comprehensive income attributable to:			
Equity holders of the Company		**21,658**	24,343
Non-controlling interests		**3,756**	8,019
		25,414	32,362
Earnings per share	12		(Adjusted)
Basic		**HK2.451 cents**	HK2.911 cents
			(Adjusted)
Diluted		**HK2.408 cents**	HK2.900 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	13	**3,716**	4,797
Intangible assets	14	**4,837**	10,275
Goodwill	15	**240,702**	218,875
Interest in joint ventures	16	**–**	–
Available-for-sale financial assets	17	**23,388**	15,225
Deposits for available-for-sale financial assets	17	**11,751**	–
Deposit for acquisition of a subsidiary	18	**80,000**	12,000
Loans to and due from joint ventures	19	**401**	345
		364,795	261,517
Current assets			
Inventories	20	**2,054**	–
Accounts and other receivables	21	**125,297**	122,264
Bank balances and cash	22	**63,792**	20,979
		191,143	143,243
Current liabilities			
Accounts and other payables	23	**56,718**	26,919
Tax payable		**15,395**	20,157
		72,113	47,076
Net current assets		**119,030**	96,167
NET ASSETS		**483,825**	357,684

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	24	**46,726**	36,398
Reserves		**410,809**	300,012
Equity attributable to equity holders of the Company		**457,535**	336,410
Non-controlling interests		**26,290**	21,274
TOTAL EQUITY		**483,825**	357,684

Approved and authorised for issue by the Board of Directors on 31 March 2016 and signed on its behalf by

Hsu Tung Sheng
Director

Hsu Tung Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to equity holders of the Company											
		Reserves										
	Share capital HK$'000	Share premium HK$'000 *(Note 35a (i))*	Special reserve HK$'000 *(Note i)*	Capital reserve HK$'000 *(Note ii)*	Warrant reserve HK$'000 *(Note 35a (iii))*	Foreign currency translation reserve HK$'000 *(Note 35a (v))*	Share options reserve HK$'000 *(Note 35a (iv))*	Accumulated losses HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	33,448	476,137	10,084	(20,749)	276	506	–	(230,817)	235,437	268,885	14,023	282,908
Profit for the year	–	–	–	–	–	–	–	24,890	24,890	24,890	7,753	32,643
Other comprehensive (loss) income												
Item that may be reclassified subsequently to profit or loss												
Foreign currency translation differences	–	–	–	–	–	(547)	–	–	(547)	(547)	266	(281)
Total comprehensive (loss) income for the year	–	–	–	–	–	(547)	–	24,890	24,343	24,343	8,019	32,362
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(768)	(768)
Transactions with equity holders												
Contribution and distribution												
Equity-settled share-based payment	–	–	–	–	–	–	7,782	–	7,782	7,782	–	7,782
Issue of shares	2,950	32,450	–	–	–	–	–	–	32,450	35,400	–	35,400
Total transactions with equity holders	2,950	32,450	–	–	–	–	7,782	–	40,232	43,182	–	43,182
At 31 December 2014	36,398	508,587	10,084	(20,749)	276	(41)	7,782	(205,927)	300,012	336,410	21,274	357,684

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to equity holders of the Company											
			Reserves										
	Note	Share capital HK$'000	Share premium HK$'000 (Note 35a (i))	Special reserve HK$'000 (Note i)	Capital reserve HK$'000 (Note ii)	Warrant reserve HK$'000 (Note 35a (iii))	Foreign currency translation reserve HK$'000 (Note 35a (v))	Share options reserve HK$'000 (Note 35a (iv))	Accumulated losses HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015		36,398	508,587	10,084	(20,749)	276	(41)	7,782	(205,927)	300,012	336,410	21,274	357,684
Profit for the year		-	-	-	-	-	-	-	23,957	23,957	23,957	4,934	28,891
Other comprehensive (loss) income													
Item that may be reclassified subsequently to profit or loss													
Foreign currency translation differences		-	-	-	-	-	(2,299)	-	-	(2,299)	(2,299)	(1,178)	(3,477)
Total comprehensive (loss) income for the year		-	-	-	-	-	(2,299)	-	23,957	21,658	21,658	3,756	25,414
Non-controlling interests arising from incorporation of subsidiary		-	-	-	-	-	-	-	-	-	-	1,260	1,260
Transactions with equity holders													
Contribution and distribution													
Equity-settled share-based payment	25	-	-	-	-	-	-	4,717	-	4,717	4,717	-	4,717
Shares issued upon exercise of share option	25	1,650	23,349	-	-	-	-	(6,139)	-	17,210	18,860	-	18,860
Shares issued upon exercise of unlisted warrants	26	1,378	19,423	-	-	(138)	-	-	-	19,285	20,663	-	20,663
Shares issued upon placing	24	7,300	47,927	-	-	-	-	-	-	47,927	55,227	-	55,227
Total transactions with equity holders		10,328	90,699	-	-	(138)	-	(1,422)	-	89,139	99,467	-	99,467
At 31 December 2015		46,726	599,286	10,084	(20,749)	138	(2,340)	6,360	(181,970)	410,809	457,535	26,290	483,825

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**36,465**	42,429
Depreciation and amortisation		**6,018**	7,592
Gain on disposal of subsidiaries		**–**	(2,703)
Allowance for doubtful debts, net		**2,570**	41
Equity-settled share-based payment		**4,717**	7,782
Interest income		**(44)**	(119)
Write back of accounts payable		**(2,322)**	–
Changes in working capital:			
Accounts and other receivables		**16,390**	(50,507)
Accounts and other payables		**9,519**	(1,501)
Inventories		**6,875**	–
Cash generated from operations		**80,188**	3,014
Income taxes paid		**(11,629)**	(317)
Net cash from operating activities		**68,559**	2,697
INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		**(23,388)**	(15,225)
Acquisition of a subsidiary	*29*	**(11,996)**	–
Capital injection from non-controlling interests		**1,260**	–
Deposit for acquisition of a subsidiary		**(80,000)**	(12,000)
Deposits for available-for-sale financial assets		**(11,751)**	–
Net cash inflow on disposal of subsidiaries		**–**	452
Purchase of property, plant and equipment		**(3)**	(22)
Purchase of intangible assets		**–**	(9,459)
Advance to joint ventures		**(2,570)**	(41)
Interest received		**44**	119
Net cash used in investing activities		**(128,404)**	(36,176)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
FINANCING ACTIVITIES			
Other loan raised		**11,941**	–
Proceeds from issue of new shares		**55,227**	35,400
Proceeds from exercise of unlisted warrants		**20,663**	–
Proceeds from exercise of share options		**18,860**	–
Repayment to an individual		**–**	(5,707)
Advances (to) from directors, net		**(399)**	3,553
Net cash from financing activities		**106,292**	33,246
Net increase (decrease) in cash and cash equivalents		**46,447**	(233)
Cash and cash equivalents at beginning of year		**20,979**	21,451
Effect of foreign exchange rate changes, net		**(3,634)**	(239)
Cash and cash equivalents at end of year	*22*	**63,792**	20,979

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are detailed in Note 36 to the consolidated financial statements.

2. STATEMENT OF COMPLIANCE

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 consolidated financial statements except for the adoption of certain new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in Note 3 to the consolidated financial statements.

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

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

Annual Improvements Project: 2010-2012 Cycle

The amendments relevant to the Group include the followings.

