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
2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Hsu Tung Sheng *(Chairman)*
Hsu Tung Chi *(Chief Executive Officer)*
Chang Ching Lien (resigned on 19 October 2017)
Zhang Jing
Lai Kwok Fai, Franki

Independent Non-executive Directors
Kwok Chi Sun, Vincent
Wong Tak Shing
Gou Yanlin

AUDIT COMMITTEE
Kwok Chi Sun, Vincent
Wong Tak Shing
Gou Yanlin

REMUNERATION COMMITTEE
Kwok Chi Sun, Vincent
Hsu Tung Chi
Gou Yanlin

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
Elite Partners CPA Limited (appointed on 27 March 2018)
Certified Public Accountants
10/F, 8 Observatory Road
Tsim Sha Tsui
Kowloon
Hong Kong

Mazars CPA Limited (resigned on 27 March 2018)
Certified Public Accountants
42/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

HONG KONG LEGAL ADVISER
Guantao & Chow Solicitors and Notaries
Suites 1604-06, 16th Floor
ICBC Tower
3 Garden Road
Central
Hong Kong

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Estera Management (Bermuda) Ltd
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
Standard Chartered Bank (Hong Kong) Limited
Nanyang Commercial Bank
Bank of Communication

WEBSITE ADDRESS
www.cdculture.com

STOCK CODE
8175

FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
				(Restated)	
RESULTS					
Revenue	48,623	115,384	90,046	206,214	**349,816**
Profit for the year attributable to:					
Equity holders of the Company	5,294	24,890	23,957	5,103	**22,917**
Non-controlling interests	1,707	7,753	4,934	161	**(1,047)**
Profit for the year	7,001	32,643	28,891	5,264	**21,870**

ASSETS AND LIABILITIES

	As at 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
				(Restated)	
Total assets	329,530	404,760	555,938	1,192,365	**1,703,381**
Total liabilities	(46,622)	(47,076)	(72,113)	(350,271)	**(806,612)**
Non-controlling interests	(14,023)	(21,274)	(26,290)	(24,336)	**1,180**
Net assets attributable to equity holders of the Company	268,885	336,410	457,535	817,758	**897,949**

Note:

The Company was incorporated in the Cayman Islands on 10 October 2002 and continued in Bermuda on 19 December 2012. The Company has become 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 2017.

RESULTS PERFORMANCE

For the year ended 31 December 2017, the revenue of the Group was approximately HK$349,816,000, representing an increase of approximately 70% as compared with approximately HK$206,214,000 for the year ended 31 December 2016.

For the year ended 31 December 2017, the profit attributable to equity holders of the Company increased by approximately 349% from approximately HK$5,103,000 in 2016 (as restated) to approximately HK$22,917,000. The adjusted net profit attributable to equity holders of the Company (excluding interest on convertible bonds and fair value loss on contingent consideration of convertible bonds) was approximately HK$68,648,000, representing an increase of approximately 12% from approximately HK$61,308,000 in 2016 (as restated).

The increase in revenue is primarily attributable to better performance from the entertainment segment resulting from the planning and design of concerts for Mr. Jay Chou (周杰倫) and the licensing and sales of television content. The increase in profit attributable to equity holders of the Company from 2016 to 2017 was primarily attributable to better performance from the entertainment segment.

LATEST DEVELOPMENT

The Company has continued to develop the E-sports business through the use of celebrity endorsement. In 2017, the Group developed an E-sports team with Mr. Wayne Lim (林俊杰) and signed an endorsement contract with Mr. Jam Hsiao (蕭敬騰). SMG Team, the Group's E-sports team with Mr. Wayne Lim, won the championship for the Arena of Valor International Championship: Asia 2017. In addition, at the end of 2017, the Company acquired 100% equity interest in The Players Limited ("Players") in order to expand our E-sports presence in the education sector.

OUTLOOK

Looking ahead at the rest of 2018, the Group will continue to expand the E-sports business. Besides producing quality E-sports content from the intellectual property of the four celebrity E-sports teams (Mr. Jay Chou, Mr. Jeremy Lin（林書豪）, Mr. Wayne Lim and Mr. Jam Hsiao), the Group will also focus on establishing or acquiring streaming and video platforms to capitalise on the Group's E-sports fan base. In addition, due to the aggressive expansion of the E-sports industry in the People's Republic of China (the "PRC"), the Group will continue to increase its efforts in expanding our E-sports businesses to include education, e-commerce, event operations and E-Sports related real estate development. The Group will continue to invest in establishing an ecosystem that surrounds the E-sports industry and perfect the Group's plans for the entire E-sports business.

Finally, on behalf of the Board, I would like to express my heartfelt thanks to all our 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, 26 June 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2017, the Company recorded revenue of approximately HK$349,816,000 (2016: HK$206,214,000) and a profit before taxation of approximately HK$33,547,000 (2016: HK$24,040,000).

The increase in revenue is primarily attributable to better performance from the entertainment segment resulting from the planning and design of concerts for Mr. Jay Chou (周杰倫) in the PRC and the licensing and sales of television content.

SPORTS SEGMENT

The sports segment includes the sale of athlete's agency agreements, licensing and sale of sports content and marketing and promotional activities for professional athletes which are operated by Nova Dragon International Limited ("Nova Dragon") and Socle Limited ("Socle").

During the year ended 31 December 2017, the sports segment recorded revenue of approximately HK$59,897,000 (2016: HK$55,444,000) and a profit before taxation and unallocated income and expenses of approximately HK$26,756,000 (2016: HK$24,428,000).

Nova Dragon is principally engaged in assisting professional athletes with marketing and promotional activities worldwide. Socle is principally engaged in the business of licensing and sale 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 licensing and sale of music and entertainment content which is primarily operated by Far Glory Limited ("Far Glory") and Orient Digital Entertainment Limited ("ODE"), respectively. The entertainment segment also includes the planning and design services for concerts, management and operations of the Group's E-sports teams and management of the Group's webcast celebrities.

During the year ended 31 December 2017, the entertainment segment recorded revenue of approximately HK$266,666,000 (2016: HK$102,386,000) and a profit before taxation and unallocated income and expenses of approximately HK$53,313,000 (2016: HK$69,614,000). The increase in revenue was primarily attributable to (1) the planning and design services for Mr. Jay Chou (周杰倫) concerts in the PRC and (2) the sale of television licensed content. The decrease in profit before taxation and unallocated income and expenses was primarily due to the lower gross profit margin on the planning and design services of concerts and licensing and sales of television content.

On 6 April 2017, the Company and JFJ Productions Corporation ("JFJ") entered into a license agreement in relation to the grant of exclusive right to the Company to use the likeness of Mr. Wayne Lim (林俊傑) for the Company's E-sports team. The transaction was completed on 2 May 2017. In addition, on 16 October 2017, the Company and Mr. Jam Hsiao (蕭敬騰) entered into a license agreement in relation to the grant of exclusive right to the Company to use his likeness for the Company's E-sports team. The transaction was completed on 10 November 2017.

ODE and its subsidiaries are principally engaged in the business of licensing and sale of entertainment content and products such as promotion, sales and distribution of movie and television licensed content worldwide and the management of webcast celebrities. ODE also invests in the production of movies, TV shows and musicals.

MANAGEMENT DISCUSSION AND ANALYSIS

Far Glory and its subsidiaries are principally engaged in the business of licensing and sale of music content as well as the planning and design of music events.

The Group's E-sports business is primarily operated by Summer Eagle Limited ("Summer Eagle") and its subsidiaries. Summer Eagle is principally engaged in the management and operations of professional E-sports teams.

THEME PARK SEGMENT

The theme park segment includes the film-based cultural theme park business and tourism focused projects which is operated by the Dream World Holdings Limited ("Dream World") and its subsidiaries (collectively, the "Dream World Group"). On 14 January 2016, the Company completed the acquisition of Dream World and Dream World has become a wholly-owned subsidiary of the Company.

During the year ended 31 December 2017, the theme park segment recorded a revenue of approximately HK$23,253,000 (2016: HK$48,384,000) and a loss before taxation and unallocated income and expenses of approximately HK$11,087,000 (2016: HK$45,045,000). The decrease in revenue was primarily attributable to the decrease in consultancy revenue. The decrease in loss before taxation and unallocated income and expenses from the year ended 2016 to 2017 was primarily due to the decrease in fair value loss on contingent consideration for convertible bonds.

Dream World Group is principally engaged in the management and operations of film-based cultural theme parks and tourism focused projects. Dream World is currently operating the Huaqiao Dream World Movie and Cultural Theme Parks located in the Kunshan Huaqiao Economic Development Zone in the junction of Shanghai and Suzhou of the PRC.

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group recorded revenue of approximately HK$349,816,000, representing an increase of approximately 70% from approximately HK$206,214,000 for the previous financial year. Cost of services rendered for 2017 was approximately HK$185,130,000 which was an increase of approximately 137% from approximately HK$78,027,000 in 2016. Gross profit margin in 2017 was approximately 47% which was lower than the gross profit margin of approximately 62% for the previous financial year.

During the year ended 31 December 2017, administrative expenses incurred by the Group were approximately HK$103,573,000 (2016: HK$73,609,000). The increase in administrative expenses was primarily due to the increase in write-off of prepayments and the impairment losses on intangible assets.

During the year ended 31 December 2017, the Group recorded approximately HK$1,622,000 (2016: HK$2,507,000) in selling and distribution costs. The decrease in selling and distribution costs was primarily due to decrease in marketing expenses in 2017.

During the year ended 31 December 2017, the Group recorded approximately HK$18,096,000 (2016: HK$4,527,000) in finance costs. The significant increase in finance costs was primarily due to the interest on convertible bonds issued in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the aforesaid figures, the Group reported a profit attributable to equity holders of the Company for the year ended 31 December 2017 of approximately HK$22,917,000 (2016: HK$5,103,000). The adjusted net profit attributable to equity holders of the Company (excluding interest on convertible bonds and fair value loss on contingent consideration) was approximately HK$68,648,000, representing an increase of 12% from approximately HK$61,308,000 in 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had current assets of approximately HK$633,442,000 (2016: HK$287,076,000) and current liabilities of approximately HK$165,183,000 (2016: HK$115,942,000). The current assets were comprised mainly of bank balances and cash of approximately HK$268,969,000 (2016: HK$48,058,000) and accounts and other receivables of approximately HK$223,654,000 (2016: HK$211,922,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK$124,758,000 (2016: HK$75,405,000). As at 31 December 2017, the Group had interest-bearing borrowings of approximately HK$19,911,000 (2016: HK$6,418,000) which is repayable within one year. As at 31 December 2017, the Group had a current ratio of approximately 3.83 as compared to that of approximately of 2.48 as at 31 December 2016.