(1) *HKFRS 2 Share-based Payment*

The amendments add definitions for "performance condition" and "service condition" which were previously part of the definition of "vesting condition" and update the definitions of "vesting condition" and "market condition". It specifies in the definition of performance condition that a vesting condition requires specified performance target(s) to be met. A performance target can be defined not only by reference to the operations (or activities) of the entity or the price (or value) of its equity instruments, but also the operations (activities) of another entity in the same group or the price (or value) of the equity instruments of that entity. Further, the performance target can also be related to the performance of the entity as a whole or a part of it or the group, including a division or an individual employee. The period for achieving the performance target shall not extend beyond the end of the service period but may start before (provided not substantially before the commencement of) the service period.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

Annual Improvements Project: 2010-2012 Cycle (Continued)

(2) HKFRS 8 Operating Segments

HKFRS 8 is updated as follows:

(a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

(b) It is clarified that the reconciliation of the total reportable segments' assets to the entity's assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

(3) HKFRS 13 Fair Value Measurement

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity's ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial.

(4) HKAS 24 Related Party Disclosures

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the "management entity") to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed.

Impact of the Hong Kong Companies Ordinance (Cap. 622)

In accordance with the GEM Listing Rules, the disclosure requirements of the Hong Kong Companies Ordinance apply to the preparation of these consolidated financial statements and as a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 consolidated financial statements. Where appropriate, the comparative information has been amended to achieve a consistent presentation.

Basis of measurement

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

Allocation of total comprehensive income

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

Changes in ownership interest

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries

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

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

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

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

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

Goodwill arising on an acquisition of an associate or a joint venture is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or joint venture. Such goodwill is included in interests in associates or joint ventures. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Associates and joint ventures *(Continued)*

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

In the Company's statement of financial position which is presented within these notes, an investment in associates and joint ventures is stated at cost less impairment loss determined on individual basis.

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

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

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Property, plant and equipment

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Leasehold improvements	10%
Computer equipment	33⅓%
Furniture, fixtures and office equipment	18% to 20%
Motor vehicles	10%

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

Intangible assets

The initial cost of acquiring a licence for broadcasting professional sports event and entertainment content, and rights to software is capitalised. Licence rights with finite useful lives are stated at cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost less accumulated impairment losses on the straight-line basis over the shorter of their estimated useful lives and the underlying licence period as set out below from the date on which they are available for use.

Broadcasting and software licence rights	20% to 33⅓%

Research and development costs

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

Recognition and derecognition

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

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

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

Initial measurement

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Financial liabilities

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

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

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

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

Cash equivalents

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

Revenue recognition

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

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

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

Consultancy service income relating to system development business is recognised when services are rendered.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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

Foreign currency translation

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

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

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

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

Inventories

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

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

Impairment of other assets

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Leases

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

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

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

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

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

Share-based payment transactions

Equity-settled transactions

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled transactions (Continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

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

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

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

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

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

Taxation

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the parent of the Group.

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

Segment reporting

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

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

Critical accounting estimates and judgements

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

(a) Critical judgements made in applying accounting policies

Subsidiary governed under contractual arrangements

The Group had entered into a set of control agreements and supplemental agreements (the "Control Agreements") with 北京東方力恒影視傳媒有限公司 (unofficial English name as Beijing Orient Liheng Television Media Company Limited, "Liheng") and the two legal owners of Liheng on 10 November 2014 and 30 December 2014. In accordance with the terms of the Control Agreements, the Group controls Liheng because:

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

(a) Critical judgements made in applying accounting policies *(Continued)*

Subsidiary governed under contractual arrangements *(Continued)*

(i) the board of directors of Liheng is controlled by the Group pursuant to the management appointment agreements and the directors' undertakings;

(ii) the general meeting of Liheng is controlled by the Group pursuant to the shareholders' undertakings and the directors' undertakings; and

(iii) all the benefits arising from the equity interests in Liheng is entirely conveyed to the Group pursuant to the share charge and the exclusive consultancy service agreement.

The Company believes that, notwithstanding the lack of equity ownership, the Control Agreements give the Group control over Liheng in substance. Accordingly, Liheng is accounted for as a subsidiary of the Company.

(b) Key sources of estimation uncertainty

Allowance for bad and doubtful debts

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

Impairment of investments and receivables

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis or more frequently if there is any indication of impairment loss. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in Note 15 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in HKFRSs

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

Amendments to HKAS 1	*Disclosure Initiative* [1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants* [1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements* [1]
Amendments to HKAS 28 (2011) and HKFRS 10	*Sale of Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Amendments to HKFRS10, HKFRS 12 and HKAS 28 (2011)	*Investments Entities : Applying the Consolidation Exception* [1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations* [1]
HKFRS 14	*Regulatory Deferral Accounts* [1]
Various HKFRSs	*Annual Improvements Project – 2012-2014 Cycle* [1]
HKFRS 15	*Revenue from Contracts with Customers* [2]
HKFRS 9 (2014)	*Financial Instruments* [2]
Amendments to HKAS 28 (2011) and HKFRS 10	*Sales of Contribution of Assets between an Investor and its Associate or Joint Venture* [3]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

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

4. SEGMENTAL INFORMATION

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

- Entertainment segment which engages in the distribution of copyright-protected items, licensing of entertainment content and provision of entertainment-related services; and
- Sports segment which engages in licensing of professional sports events content and provision of marketing and promotional services to professional athletes.

(a) Segment revenue and results

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

Year ended 31 December 2015

	Entertainment HK$'000	Sports HK$'000	Total HK$'000
Segment revenue			
Sale to external customers	38,396	51,650	90,046
Profit for the year before the following items:	21,335	38,507	59,842
Allowance for doubtful debts on loans to and due from joint ventures	(2,570)	–	(2,570)
Segment results	18,765	38,507	57,272
Unallocated income			1
Unallocated expenses			(20,808)
Profit before taxation			36,465
Taxation	(2,312)	(5,262)	(7,574)
Profit for the year			28,891

4. SEGMENTAL INFORMATION *(Continued)*

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

Year ended 31 December 2014

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

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

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

4. SEGMENTAL INFORMATION *(Continued)*

(b) Segment assets and liabilities

As at 31 December 2015

	Entertainment HK$'000	Sports HK$'000	Total HK$'000
Assets before the following items:	**186,038**	**116,319**	**302,357**
Goodwill	**135,067**	**105,635**	**240,702**
Loans to and due from joint ventures	**401**	**–**	**401**
Segment assets	**321,506**	**221,954**	**543,460**
Unallocated assets			**12,478**
Consolidated total assets			**555,938**
Segment liabilities	**34,080**	**35,236**	**69,316**
Unallocated liabilities			**2,797**
Consolidated total liabilities			**72,113**

As at 31 December 2014

	Entertainment HK$'000	Sports HK$'000	Total HK$'000
Assets before the following items:	76,748	97,585	174,333
Goodwill	113,240	105,635	218,875
Loans to and due from joint ventures	345	–	345
Segment assets	190,333	203,220	393,553
Unallocated assets			11,207
Consolidated total assets			404,760
Segment liabilities	19,421	22,971	42,392
Unallocated liabilities			4,684
Consolidated total liabilities			47,076

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

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

4. SEGMENTAL INFORMATION *(Continued)*

(c) Other segment information

Year ended 31 December 2015

	Entertainment HK$'000	Sports HK$'000	Total HK$'000
Amortisation of intangible assets	**(747)**	**(4,358)**	**(5,105)**
Depreciation of property, plant and equipment	**(809)**	**(104)**	**(913)**
Capital expenditure	**(3)**	**–**	**(3)**
Write back of accounts payable	**–**	**2,322**	**2,322**