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 2017, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

FUND RAISING ACTIVITIES

Convertible Bonds

On 19 June 2017, the Company issued convertible bonds with the aggregate principal amount of HK$412,500,000 to Hangzhou Liaison Interactive Information Technology Co., Limited. The holders of the convertible bonds will be able to convert the outstanding principal amount of each of the convertible bonds into ordinary shares of the Company at a conversion price of HK$0.55 per conversion share at any time following the date of issue until the maturity date (18 June 2022). The convertible bonds bear interest of 5.5 per cent per annum, payable annually. Please refer to note 28 to the consolidated financial statements, the circular of the Company dated 13 March 2017 and the announcements of the Company dated 3 January 2017 and 9 February 2017 for more details.

Issue of Consideration Shares under General Mandate

On 16 June 2016, the Company and JLIN Marketing, LLC ("JLIN"), an independent third party, entered into the license agreement in relation to, among others, the grant of exclusive right to the Company to use the name and endorsement of Mr. Jeremy Lin for the Company's Dota team at a total consideration up to US$1,560,000 (equivalent to approximately HK$12,090,000), to be paid by the Company to JLIN or its nominee(s) by (i) cash payment of US$1,170,000 (equivalent to approximately HK$9,068,000); and (ii) the issue of consideration shares equivalent to a total amount of US$390,000 (equivalent to approximately HK$3,022,000). The transaction was completed on 16 June 2016. An aggregate of 5,604,445 consideration shares were allotted and issued the Company on 23 January 2017.

On 6 April 2017, the Company and JFJ Productions Corporation Limited ("JFJ"), an independent the party entered into the license agreement in relation to, among others, the grant of exclusive right to the Company to use the likeness of Mr. Wayne Lim for a Company's E-sports team at a total consideration of approximately HK$10,000,000, to be paid by the Company to JFJ or its nominee(s) by the issue of 22,650,056 consideration shares at the issue price of HK$0.4415 per share. The transaction was completed on 2 May 2017.

On 6 October 2017, Summer Eagle Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement with Mr. Yi Yongdong, an independent third party, in relation to the acquisition of 100% of the issued share capital of The Players Limited ("The Players"), at an aggregate consideration of HK$46,400,000, of which HK$35,000,000 shall be payable by cash and $11,400,000 shall be payable by the ordinary shares of the Company at the price of HK$0.38 per share. The acquisition was completed on 4 December 2017. An aggregate of 30,000,000 consideration shares were allotted and issued by the Company to the vendor.

GEARING RATIO

The gearing ratio (which is computed by consolidated borrowings divided by consolidated total equity) was approximately 2.2% (31 December 2016: 0.8%). As at 31 December 2017, total borrowings of the Group amounted to approximately HK$19,911,000 (31 December 2016: HK$7,030,000).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 30 November 2016, the Company entered into an acquisition agreement with Marvel Paramount International Limited, an independent third party, in relation to the acquisition of 100% of the issued share capital of Vector Vision Enterprises Limited ("Vector Vision"), at a cash consideration of HK$80,000,000. Vector Vision and its subsidiaries ("Vector Vision Group") are principally engaged in the celebrity and artists training course agency business. The transaction was completed on 11 April 2017.

On 28 December 2016, the Company entered into an acquisition agreement with an independent third party in relation to the acquisition of 35% of the issued share capital of Socle Limited ("Socle"), what was then a non-wholly owned subsidiary of the Group, at a cash consideration of HK$58,000,000. Socle and its subsidiaries are principally engaged in the business of licensing sports content. The acquisition was completed on 10 January 2017.

On 6 October 2017, Summer Eagle Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Mr. Yi Yongdong, an independent third party, in relation to the acquisition of 100% of the issued share capital of The Players Limited ("The Players"), at an aggregate consideration of HK$46,400,000, of which HK$35,000,000 shall be payable by cash and $11,400,000 shall be payable by the ordinary shares of the Company at the price of HK$0.38 per share, subject to the fulfillment of the relevant profit guarantee. The Players is principally engaged in the operation of an E-sports institute which provides E-sports education and training classes in Hong Kong. The acquisition was completed on 4 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

The Group's exposure to foreign currency risk mainly arises from the fluctuation of RMB and USD against the functional currencies of the Group. Most of the purchases and sales are denominated and settled in foreign currencies, mainly HKD, RMB and USD. As RMB and USD have been volatile during the years ended 31 December 2016 and 2017, the financial performance of our Company may be affected by the fluctuation of the foreign exchange rate in the future. The Group does not have a foreign exchange hedging policy but management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to a minimum. The Group does not use any financial instruments for hedging purposes.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

EMPLOYEE INFORMATION

As at 31 December 2017, the Group had 150 (2016: 99) employees. Employee costs for the year 2017, excluding Directors' emoluments, amounted to approximately HK$17,096,000 (2016: HK$11,337,000). 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.

FULFILLMENT OF PROFIT GUARANTEE

Fulfillment of 2017 Dream World Holdings Limited Profit Guarantee

Reference is made to the announcements of the Company dated 10 July 2015, 22 July 2015, 30 July 2015, 14 September 2015, 29 September 2015, 14 October 2015, 18 December 2015 and 14 January 2016, and the circular dated 28 October 2015 (the "Circular").

As disclosed in the Circular, subject to the profit guarantee requirements, in the events that (i) the consolidated net profit after tax of Dream World and its subsidiaries (the "Dream World Group") (based on its audited financial statements) is not less than HK$25,000,000 for the year ended 31 December 2017 (the "2017 Dream World Profit Guarantee"), and that (ii) the Company is satisfied with the progress of the stage of construction of the Huaqiao Dream World Movie and Cultural Theme Park (the "Project") for the year ended 31 December 2017, the Company shall pay the Vendors the convertible bonds in principal amount of HK$120,000,000 within three months upon the Company's satisfaction of the above-mentioned two criteria.

The Board confirmed that based on the audited financial information of Dream World Group for the year ended 31 December 2017, the Dream World Group recorded a profit after tax of approximately HK$28,041,000. Therefore, the 2017 Dream World Profit Guarantee requirement has been met. The Company has also received a report on the progress of the stage of construction of the Project prepared by an independent valuer and has determined to withhold the issuance of any additional convertible bonds pertaining to the acquisition of Dream World until the construction has been completed. The Company expects to issue the remaining convertible bonds by March 2019. As such, as at the date of this report, no convertible bonds in relation to the satisfaction of the 2016 and 2017 Dream World Profit Guarantee and the progress of the stage of constructions of the Project for the years ended 31 December 2016 and 2017 was issued to the vendors.

Fulfillment of 2017 Vector Vision Enterprises Limited Profit Guarantee

On 30 November 2016, the Company entered into an acquisition agreement with Marvel Paramount International Limited, an independent third party, in relation to the acquisition of 100% of the issued share capital of Vector Vision, at a cash consideration of HK$80,000,000. The vendor guaranteed to the Group that the net profit for Vector Vision Group for the year ended 31 December 2017 will not be less than HK$3,000,000 (the "2017 Vector Vision Profit Guarantee"). Please refer to the announcements of the Company dated 30 November 2016 and 11 April 2017 for more details.

The Board confirmed that based on the audited financial information of Vector Vision Group for the year ended 31 December 2017, the Vector Vision Group recorded a profit after tax of approximately HK$3,130,000. Therefore, the 2017 Vector Vision Profit Guarantee requirement has been met.

INFORMATION ON THE CONTRACTUAL ARRANGEMENTS BEIJING ORIENT LIHENG TELEVSION MEDIA CO., LTD. (北京東方力恒影視傳媒有限公司)

(a). Background information

On 10 November 2014, Sky Asia Investments Limited ("Sky Asia"), an indirectly wholly owned subsidiary of the Company, entered into an undertaking agreement with two independent third parties, namely Zhang Chong (張沖) and Wang Geng (王賡) (the "Undertaking Agreement"). These two independent third parties undertook to procure 北京東方力恒影視傳媒有限公司 ("Liheng") and to enter into a set of contractual agreements with 北京聯易匯眾科技有限公司 ("Lianyi Huizhong") (collectively "Contractual Arrangements"). Under the Contractual Arrangements, the Group would be able to exercise 100% control over Liheng in substance notwithstanding the absence of legal ownership.

On 18 February 2015, the Undertaking Agreement was completed and Liheng has become a subsidiary of the Group since then.

(b). Particulars of major parties involved

Sky Asia is a wholly owned subsidiary of the Company and is incorporated in Hong Kong with limited liability. The principal business of Sky Asia is investment holding.

Lianyi Huizhong is a wholly foreign-owned enterprise in the People's Republic of China ("PRC") with limited liability and the entire equity of which is directly wholly owned by Sky Asia and indirectly wholly owned by the Company. Lianyi Huizhong principally engages in purchasing licensed musical contents and selling the contents on mobile platforms.

Liheng is a company incorporated with limited liability in the PRC and is owned as to 60% by Zhang Chong (張沖) and 40% by Wang Geng (王賡). Liheng is engaged in the radio and television program production. The principal business of Liheng is the production of television drama series or films and trading of intellectual property rights in relation to entertainment contents. Liheng possesses a valid radio and television program production license.

Zhang Chong (張沖) is the registered shareholder of Liheng and owns 60% of the equity interest in Liheng.

Wang Geng (王賡) is the registered shareholder of Liheng and owns 40% of the equity interest in Liheng.

A summary of the major terms of the Contractual Arrangements has been published on the website of the Company.

(c). Financial information of Liheng

During the year ended 31 December 2016, the revenue and profit after tax of Liheng was approximately HK$8,294,000 and HK$3,741,000 respectively. As at 31 December 2016, the total assets and net assets were approximately HK$44,479,000 and HK$6,522,000 respectively.

During the year ended 31 December 2017, the revenue and net loss after tax of Liheng was approximately HK$9,013,000 and HK$718,000 respectively. The net loss after tax of Liheng was primarily attributed to the provision of doubtful debt for HK$11,071,000. As at 31 December 2017, the total assets and net assets were approximately HK$38,590,000 and HK$6,270,000 respectively.

(d). Reasons for using the Contractual Arrangements

According to the Deheng Shanghai Law Office ("PRC legal adviser"), under the regulations of the *Catalogue for the Guidance of Foreign Investment Industries*, the production of television programs is a restricted type of industry for foreign investments. The foreign investors are not allowed to invest in or hold any shares of companies producing and operating television programs in the PRC. However foreign investors are allowed to participate in the television programs production business in the form of sino-foreign co-operative enterprise.