Year ended 31 December 2014

	Entertainment HK$'000	Sports HK$'000	Total HK$'000
Amortisation of intangible assets	(757)	(5,675)	(6,432)
Depreciation of property, plant and equipment	(930)	(230)	(1,160)
Capital expenditure	–	(9,481)	(9,481)
Gain on disposal of subsidiaries	–	2,703	2,703

(d) Geographic information

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

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

	Revenue from external customers		Non-current assets	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Hong Kong	**–**	–	**278,406**	198,406
PRC	**78,346**	74,384	**50,849**	47,541
Taiwan	**11,700**	41,000	**–**	–
	90,046	115,384	**329,255**	245,947

4. SEGMENTAL INFORMATION *(Continued)*

(e) Information about major customers

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

Customer	Segment	2015 HK$'000	2014 HK$'000
A	Entertainment	**12,000**	–
B	Sports	**11,700**	–
C	Sports	**11,000**	–
D	Entertainment	**11,000**	–
E	Entertainment	**–**	24,000
F	Entertainment	**–**	17,000
G	Sports	**–**	16,608
H	Sports	**–**	12,143
		45,700	69,751

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

5. REVENUE

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

	2015 HK$'000	2014 HK$'000
Entertainment		
– Licensing of entertainment content	**974**	4,197
– Sale of entertainment content and products	**31,000**	41,000
– System development consultancy service income	**6,422**	3,570
Sports		
– Licensing of sports events content	**44,666**	57,313
– Marketing and promotional service commission income	**4,658**	6,977
– Sale of athlete's agency agreements	**2,326**	2,327
Total revenue	**90,046**	115,384

6. OTHER INCOME

	Note	2015 HK$'000	2014 HK$'000
Bank interest income		**44**	119
Exchange gain, net		**509**	159
Gain on disposal of a subsidiary		**–**	2,703
Sundry income		**–**	6
Write back of accounts payable	*(i)*	**2,322**	–
		2,875	2,987

Note:

(i) A licensor agreed to waive the licence fee payable by the Group.

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

	2015 HK$'000	2014 HK$'000
Employee benefits expenses (including directors' remuneration)		
Salaries and allowances	**5,194**	6,915
Contribution to defined contribution retirement schemes	**376**	241
Equity-settled share-based payment	**4,245**	7,004
	9,815	14,160
Auditor's remuneration	**1,199**	1,000
Amortisation of intangible assets		
– included in cost of services rendered	**4,358**	5,675
– included in administrative and other expenses	**747**	757
Depreciation of property, plant and equipment	**913**	1,160
Allowance for doubtful debts on loans to and due from joint ventures	**2,570**	41
Operating lease payments on hire of equipment	**71**	219
Operating lease payments on premises	**2,835**	3,370

8. DIRECTORS' EMOLUMENTS

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

	Directors' fees HK$'000	Salaries and allowances HK$'000	Equity-settled share-based payment HK$'000	Contribution to defined contribution retirement schemes HK$'000	Total HK$'000
Year ended 31 December 2015					
Executive directors					
Hsu Tung Sheng	120	876	472	–	1,468
Hsu Tung Chi	120	876	472	–	1,468
Pang Hong Tao	240	–	–	–	240
	480	1,752	944	–	3,176
Independent non-executive directors					
Kwok Chi Sun, Vincent	60	–	–	–	60
Wong Tak Shing	60	–	–	–	60
Chang Ching Lien	60	–	–	–	60
	180	–	–	–	180
	660	1,752	944	–	3,356

8. DIRECTORS' EMOLUMENTS *(Continued)*

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

The directors of the Company are regarded as the key management personnel of the Group for disclosure purposes.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2015 and 2014. In addition, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 December 2015 and 2014.

Except as disclosed in Note 21(iii) to these consolidated financial statements, there were no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the years ended 31 December 2015 and 2014.

Except as disclosed in Note 30(ii) to these consolidated financial statements, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company or a connected entity of a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2015 and 2014.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included two (2014: three) directors, details of whose remuneration are set out in Note 8 to the consolidated financial statements above. Details of the remuneration of the remaining three (2014: two) highest paid individuals, who are not directors, for the years ended 31 December 2015 and 2014 are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and allowances	**1,022**	630
Contribution to defined contribution retirement schemes	**52**	47
Equity-settled share-based payment	**1,415**	778
	2,489	1,455

The above three (2014: two) highest paid individuals fell within the following bands:

	2015	2014
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**–**	1
	3	2

10. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

PRC Enterprise Income Tax ("EIT") has been provided at the rate of 25% (2014: 25%) on the estimated assessable profits of the PRC subsidiaries during the year.

	2015 HK$'000	2014 HK$'000
Hong Kong Profits Tax		
Current year provision	**2,587**	4,935
EIT		
Current year provision	**4,944**	4,578
Underprovision in prior year	**43**	273
Total tax expense for the year	**7,574**	9,786

Reconciliation of effective tax rate

	2015 %	2014 %
Income tax at applicable tax rate	**21.9**	22.4
Non-deductible expenses	**5.9**	3.6
Non-taxable revenue	**(6.8)**	(6.5)
Unrecognised temporary differences	**(0.9)**	(0.1)
Unrecognised tax losses	**2.2**	10.2
Utilisation of previously unrecognised tax losses	**(1.6)**	–
Underprovision in prior year	**0.1**	0.6
Others	**–**	(7.2)
Effective tax rate for the year	**20.8**	23.0

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

11. DIVIDENDS

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

12. EARNINGS PER SHARE

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

	2015 **HK$'000**	2014 HK$'000
Profit attributable to equity holders of the Company	**23,957**	24,890

	Note	**2015** **No. of shares** **'000**	2014 No. of shares '000 (Adjusted)
Issued ordinary shares at 1 January		**3,639,853**	3,344,853
Effect of shares issued		**270,609**	75,371
Effect of share consolidation	*24(ii)*	**(2,932,847)**	(2,565,168)
Weighted average number of ordinary shares for basic earnings per share		**977,615**	855,056
Effect of dilutive potential shares from:			
– Unlisted warrants		**N/A**	N/A
– Share options		**17,134**	3,257
Weighted average number of ordinary shares for diluted earnings per share		**994,749**	858,313

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2014					
At beginning of reporting period	4,937	229	726	492	6,384
Additions	–	22	–	–	22
Depreciation	(655)	(184)	(211)	(110)	(1,160)
Disposal of a subsidiary	–	(32)	–	(379)	(411)
Effect on foreign currency exchange differences	(29)	(2)	(4)	(3)	(38)
At end of reporting period	4,253	33	511	–	4,797
Reconciliation of carrying amount – year ended 31 December 2015					
At beginning of reporting period	**4,253**	**33**	**511**	**–**	**4,797**
Additions – business combination	**–**	**–**	**–**	**46**	**46**
Additions	**–**	**3**	**–**	**–**	**3**
Depreciation	**(646)**	**(18)**	**(208)**	**(41)**	**(913)**
Effect on foreign currency exchange differences	**(198)**	**(1)**	**(19)**	**1**	**(217)**
At end of reporting period	**3,409**	**17**	**284**	**6**	**3,716**
At 31 December 2014					
Cost	6,415	568	951	–	7,934
Accumulated depreciation	(2,162)	(535)	(440)	–	(3,137)
Net carrying amount	4,253	33	511	–	4,797
At 31 December 2015					
Cost	**6,076**	**538**	**916**	**46**	**7,576**
Accumulated depreciation	**(2,667)**	**(521)**	**(632)**	**(40)**	**(3,860)**
Net carrying amount	**3,409**	**17**	**284**	**6**	**3,716**