Since Liheng engages in television programs production business, it falls within the scopes of restricted industries. As foreign investors are not allowed to directly invest in television programs production business, television programs production business operated by Liheng cannot be conducted by a company whose equity interest is owned as to more than 49% by foreign investors pursuant to the applicable PRC laws and regulations. Therefore, Lianyi Huizhong entered into the Contractual Arrangements so as to enable the Company to manage and control the businesses of Liheng.

Under the Contractual Arrangements, Lianyi Huizhong provides professional advices to Liheng in relation to the types of television drama series or films to be produced. Lianyi Huizhong is responsible for the casting of those television drama series and films and ensures that the artists of Liheng have the privileges to play the appropriate roles.

(e). Risks relating to the Contractual Arrangements

(1). Regulatory licenses and permits

The film and television program production and operation businesses in the PRC requires Liheng to obtain licenses and permits from the relevant authorities. For Liheng's business, it is required to obtain relevant regulatory licenses and permits in addition to its business license. The relevant regulatory licenses and permits are generally renewable upon their expiration in accordance with the relevant regulatory provisions. Nevertheless, there is no assurance that such relevant regulatory licenses and permits could be renewed upon their expiration or would be renewed with the same scope. Should Liheng fail to obtain or renew these licenses or permits or should any of them be revoked or suspended, Liheng's business and financial performance would be adversely affected.

(2). *Media law developments in the PRC*

Liheng's businesses are mainly conducted in the PRC. Accordingly, Liheng's results of operation, financial conditions and prospects are subject to a significant degree to the media law developments in the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including:

- political structure;
- degree of government involvement;
- degree of development;
- level and control of capital reinvestment;
- control of foreign exchange; and
- allocation of resources.

Liheng is uncertain whether these changes in the economic, political and social conditions, laws, regulations and policies of the PRC will have any adverse effect on its current or future business, financial conditions or results of operations.

(3). *PRC corporate governance*

The PRC legal adviser is of the view that each of the Contractual Arrangements is lawful, valid and enforceable, and binding on the signing parties. The Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" under Article 52 of the PRC Contract Law. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of the PRC legal adviser stated above.

(4). *The Contractual Arrangements may not be as effective as direct ownership providing control over Liheng*

The Group relies on the Contractual Arrangements with Liheng to operate the television programs production businesses in the PRC. The Contractual Arrangements may not be as effective in providing the Group with control over Liheng as direct ownership in rare circumstances. If the Group had direct ownership of Liheng, the Group would be able to deal with the equity interests in and the assets of Liheng under any winding up situation.

(5). *The shareholders of Liheng may have potential conflict of interests with the Group*

The Group's control over Liheng is based on the Contractual Arrangements. Therefore, conflict of interests of Liheng's shareholders will adversely affect the interests of the Group.

(6). *The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed*

The Group could face material adverse tax consequence if the PRC tax authorities determine that the Contractual Arrangements were not entered into based on arm's length conditions. If the PRC tax authorities determine that the Contractual Arrangements were not entered on an arm's length basis, they may adjust the relevant income and expenses for PRC tax purposes. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability and penalties. As a result, any transfer pricing adjustment would have a material adverse effect on the Group's financial position and results of operations.

In order to mitigate the risks of the Contractual Arrangements, the Group has since its acquisition of this business in February 2015 implemented the following measures to ensure the sound and effective operation of the Contractual Arrangements:

– suitable management has been assigned to Liheng to report regularly to the Group in relation to major issues arising from implementation of the Contractual Arrangements;

– suitable reporting system in line with the Group's financial reporting practice in the PRC have also been in place to ensure that the Group would have full access and control over the books and records of Liheng and to obtain periodic financial information to ensure proper financial record are kept; and

– the Group has worked closely and will continue to work closely with the PRC legal advisors and the management of Liheng on the update of rules and regulations of the PRC to monitor the continue compliance of the rules and regulations by Liheng as to its conduct of business and Contractual Arrangements.

(f). Material change in relation to the Contractual Arrangements

As at the date of this report, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

(g). Unwinding the Contractual Arrangements

The Directors confirm that the Company will unwind the Contractual Arrangements as soon as the laws allows the business of Liheng to be operated without the Contractual Arrangements.

However, as at the date of this report, there is no unwinding of any of the Contractual Arrangements entered into between the Company, Zhang Chong (張沖) and Wang Geng (王賡) nor any change to the laws regulating the business of Liheng that led to the adoption of the Contractual Arrangements be removed.

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. In the opinion of the Directors, the Company has complied with the Code Provision throughout the year ended 31 December 2017.

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 2017.