14. INTANGIBLE ASSETS

	Broadcasting licence rights HK$'000	Software licence rights HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2014			
At beginning of reporting period	5,073	2,219	7,292
Additions	9,459	–	9,459
Amortisation	(5,675)	(757)	(6,432)
Effect on foreign currency exchange differences	(31)	(13)	(44)
At end of reporting period	8,826	1,449	10,275
Reconciliation of carrying amount – year ended 31 December 2015			
At beginning of reporting period	**8,826**	**1,449**	**10,275**
Amortisation	**(4,358)**	**(747)**	**(5,105)**
Effect on foreign currency exchange differences	**(288)**	**(45)**	**(333)**
At end of reporting period	**4,180**	**657**	**4,837**
At 31 December 2014			
Cost	9,455	3,782	13,237
Accumulated amortisation	(629)	(2,333)	(2,962)
Net carrying amount	8,826	1,449	10,275
At 31 December 2015			
Cost	**8,957**	**3,583**	**12,540**
Accumulated amortisation	**(4,777)**	**(2,926)**	**(7,703)**
Net carrying amount	**4,180**	**657**	**4,837**

15. GOODWILL

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

	2015 HK$'000	2014 HK$'000
Reconciliation of carrying amount		
At beginning of reporting period	**218,875**	219,789
Acquisition of subsidiaries	**21,827**	–
Derecognition upon disposal of a subsidiary	**–**	(914)
At end of reporting period	**240,702**	218,875
At 31 December		
Cost	**271,702**	249,875
Accumulated impairment losses	**(31,000)**	(31,000)
	240,702	218,875

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

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

	2015 HK$'000	2014 HK$'000
Entertainment		
– Music content	**18,545**	18,545
– Film and TV series production and distribution	**94,695**	94,695
– Television-related content	**21,827**	–
Sports		
– Sports events content	**1,924**	1,924
– Marketing and promotional services	**103,711**	103,711
	240,702	218,875

15. GOODWILL *(Continued)*

CGUs of Entertainment and Sports

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

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

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

	Entertainment						Sports			
	Music content		Film and TV series production and distribution		Television-related content		Sports events content		Marketing and promotional services	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Gross profit margin	**99%**	72%	**54%**	78%	**22%**	N/A	**55%**	53%	**98%**	74%
Average growth rate	**4%**	7%	**37%**	15%	**87%**	N/A	**19%**	5%	**47%**	45%
Long-term growth rate	**3%**	3%	**3%**	3%	**3%**	N/A	**3%**	3%	**3%**	3%
Discount rate	**36%**	34%	**31%**	24%	**37%**	N/A	**42%**	42%	**27%**	26%

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

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

16. INTEREST IN JOINT VENTURES

	2015 **HK$'000**	2014 HK$'000
Unlisted shares		
Share of net liabilities	**–**	–

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

Name of joint venture	**Place of incorporation/type of legal entity**	**Place of operation**	**Particulars of issued and paid up ordinary share/ registered capital**	**Effective percentage equity attributable to the Group**		**Principal activities**
				Direct	*Indirect*	
Shinning Day Limited	British Virgin Islands/ limited liability company	Hong Kong	4 shares of US$1 each	48.81%	–	Investment holding
Golden Sino Limited	Hong Kong/ limited liability company	Hong Kong	1,000 shares with capital of HK$1,000	–	48.81%	Investment holding
Beijing YiLaiShen Technology Company Limited* 北京易來申科技有限公司	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital of HK$12,000,000	–	48.81%	Distribution of copyright-protected items and other entertainment related business

* English translation of company name for identification purpose only

16. INTEREST IN JOINT VENTURES *(Continued)*

Fair value of investments

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

Financial information of joint ventures

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

At 31 December	**2015** **HK$'000**	2014 HK$'000
Gross amount		
Non-current assets	**32**	37
Current assets	**8,553**	1,037
Current liabilities	**(28,546)**	(28,399)
Equity	**(19,961)**	(27,325)
Group's ownership interests	**48.81%**	48.81%
Group's share of equity**	**–**	–
Included in above:		
Cash and cash equivalents	**7,827**	229
Current financial liabilities *	**(27,320)**	(24,508)

16. INTEREST IN JOINT VENTURES *(Continued)*

Year ended 31 December	**2015 HK$'000**	2014 HK$'000
Gross amount		
Revenue	**8,142**	565
Profit (Loss) for the year	**7,230**	(1,368)
Other comprehensive income for the year	**134**	48
Profit (Loss) for the year and total comprehensive income (loss) for the year	**7,364**	(1,320)
Group's ownership interest	**48.81%**	48.81%
Group's share of result of joint ventures**	**–**	–
Included in above:		
Depreciation and amortisation	**–**	(72)
Interest income	**–**	1
Interest expenses	**(943)**	(1,186)

* *Exclude trade and other payables and provisions.*

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

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

The unrecognised share of profit of joint ventures for the current year amounted to HK$3,529,000 (2014: share of loss of HK$668,000) and the unrecognised share of losses cumulatively up to the end of the reporting period amounted to HK$1,952,000 (2014: HK$5,481,000) respectively.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	**2015** **HK$'000**	2014 HK$'000
Unlisted investments, at cost	*(i), (ii)*	**23,388**	15,225
Deposits for available-for-sale financial assets	*(iii)*	**11,751**	–

The available-for-sale investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed. The directors of the Company are of the opinion that their fair values cannot be measured reliably. No impairment has been identified by the directors on these investments at the end of the reporting period.

(i) During the year ended 31 December 2015, the Group entered into an agreement with other investing companies for the investment in a TV series production project with capital injection of RMB2,000,000 (equivalent to approximately HK$2,388,100). The Group is entitled to share profit from distribution of the broadcasting rights of the TV series based on the percentage of capital invested into the TV series production project. Production of the TV series is expected to be completed in May 2016.

The Group also entered into an agreement with an independent third party for the investment in a movie production project with an amount of HK$21,000,000. According to the agreement, the Group is entitled to share the profit in priority up to the principal amount. Thereafter, the Group is entitled to share profit from the distribution of broadcasting rights of the movie with reference to its capital contribution to the project and the terms of the agreement. Production of the movie is expected to be completed in early 2017.

(ii) The investment as at 31 December 2014 represented a contractual agreement entered into by the Group and a film investment agent in October 2014 for the provision of financing, amounted to HK$15,225,000, by the Group in return for the sharing of revenue from selected films. According to the contractual agreement, a full refund of the amount paid by the Group would be made if the film selection had not occurred by 31 December 2015. As the film selection had not occurred by 31 December 2015, full refund will be made and the amount has been recorded as other receivables as at 31 December 2015.

(iii) Included in deposits for available-for-sale financial assets is a TV show investment ("Project") of Liheng amounted to approximately HK$9,421,000 (2014: HK$Nil). On 21 December 2015, Liheng signed a project cooperation agreement with an independent third party and agreed to invest RMB10,000,000 (equivalent to approximately HK$11,941,000) in the Project which is one-eighth of the total investment cost of the Project. The remaining investment cost is contributed by other investors. Further details of this investment have been disclosed in Note 23(ii) to the consolidated financial statements.

18. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

(a) On 6 July 2015, the Company entered into an acquisition agreement (as supplemented and amended by the supplemental agreement dated 22 July 2015, the confirmation letter dated 28 August 2015, the second supplemental agreement dated 29 September 2015 and the third supplemental agreement dated 18 December 2015) (the "Agreement")) with the Vendors to acquire 100% of the issued share capital in Dream World Holdings Limited ("Dream World"). The aggregate consideration shall be up to HK$587,250,000, to be settled by the Company to the parties by (i) cash payment of HK$150,000,000; (ii) the issue of Consideration Shares for a total amount of HK$77,250,000; and (iii) subject to the fulfillment of Profit Guarantee requirements, the issue of Convertible Bonds in the principal amount of up to HK$360,000,000 by the Company. As at 31 December 2015, deposit of HK$80,000,000 had been made pursuant to the Agreement. The acquisition of Dream World was completed on 14 January 2016. Accordingly, Dream World would be accounted for by the Group as a wholly owned subsidiary from January 2016 onwards.

Dream World is incorporated in the Cayman Islands with limited liability and principally engaged in the business of operating film-based cultural theme parks.

The initial accounting for the acquisition of Dream World is incomplete because part of the consideration is based on the financial statements of Dream World for the year ended 31 December 2015 which have not been issued.

(b) The deposit as of 31 December 2014 of HK$12,000,000 was related to the acquisition of Liheng, which was completed on 18 February 2015. Further details of this transaction have been disclosed in Note 29 to these consolidated financial statements.

19. LOANS TO AND DUE FROM JOINT VENTURES

	Note	**2015 HK$'000**	2014 HK$'000
Due from joint ventures	*(i)*	**3,615**	989
Loans to a joint venture	*(ii)*	**17,000**	17,000
		20,615	17,989
Allowance for doubtful debts	*(iii)*	**(20,214)**	(17,644)
		401	345

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

Note:

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

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

On 27 December 2013, the Group signed a supplemental agreement with the joint venture and agreed to extend the term of the loan facility from 28 December 2013 to 28 December 2016. The joint venture had drawn down HK$17,000,000 (2014: HK$17,000,000) as at 31 December 2015.

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

Movement in allowance for doubtful debts is as follows:

	2015 **HK$'000**	2014 HK$'000
At beginning of reporting period	**17,644**	17,603
Increase in allowance	**2,570**	41
At end of reporting period	**20,214**	17,644

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

20. INVENTORIES

	2015 **HK$'000**	2014 HK$'000
Movie scripts	**2,054**	–

21. ACCOUNTS AND OTHER RECEIVABLES

	Note	2015 HK$'000	2014 HK$'000
Accounts receivable			
From third parties	(i)	**51,312**	53,020
Other receivables			
Deposits, prepayments and other receivables		**6,359**	12,640
Prepayment to a consultant		**–**	3,414
Prepayments to licensors and suppliers		**38,760**	41,865
Refund of available-for-sale financial asset	17(ii)	**15,225**	–
Due from directors of subsidiaries of the Company	(ii)	**7,653**	5,735
Due from directors	(iii)	**5,988**	5,590
		73,985	69,244
		125,297	122,264

Note:

(i) Accounts receivable

In general, the Group allows a credit period of 30 days to its customers upon presentation of invoices. Included in the Group's accounts receivable balances are debtors with carrying amounts of HK$20,429,000 (2014: HK$36,592,000), which were past due at the end of the reporting period but not impaired as there has not been any significant change in credit quality and part of which has been subsequently settled. These relate to several customers for whom there is no recent history of default.

21. ACCOUNTS AND OTHER RECEIVABLES *(Continued)*

Note: (Continued)

(i) Accounts receivable *(Continued)*

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

	2015 HK$'000	2014 HK$'000
0-30 days	**30,883**	31,765
31-90 days	**–**	2,091
91-365 days	**16,625**	–
Over 365 days	**3,804**	19,164
	51,312	53,020

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

	2015 HK$'000	2014 HK$'000
Current	**30,883**	16,428
Less than 1 month past due	**–**	15,337
1 month to 3 months past due	**2,325**	2,841
3 months to 12 months past due	**14,300**	15,415
Over 1 year past due	**3,804**	2,999
	20,429	36,592
	51,312	53,020

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

21. ACCOUNTS AND OTHER RECEIVABLES *(Continued)*

Note: (Continued)

(i) Accounts receivable *(Continued)*

Movement in allowance for doubtful debts is as follows:

	2015 **HK$'000**	2014 HK$'000
At beginning of reporting period	**–**	380
Decrease in allowance – disposal of a subsidiary	**–**	(378)
Effect on foreign currency exchange differences	**–**	(2)
At end of reporting period	**–**	–

(ii) Due from directors of subsidiaries of the Company

The amounts due from directors of the Company's subsidiaries are unsecured, interest-free and have no fixed repayment term. Directors of subsidiaries have indemnified the Group against any losses in case the amounts due are not settled.

(iii) Due from directors

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

Name of director	**Greatest during the year HK$'000**	**2015** **HK$'000**	2014 HK$'000
Hsu Tung Chi	6,513	**5,936**	5,535
Hsu Tung Sheng	55	**52**	55
		5,988	5,590

22. BANK BALANCES AND CASH

	2015 HK$'000	2014 HK$'000
Bank balances and cash		
Cash at bank and in hand	**51,851**	20,979
Time deposit	**11,941**	–
Bank balances and cash	**63,792**	20,979

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term fixed deposits are made between one month to three months depending on the immediate cash requirement of the Group, and earns interest at the prevailing short-term deposit rates.

23. ACCOUNTS AND OTHER PAYABLES

	Note	2015 HK$'000	2014 HK$'000
Accounts payable			
To third parties	*(i)*	**18,013**	8,839
Other payables			
Accrued charges and other payables		**9,718**	9,353
Other loan	*(ii)*	**11,941**	–
Deferred income		**2,719**	2,876
Due to a director	*(iii)*	**4,686**	4,686
Due to a joint venture	*(iv)*	**401**	345
Due to directors of subsidiaries of the Company	*(iv)*	**9,240**	820
		38,705	18,080
		56,718	26,919

23. ACCOUNTS AND OTHER PAYABLES *(Continued)*

Note:

(i) Accounts payable

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

(ii) Other loan

Liheng has entered into a project cooperation agreement with an independent third party (the "Producer"), pursuant to which Liheng agrees to invest RMB10 million in a reality TV show (the "Reality TV Show") to be produced and developed by the Producer. In November 2015, Liheng entered into an investment cooperation agreement with 阿里巴巴(杭州)文化創意有限公司 (Alibaba (Hangzhou) Culture Creation Limited, "Alibaba Hangzhou"), pursuant to which Alibaba Hangzhou agreed to inject RMB10 million (equivalent to approximately HK$11,941,000) into Liheng for the production and development of the Reality TV Show, and Liheng, in return, agreed to repay Alibaba Hangzhou the entire RMB10 million together with 20% fixed investment return within 12 months after such injection. The Company also entered into a corporate guarantee agreement with Alibaba Hangzhou on 4 December 2015, pursuant to which the Company agreed to secure due performance of the payment obligation by Liheng under the investment cooperation agreement.

On 31 December 2015, an agreement was entered into between Alibaba Hangzhou and 北京聚迷互動影視傳媒有限公司 ("北京聚迷"), an independent third party, to transfer the rights and obligations of Alibaba Hangzhou as stated in the investment cooperation agreement to 北京聚迷. 北京聚迷, currently being a party to the corresponding agreement, is therefore entitled to receive the investment amount of RMB10 million and the 20% fixed investment return from Liheng.

(iii) Due to a director

The amount due to the Company's director, Mr. Hsu Tung Chi, is unsecured, interest-free and has no fixed repayment term. The carrying value of the amount due to a director approximates its fair value.

(iv) Due to directors of subsidiaries of the Company/a joint venture

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

24. SHARE CAPITAL

	Note	Number of ordinary shares '000	Nominal value HK$'000
Authorised:			
At 1 January 2014, 31 December 2014 and 1 January 2015, ordinary shares of HK$0.01 each		20,000,000	200,000
Share consolidation from HK$0.01 each to HK$0.04 each		(15,000,000)	–
At 31 December 2015, ordinary shares of HK$0.04 each		5,000,000	200,000
Issued and fully paid:			
At 1 January 2014, ordinary shares of HK$0.01 each		3,344,853	33,448
Issue of new shares		295,000	2,950
At 31 December 2014, ordinary shares of HK$0.01 each		3,639,853	36,398
Issue of shares under share option scheme	*25*	165,000	1,650
Shares issued upon exercise of unlisted warrants	*26*	137,750	1,378
Shares issued upon placing	*(i)*	730,000	7,300
Share consolidation	*(ii)*	(3,504,453)	–
At 31 December 2015, ordinary shares of HK$0.04 each		1,168,150	46,726

Note:

(i) On 29 October 2015, the Company entered into a placing agreement with a placing agent in respect of the placing of 730,000,000 shares to not less than six independent third parties at the placing price of HK$0.078 per share. The placing was completed on 9 November 2015, with proceeds from the issue of the placing shares of approximately HK$56,940,000. The Group considers that the placing represents a good opportunity to raise additional funds for the Group for the Dream World acquisition and for general working capital of the Group.

(ii) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 30 November 2015, every four issued and unissued ordinary shares of HK$0.01 each was consolidated into one consolidated share of HK$0.04 each.

(iii) On 23 July 2015, the Company and a placing agent entered into a placing agreement (as supplemented and amended by the supplemental agreement dated 18 August 2015) in relation to the placing of up to 1,250,000,000 new shares of the Company under specific mandate at a placing price of HK$0.12 per share (before share consolidation effect). Proceeds of the placing under specific mandate are intended to be used for funding the acquisition of Dream World as mentioned in Note 18(a) to the consolidated financial statements, and/or for general working capital of the Group. As at the date of these consolidated financial statements, no shares have been issued under the placing agreement under specific mandate.

25. SHARE OPTION SCHEME

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

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

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

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

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

Date of grant	Exercise period	Exercise price	Fair value at grant date/ service date
		HK$	HK$
10/06/2014			
– Lot 1	10/06/2014 to 10/06/2017	0.1143	0.0339
– Lot 2	10/06/2015 to 10/06/2017	0.1143	0.0421
– Lot 3	10/06/2016 to 10/06/2017	0.1143	0.0483

25. SHARE OPTION SCHEME *(Continued)*

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

(a) Fair value of share options and assumptions

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

Share price at grant date	0.1130
Exercise price	0.1143
Option life	3 years
Expected volatility	71.68%
Expected dividends	Nil
Risk-free interest rate	0.70%

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

During the year, the fair value of equity-settled share-based payment of HK$4,717,000 (2014: HK$7,782,000) has been recognised in profit or loss.

25. SHARE OPTION SCHEME *(Continued)*

(b) Movement in share option

The following table discloses movements of the Company's number of share options during the years ended 31 December 2015 and 2014:

Grant date	Exercise period	Exercise price HK$	Outstanding at 1 January	Granted during the year	Exercised during the year	Share consolidation (every 4 shares into 1 share)	Outstanding at 31 December
Year ended 31 December 2015							
Directors							
10/06/2014	10/06/2014 to 10/06/2017	0.1143	**66,010,208**	**–**	**(11,000,000)**	**(41,257,656)**	**13,752,552**
Employees							
10/06/2014	10/06/2014 to 10/06/2017	0.1143	**231,035,728**	**–**	**(143,000,000)**	**(66,026,796)**	**22,008,932**
Consultant							
10/06/2014	10/06/2014 to 10/06/2017	0.1143	**33,005,104**	**–**	**(11,000,000)**	**(16,503,828)**	**5,501,276**
			330,051,040	**–**	**(165,000,000)**	**(123,788,280)**	**41,262,760**
Exercisable at end of reporting period							**27,508,507**
Weighted average exercise price							**HK$0.1143**
Weighted average exercise price after share consolidation							**HK$0.4572**
Weighted average share price at date of exercise							**HK$0.7300**

25. SHARE OPTION SCHEME *(Continued)*

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

Grant date	Exercise period	Exercise price	Outstanding at 1 January	Granted during the year	Exercised during the year	Share consolidation (every 4 shares into 1 share)	Outstanding at 31 December
		HK$					
Year ended 31 December 2014							
Directors							
10/06/2014	10/06/2014 to 10/06/2017	0.1143	–	66,010,208	–	–	66,010,208
Employees							
10/06/2014	10/06/2014 to 10/06/2017	0.1143	–	231,035,728	–	–	231,035,728
Consultant							
10/06/2014	10/06/2014 to 10/06/2017	0.1143	–	33,005,104	–	–	33,005,104
			–	330,051,040	–	–	330,051,040
Exercisable at end of reporting period							110,017,013
Weighted average exercise price							HK$0.1143
Weighted average share price at date of exercise							N/A

26. WARRANTS

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

During the year ended 31 December 2015, 137,750,000 unlisted warrants were exercised for a total cash consideration of approximately HK$20,663,000. The transaction cost incurred was insignificant.

As a result of the share consolidation on 1 December 2015, pursuant to the terms and conditions of the warrants, the exercise price of the outstanding warrants had been adjusted to HK$0.6 per share as at 31 December 2015.

As of 31 December 2015, there were 34,437,500 unlisted warrants remained outstanding.

27. RETIREMENT BENEFITS SCHEMES

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

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

During the year, the amount of employer's contributions made by the Group to the defined contribution plans was approximately HK$376,000 (2014: HK$241,000).

28. DEFERRED TAXATION

Unrecognised deferred tax assets

As at 31 December 2015, tax losses of HK$Nil (2014: HK$5,073,000) arising from the Group's PRC operations could be used to offset against future taxable profits of the respective PRC subsidiaries for a maximum of 5 years. The Group has not recognised deferred tax asset in respect of tax losses because it is uncertain that future taxable profit will be available against which the Group can utilise the benefits therefrom.

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

	2015 **HK$'000**	2014 HK$'000
Year of expiry		
2017	–	4,640
2019	–	433
	–	5,073

The retained earnings of certain PRC subsidiaries would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of retained earnings of these PRC entities were approximately HK$3,697,000 (2014: HK$3,032,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future. Accordingly, no provision for deferred taxation in respect of withholding tax on dividend have been made.

29. ACQUISITION OF A SUBSIDIARY

On 10 November 2014, the Group entered into an undertaking agreement (the "Undertaking Agreement") with two independent third parties to procure Liheng into contractual arrangement with the Group at an aggregate consideration of HK$24,000,000. Under the contractual arrangement, the Group would be able to exercise 100% control over Liheng in substance notwithstanding the absence of legal ownership. The principal activities of Liheng are production of television drama series and artists management. Further information about the contractual arrangement is detailed in "Critical accounting estimates and judgements" in Note 3 to the consolidated financial statements.