BOARD OF DIRECTORS AND BOARD MEETINGS

The board members for the year ended 31 December 2017 and up to the date of this report were:

Executive directors:

Mr. Hsu Tung Sheng *(Chairman)*
Mr. Hsu Tung Chi *(Chief Executive Officer)*
Mr. Chang Ching Lien (resigned on 19 October 2017)
Ms. Zhang Jing
Mr. Lai Kwok Fai, Franki

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent
Mr. Wong Tak Shing
Mr. Gou Yanlin

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 30 to 33 of this report. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive director of the Company has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

CORPORATE GOVERNANCE REPORT

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

Pursuant to the requirements of the GEM Listing Rules, the Company has received written confirmations 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	28/28	0/2
Mr. Hsu Tung Chi	28/28	2/2
Mr. Chang Ching Lien (resigned on 19 October 2017)	23/23	0/2
Ms. Zhang Jing	28/28	0/2
Mr. Lai Kwok Fai, Franki	28/28	0/2
Non-executive directors:		
Mr. Kwok Chi Sun, Vincent	28/28	0/2
Mr. Wong Tak Shing	28/28	0/2
Mr. Gou Yanlin	28/28	0/2

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

REMUNERATION COMMITTEE

The remuneration committee was established in 11 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. Gou Yanlin, 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. Gou Yanlin	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 executive director, namely Mr. Hsu Tung Chi and two are independent non-executive directors namely Mr. Kwok Chi Sun, Vincent and Mr. Wong Tak Shing. The chairman of the committee is Mr. Kwok Chi Sun, Vincent.

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

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

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

AUDIT COMMITTEE

The Company established an audit committee on 24 January 2003 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 risk management and internal control system of the Group. The audit committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Gou Yanlin, 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 ended 31 December 2017. 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. Gou Yanlin	4/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 December 2017 have been reviewed by the audit committee during the year ended 31 December 2017, 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. Chang Ching Lien (resigned on 19 October 2017)	✓	
Ms. Zhang Jing	✓	
Mr. Lai Kwok Fai, Franki	✓	✓
Independent non-executive directors:		
Mr. Kwok Chi Sun, Vincent	✓	✓
Mr. Wong Tak Shing	✓	✓
Mr. Gou Yanlin	✓	✓

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, 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	2,000
Non-audit services	
– Quarter review	0
– Others	0

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.

RISK MANAGEMENT INTERNAL CONTROL

The Board is responsible for maintaining the Group's risk management and internal control system and reviewing the effectiveness of these controls. Risk management and internal control system is 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 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 at the date of the deposit of the requisition 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 annual 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 or two or more copies which between them contain the signatures of all the requisitions 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

The Group is principally engaged in distribution of copyright-protected items and other entertainment-related business; production of television drama series and talent management; licensing and sale of entertainment content and products; investment management focusing on investments in the cultural industry; provision of consultancy services in cultural industry; provision of entertainment project planning, celebrity management and production of online streaming content; assisting professional athletes in marketing and promotional activities; licensing of professional sports events and entertainment content; operating film-based cultural parks and tourism focused projects; and business of training, nurturing and managing eSports teams and eSports broadcasters. The Group mainly operates in Beijing, Shanghai, Kunshan, Hong Kong, and Taipei.

A. ENVIRONMENTAL

A1: Emissions

The Group's daily operation does not involve the production of air and greenhouse gas emissions, discharges into soil and water or the generation of hazardous and non-hazardous wastes. Solid packaging materials are not necessary since the Group is mainly engagement in the sports and entertainment business.

For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Indirect Greenhouse Gas Emissions from Electricity Consumption

Electricity consumption of the Group is a major part of its greenhouse gas emissions. Various electricity-saving policies have been established to reduce the electricity consumption by the Group. The Group encourages staff members to switch off light during daytime, maintain lamps well to keep clean, use stairs instead of elevators, install energy-efficient lighting, and enable the standby mode for all electrical appliances, including computers, photocopiers and printers when they are not in use. Air conditioning is required to be set no lower than 25°C in summer. It is also required to ensure the windows and doors are closed while air-conditioning is on, and turn off the air-conditioning after office hours or after the usage of the meeting room.

Indirect Greenhouse Gas Emissions from Business Travel by Employees

The Group constantly reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse gas emissions. Employees are encouraged to take public transportation as often as possible and select fuel-efficient vehicles whenever possible. While employees are driving, employees are recommended to avoid unnecessary acceleration or deceleration, keep windows closed when the vehicle is travelling at high speed, and only use air-conditioning when it is necessary.

The Group recognises the severity of indirect greenhouse gas emissions from business travel by employees and requires employees to utilise teleconference instead of overseas meetings and choose railway rather than airway for short distance travel to reduce the carbon footprint of business travel.

Discharges into Water and Land
The Group requires that discharges, if any, into waterways and land must comply with relevant laws and regulations.

Hazardous Waste Management
Hazardous wastes are those defined by national regulations. There was no significant hazardous waste generated in view of the Group's business nature for the year ended 31 December 2017.

Non-hazardous Waste Management
We promote waste reduction practices including waste reduction at source, reuse, clean recycling, recover and reduction of disposal at landfills. Employees are encouraged to purchase supplies or equipment with an option to be upgraded and longer life-span, to install recycling bins to collect recyclables, such as waste paper, aluminium bottles, metal, and plastic, and to have recyclers to collect recyclables.

For the entertainment segment, the non-hazardous wastes were included around 54 kg of waste papers, 45.6 kg of plastic wastage and 985 kg kitchen waste and 24 tons of other non-hazardous waste for the year ended 31 December 2017.

Paper Waste Management
In order to address indirect emissions relating to paper waste deposited at landfills, we encourage employees to apply computer technology such as emails and storage devices to reduce paper consumption, print on both sides of a sheet of paper, avoid unnecessary printing or copying on paper, and adjust documents and use space efficiency formats to optimise use of paper.

As a result of the concerted efforts of various parties of the Group, the following is the emission data of different segment of the Group.