On 18 February 2015, the Undertaking Agreement was completed and Liheng has become a subsidiary of the Group since then. The consideration paid and the amounts of the net identifiable assets acquired and liabilities assumed, at fair value are as follows:

	HK$'000
Non-current assets	
Property, plant and equipment	46
Current assets	
Inventories	8,929
Accounts and other receivables	3,799
Bank balances and cash	4
Current liabilities	
Accounts and other payables	(10,605)
	2,173
Net identifiable assets acquired and liabilities assumed, at fair value	2,173
Goodwill arising from the acquisition *(Note 15)*	21,827
	24,000
Net cash flow on acquisition of a subsidiary:	
Total consideration paid	(24,000)
Net cash acquired from the subsidiary	4
Deposit for acquisition of a subsidiary *(Note 18(b))*	12,000
	(11,996)

The directors of the Company have engaged Grant Sherman Appraisal Limited ("Grant Sherman"), an independent professional valuer, to determine the fair value of the net tangible assets of Liheng in accordance with HKFRS 13. Grant Sherman has determined the methodologies and the key valuation parameters and reviewed the business assumptions adopted.

29. ACQUISITION OF A SUBSIDIARY *(Continued)*

The carrying values of net tangible assets approximate their fair values as at the date of acquisition given their short term in nature.

Goodwill arising from the acquisition represents the excess of the fair value of the consideration paid by the Group over the fair value of net tangible assets of Liheng.

The transaction costs of HK$735,000 have been excluded from the consideration transferred and included in "administrative expenses" in the consolidated statement of comprehensive income.

In respect of the acquired subsidiary, the fair value of accounts and other receivables acquired includes accounts receivable and other receivables with a fair value of approximately HK$70,000 and HK$3,729,000 respectively. The total gross contractual amount of the accounts receivable and other receivables is approximately HK$70,000 and HK$3,729,000 respectively, of which no balance is expected to be uncollectible.

Since acquisition, Liheng reported revenue of HK$8,946,000 and a profit of HK$1,111,000 for the period. If the business combination effected during the year had been taken place at the beginning of the year, the revenue and profit of the Group would have been approximately HK$90,046,000 and HK$28,845,000 respectively.

30. CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

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

(i) Revolving loan facility granted to Far Glory

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

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

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

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

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

As at 31 December 2015, HK$40,000,000 (2014: HK$40,000,000) was drawn down and the related interest income of HK$16,383,000 (2014: HK$12,090,000) was accrued in respect of the facility utilised.

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

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

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

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

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

On 16 November 2015, Hsu Tung Chi, purchased all shares of the Company held by the Subscriber being 17,500,000 ordinary shares of the Company pursuant to the Put Option. Accordingly, the Subscriber agreed and confirmed to release all obligations of the Company under the Subscription Agreement.

31. COMMITMENTS

Capital expenditure commitment

	Note	2015 HK$'000	2014 HK$'000
Contracted but not provided for, net of deposit recognised in the consolidated financial statements:			
– Acquisition of a subsidiary – Dream World	*18(a)*	**507,250**	–
– Acquisition of a subsidiary – Liheng	*18(b), 29*	**–**	12,000
		507,250	12,000

Commitments under operating leases

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

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

	2015 HK$'000	2014 HK$'000
Within one year	**1,444**	1,753
In the second to fifth years inclusive	**6,300**	6,466
Over five years	**568**	1,614
	8,312	9,833

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

	2015			2014		
	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Total HK$'000	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Total HK$'000
Financial assets as per statement of financial position						
Available-for-sale financial assets	23,388	–	23,388	15,225	–	15,225
Loans to and due from joint ventures	–	401	401	–	345	345
Accounts and other receivables	–	95,125	95,125	–	72,025	72,025
Bank balances and cash	–	63,792	63,792	–	20,979	20,979
Total	23,388	159,318	182,706	15,225	93,349	108,574

	Other financial liabilities at amortised cost	
	2015 HK$'000	2014 HK$'000
Financial liabilities as per statement of financial position		
Accounts and other payables	53,999	24,043

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

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

Credit risk

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

A detailed discussion of the Group's credit risk in respect of accounts and other receivables is set out in Note 21 to the consolidated financial statements. The Group only provides services to recognised and credit-worthy third parties. Management closely monitors all outstanding debts and reviews the collectability of debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the financial statements. The Group does not hold any collateral over these assets.

At the end of the reporting period, the Group had a concentration of credit risk as 21% (2014: 36%) and 82% (2014: 83%) of the total accounts receivable were made up by the Group's largest customer's and the five largest customers' outstanding balances respectively.

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

Interest rate risk

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

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

Liquidity risk

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

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

	2015				2014			
	Total carrying value HK$'000	**Total contractual undiscounted cash flows HK$'000**	**On demand HK$'000**	**Within 1 year HK$'000**	Total carrying value HK$'000	Total contractual undiscounted cash flows HK$'000	On demand HK$'000	Within 1 year HK$'000
Accounts and other payables	**53,999**	**56,387**	**42,058**	**14,329**	24,043	24,043	20,261	3,782

Fair value

The carrying amount of the Group's financial assets and financial liabilities carried at other than fair value are not materially different from their fair value as at 31 December 2015 and 2014.

33. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. The capital structure of the Group consists of bank balances, net debts, and equity attributable to shareholders (comprising issued capital and reserves). No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

34. EVENTS AFTER THE REPORTING PERIOD

(a) On 11 December 2015, the Company entered into a subscription agreement with Light Cycle Limited ("Light Cycle") in relation to the proposed subscription of the convertible notes of Light Cycle. Light Cycle is principally engaged in the business of operating yoga and cycling studios in Taiwan.

Completion of the subscription is conditional upon the conditions precedent set out in the subscription agreement being satisfied on or before 11 June 2016 (6 months after the date of the subscription agreement). The consideration shall be an aggregate sum of up to HK$30,000,000, to be paid by the Company to Light Cycle in three separate tranches: (i) HK$5,000,000 on the initial tranche completion date; (ii) HK$10,000,000 on the second tranche completion date; and (iii) HK15,000,000 on the final tranche completion date.

The subscription of convertible notes of Light Cycle is not yet completed as at the date of these consolidated financial statements.

(b) In January 2016, the Group completed the acquisition of the entire issued share capital of Dream World involving the proposed issued of consideration shares and convertible bonds. Further details of this transaction have been disclosed in Note 18(a) to the consolidated financial statements.

(c) On 16 February 2016, the Company and Eastern Eagle Investment Company Limited entered into a memorandum of understanding in relation to the proposed exclusive cooperation with Mr. Jay Chou ("周杰倫先生") in the E-sports field and the proposed grant of exclusive right to the Company to use the image and name of Mr. Jay Chou in the worldwide E-sports field for six years.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves are set out below:

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Interest in subsidiaries	*36*	**200,068**	211,273
Loans to a subsidiary	*30*	**40,000**	40,000
		240,068	251,273
Current assets			
Accounts and other receivables		**132,747**	12,455
Bank balances and cash		**19,003**	10,842
		151,750	23,297
Current liability			
Other payables		**3,010**	4,865
Net current assets		**148,740**	18,432
NET ASSETS		**388,808**	269,705
Capital and reserves			
Share capital		**46,726**	36,398
Reserves	*35(a)*	**342,082**	233,307
TOTAL EQUITY		**388,808**	269,705

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

35(a) Reserves

	Note	Share premium HK$'000 (Note (i))	Contributed surplus HK$'000 (Note (ii))	Warrant reserve HK$'000 (Note (iii))	Share option reserve HK$'000 (Note (iv))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014		476,137	3,047	276	–	(264,729)	214,731
Loss for the year and total comprehensive loss for the year		–	–	–	–	(21,656)	(21,656)
Transactions with equity holders							
Contribution and distribution							
Equity-settled share-based payment		–	–	–	7,782	–	7,782
Issue of new shares		32,450	–	–	–	–	32,450
Total transactions with equity holders		32,450	–	–	7,782	–	40,232
At 31 December 2014		508,587	3,047	276	7,782	(286,385)	233,307
At 1 January 2015		508,587	3,047	276	7,782	(286,385)	233,307
Profit for the year and total comprehensive income for the year		–	–	–	–	19,636	19,636
Transactions with equity holders							
Contribution and distribution							
Shares issued upon exercised of share option	25	**23,349**	**–**	**–**	**(6,139)**	**–**	**17,210**
Shares issued upon exercise of unlisted warrants	26	**19,423**	**–**	**(138)**	**–**	**–**	**19,285**
Shares issued upon placing	24	**47,927**	**–**	**–**	**–**	**–**	**47,927**
Equity-settled share-based payment	25	**–**	**–**	**–**	**4,717**	**–**	**4,717**
Total transactions with equity holders		**90,699**	**–**	**(138)**	**(1,422)**	**–**	**89,139**
At 31 December 2015		**599,286**	**3,047**	**138**	**6,360**	**(266,749)**	**342,082**

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

35(a) Reserves *(Continued)*

Note:

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

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

(iii) The warrant reserve relates to the private placing of unlisted warrants.

(iv) The share option reserve represents the fair value of the actual or estimated number of unexercised or lapsed share options granted to employees recognised in accordance with the accounting policy adopted for share-based compensation as described in Note 3 to these consolidated financial statements.

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

(vi) At the end of the reporting period, the Company has no reserves available for distribution to the equity holders of the Company.

36. SUBSIDIARIES

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

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

36. SUBSIDIARIES *(Continued)*

(i) *(Continued)*

Name of subsidiary	Place of incorporation/ type of legal entity	Place of operation	Particulars of issued and paid up ordinary share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Far Glory Group						
Far Glory Limited	British Virgin Islands/limited liability company	Hong Kong	10,900 shares of US$1 each	–	97.61%	Investment holding
Great Wave Limited	British Virgin Islands/limited liability company	Hong Kong	1 share of US$1 each	–	97.61%	Investment holding
Sky Asia Investments Limited	Hong Kong/limited liability company	Hong Kong	1 share with capital of HK$1	–	97.61%	Investment holding
Beijing LianYiHuiZhong Technology Company Limited * 北京聯易匯眾科技有限公司	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital of HK$6,000,000	–	97.61%	Distribution of copyright-protected items and other entertainment-related business
Beijing East Liheng Television Media Co. Limited * 北京東方力恒影視傳媒有限公司	The PRC/limited liability company	The PRC	Paid-up capital of RMB3,000,000	–	97.61%	Production of television drama series and talent management
Beijing WenZiShuma Investment Management Company Limited * 北京文資數碼投資管理有限公司	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital of RMB5,000,000	–	78.09%	Investment management focusing on investments in the cultural industry
ODE Group						
Orient Digital Entertainment Company Limited	British Virgin Islands/limited liability company	Hong Kong	1,000 shares of US$1 each	–	100%	Investment holding
Orient Digital Entertainment Limited	Hong Kong/limited liability company	Hong Kong	1,000 shares with capital of HK$1,000	–	100%	Licensing and sale of entertainment content and products
Beijing Orient Lixiang Culture Media Company Limited*# 北京東方理想文化傳播有限公司 ("東方理想")	The PRC/foreign wholly–owned enterprise	The PRC	Registered capital of RMB2,000,000	–	100%	Investment management focusing on investments in the cultural industry

36. SUBSIDIARIES *(Continued)*

(i) *(Continued)*

Name of subsidiary	Place of incorporation/ type of legal entity	Place of operation	Particulars of issued and paid up ordinary share/ registered capital	Percentage of equity attributable to the Company *Direct*	*Indirect*	Principal activities
Nova Dragon Group						
Nova Dragon International Limited	British Virgin Islands/limited liability company	Hong Kong	10 shares of US$1 each	–	100%	Investment holding
MVP Sports Marketing Company Limited	Hong Kong/limited liability company	Hong Kong	10,000 shares with capital of HK$10,000	–	100%	Assisting professional athletes in marketing and promotional activities
Socle Group						
Socle Limited	British Virgin Islands/limited liability company	Hong Kong	1,000 shares with no par value	–	65%	Investment holding
Imagine Communications Holding Limited	Cayman Islands/limited liability company	Hong Kong	2,000 shares of US$0.001 each	–	65%	Investment holding
Olympic Wealth Limited	British Virgin Islands/limited liability company	The PRC	1 share of US$1 each	–	65%	Licensing of professional sports events and entertainment content
Star Global Management Limited	Hong Kong/limited liability company	Hong Kong	1 share with capital of HK$1	–	65%	Inactive
Goldline Enterprises Limited	British Virgin Islands/limited liability company	Hong Kong	1 share of US$1 each	–	65%	Investment holding
Orient Ace Holdings Limited	Hong Kong/limited liability company	Hong Kong	1 share with capital of HK$1	–	65%	Investment holding
Shenzhen Chuangzhan Corporate Image Planning Limited* 深圳創展企業形象策劃有限公司	The PRC/foreign wholly–owned enterprise	The PRC	Paid-up capital of RMB500,000	–	65%	Investment holding
Shanghai YiTiDongLi Cultural and Sports Communications Limited* 上海壹體動力文化體育傳播有限公司	The PRC/private enterprise	The PRC	Paid-up capital of RMB2,000,000	–	65%	Licensing of professional sports events and entertainment content

* English translation of company name is for identification purpose only
\# At 31 December 2015, 東方理想 had no paid-up capital. Its capital is to be fully paid-up before 17 March 2018.

36. SUBSIDIARIES *(Continued)*

(i) *(Continued)*

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

(ii) Financial information of subsidiaries with individually material NCI

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

At 31 December	2015	2014
Proportion of NCI's ownership interests	35%	35%
	HK$'000	HK$'000
Non-current assets	4,368	9,129
Current assets	99,167	74,372
Current liabilities	(29,351)	(19,501)
Net assets	74,184	64,000
Carrying amount of NCI	25,964	22,400

36. SUBSIDIARIES *(Continued)*

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

For the year ended 31 December	2015	2014
Proportion of NCI's ownership interests	**35%**	35%
	HK$'000	HK$'000
Revenue	**33,501**	57,588
Expenses	**(20,194)**	(35,131)
Profit for the year and total comprehensive income for the year	**13,307**	22,457
Profit and total comprehensive income for the year attributable to NCI	**4,657**	7,860
Net cash inflow (outflow) from		
Operating activities	**25,098**	(4,912)
Investing activities	**26**	(5,130)
Total cash inflows (outflows)	**25,124**	(10,042)