For the theme park segment, the main source of the Group's greenhouse gas emissions is derived from direct emission from indirect emission from acquired electricity emissions ("Scope 2") and other indirect emissions ("Scope 3"). The greenhouse gas of Scope 2 was generated by electricity usage and Scope 3 was generated by business travel by employees. The total greenhouse gases emissions from Scope 2 and Scope 3 for the year ended 31 December 2017 were about 3,204 kg and 1,822 kg respectively.

For the sports segment, the main source of the Group's greenhouse gas emissions is derived from direct emission from other indirect emissions ("Scope 3"). The greenhouse gas of Scope 3 was generated by business travel by employees. The total greenhouse gases emissions from Scope 3 for the year ended 31 December 2017 was about 1,020 kg.

For the entertainment segment, during the year ended 31 December 2017, air emission for nitrogen oxides ("NOx"), sulphur oxides ("SOx") and respiratory suspended particles ("RSP", also known as Particulate Matter ("PM")) were about 4,668 g, 77 g and 344 g respectively, which were mainly produced as a result of company vehicles usage.

For the entertainment segment, the main source of the Group's greenhouse gas emissions is derived from direct emission from the mobile combustion sources ("Scope 1"), indirect emission from acquired electricity emissions ("Scope 2") and other indirect emissions ("Scope 3"). The greenhouse gas of Scope 1 was generated by vehicles usage, Scope 2 was generated by electricity usage and Scope 3 was generated by water consumption, paper used and business travel by employees. The total greenhouse gases emissions from Scope 1, Scope 2 and Scope 3 for the year ended 31 December 2017 were about 14,103 kg, 2,809,367 kg and 25,682 kg respectively.

A2: Use of Resources

The Group has always complied with the GEM Listing Rules and the provisions of the Environmental Protect Law of the PRC. In view of the scarcity of resources, the Group has established the following policies and procedures on the efficient use of resources, such as reducing consumption of electricity such as limiting the usage for lights and air conditioning, turning off the electrical appliances when the electrical appliances are not in use, using recycle papers for internal documents and storing data electronically.

Moreover, the Group has set up several recycling bins in offices to collect waste paper and electronic waste. The Group would transfer useable electronic products to school or social welfare organizations and transfer unusable electronic products to second-hand electronic collector. Water-savings poster are also used in washrooms to remind employees reduce water consumption.

For the theme park segment includes the film-based cultural theme park business and tourism focused projects, the theme park is still under construction without operation during the year and the following consumption data of the office in Shanghai was recorded in the year ended 31 December 2017:

- electricity consumption was about 3,963 kWh
- petrol consumption was about 5,208 L

For the sports segment includes the athlete management and sports content licensing business, the use of resources was mainly business travel by employees in the year ended 31 December 2017.

For the entertainment segment includes the sale of entertainment content and products business and licensing of entertainment content such as movies, television, the following consumption data was recorded in the year ended 31 December 2017:

- electricity consumption was about 5,254,551 kWh
- water consumption was about 45,532 tons
- paper used was about 132 kg

In view of the Group's business nature, there was no significant raw material or packaging material used in operation.

The Group recognises that efficient use of resources, including energy and water, in production, transportation, buildings, electronic equipment, etc., is one of the significant aspects to protect environment. The Group will continue motivating all its employees to participate in resources conservation activities and encourages them to save electricity, water, power and paper, in order to concert effort of reducing energy consumption.

A3: The Environment and Natural Resources

The Group continues to review the environmental impact of its operations and make use of best practices across their functions and to develop monitoring of resources consumption data and implementing better performance strategies as to enhance the contributions to environmental sustainability through good environmental practices. The Group does not ignore the opportunity to contribute to sustainability at the office space, and the Group enhances environmental awareness of the employees through adopting central air conditioning and maintaining temperature at 25 degrees to reduce usage of air conditioning and save more energy.

B. SOCIAL

B1: Employment

Labour practices

The Group strictly complied with the laws, regulations and policies regarding employment benefits across different jurisdictions, including, for example, Labour Law of the People's Republic of China《中華人民共和國勞動法》, Labour Contract Law of People's Republic of China《中華人民共和國勞動合同法》and the social security in the PRC, Labor Standards Act《勞動基準法》in Taiwan and Employment Ordinance and Mandatory Provident Fund Scheme Ordinance in Hong Kong.

For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Compensation and dismissal

The Group offers competitive remuneration to attract and retain talented staff members. Remuneration packages are reviewed periodically to ensure consistency with employment market. Laws and regulations on minimum wage and statutory social benefits are required to be followed. Dismissal is required to comply with employment laws and regulations, and to follow the internal policies and procedures, including policy on prevention of dismissal purely on employees' gender, marital status, pregnancy, disability, age or family status.

Recruitment and promotion

The Group attracts talent through fair, flexible and transparent recruitment strategy. Recruitment process includes application for recruitment, description of position, collection of job applications, interview, selection, approval, and job offering. Promotion is based on performance and suitability.

Working hours, rest periods, benefits and welfare

Employees' working hours, rest periods, benefits and welfare, including social security benefits, mandatory provident fund, and labour pension, are required to be in compliance with employment or labour laws and regulations. Selected benefit programs, including medical coverage, are also provided.

Equal opportunities, diversity and anti-discrimination

The Group is an equal opportunity employer. The Group endeavours to provide a fair workplace for employees and follow the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, age, or other measures of diversity.

B2: Health and Safety

The Group is committed to maintaining a healthy and safe workplace for employees, and to preventing workplace injuries and illnesses.

The Group requires entities to establish and document policies and procedures on safety for employees to follow, set targets for the safety of employees, monitor the safety performance against the targets periodically, and report any safety incidents to management.

One of the key factors for successfully preventing occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group requires such training to be delivered to employees.

Workplace, including storage and offices, are equipped with fire and safety equipment to prevent outbreak of fire accident and the validity of the fire extinguishing facilities have been regularly checked.

For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to providing a safe working environment and protecting employees from occupational hazards.

B3: Development and Training

The Group is committed to providing adequate training to our employees to improve their knowledge and skills for discharging duties at work. Training includes vocational training courses provided internally or externally and paid by the Group.

The Group provides training for all employees and the training is arranged according to employees' departments and positions. The Group also provides training for new employees, including the company's development, strategic objectives, corporate culture, and business knowledge to help them integrate into the new working environment as soon as possible. All employees are trained at least 4 hours per year and the management keeps the training and attendance record properly.

For eSports business, all employees of the team are occupational and they participate in the internal regiment training. Team coach supervisor and analysts take the responsibilities to analyse and discuss the performance of competitions, in order to cultivate the cohesive among team members and strengthen their abilities.

B4: Labour Standards

There is no tolerance towards recruitment of minors and forced labour for the Group's operations. There is compliance towards Labour Contract Law of the People's Republic of China《中華人民共和國勞動合同法》and any individuals under legal working age and individuals without any identification documents are discharged from employment.

There is a strict recruitment procedure through Human Resource Department and upon discovery of any child labour and use of forced labour, the person will be dismissed immediately and the Board will discuss and review the discovered event to prevent it from happening again. For the year ended 31 December 2017, there were no confirmed non-compliance incidents or grievances in relation to child and forced labour.

OPERATING PRACTICES

B5: Supply Chain Management

Supply chain management is a key area of our business, which includes managing environmental and social risks of the supply chain. The Group strives to ensure that their suppliers uphold similar stance in sustainability. The Group would also complied the rights and obligations of the two parties are stipulated in the business contract.

The business partners selected by the Group are well-known enterprises in the industry, all of which strictly abide by Labour Law of the People's Republic of China《中華人民共和國勞動法》, Labour Contract Law of People's Republic of China《中華人民共和國勞動合同法》, the social security in the PRC and other laws and regulations in the PRC. The Group would investigate background of suppliers before signing contracts and establishing business relationship. The Group would perform annual assessment of suppliers and maintain a close relationship between suppliers.

For the entertainment segment, eSports is a new developing industry, the income and sponsorship are mainly generated by the clients who provide eSports completion equipment. The eSports is becoming one of the sports competitions that the government would also provide more resources to promote this competition.

B6: Product Responsibility

The policies which the Group has adopted to ensure customer satisfaction and product and service quality. The main business of the Group is entertainment, sports and cultural tourism. The Group has complied towards the Product Quality Law of the People's Republic of China《中華人民共和國產品質量法》.

The Group respects our customers' rights and is committed to providing accurate product and service information for customers in connection with their purchase or consumption decision. The Group requires careful review of its own advertising material in order to protect customers' interest. The Group requires that its labelling to be accurate, clear, legitimate, and not misleading, and intellectual property rights are protected. Any intellectual property part of a contract will be signed as a confidentiality agreement or equivalent to a confidentiality agreement.

Customers' data will also be kept in confidential in order to protect consumers' data and privacy, while such data will be destroyed on a timely basis. The Group keeps business information confidential and trains employees in this regard and proper information system security are required.

The Group complies with various regulations to the operation of the business in the jurisdictions that the Group operates in. For the year ended 31 December 2017, the Group did not have any product returned due to safety or health problems or any complaint received from customers.

B7: Anti-corruption

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, business allies, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. Staff handbook lays out the Group's expectation and guiding provisions on code of conduct. The Group encourages employees, customers, suppliers, business allies, or other parties to report incidents relating to any conflicts of interest, extortion, bribery, fraud and money laundering.

The Group complied with relevant laws and regulations that have significant impact in the Group. For the year ended 31 December 2017, there were no non-compliance incidents or grievances in relation to bribery, extortion, fraud and money laundering.

B8: Community Investment

The Group believes in giving back to the community because contribution to society is one of the Group's sustainable development strategy. The Group is committed to providing career opportunities to the locals and promoting the development of the community's economy.

The Group encourages employees to seek opportunities, participate more in charity work in the future and get involved in various community programs, such as community health initiatives, sports, cultural activities, volunteer work and education donation.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Hsu Tung Sheng (許東昇), aged 51, was appointed as an executive director on 3 June 2009 and redesignated as chairman of the Company on 1 February 2011. Mr. Hsu Tung Sheng is a brother of Mr. Hsu Tung Chi, being the chief executive officer of the Company and an executive director of the Company.

Mr. Hsu Tung Sheng has extensive experience in advisory on management, operation and strategic planning. From October 2007 to January 2011, Mr. Hsu Tung Sheng has acted as an executive director of Union Bridge Holdings Limited (later known as Palmpay China (Holdings) Limited and now known as China Ocean Fishing Holdings Limited) (Stock Code: 8047), in which he was responsible for marketing, management function and business operation of some of its subsidiaries.

Mr. Hsu Tung Sheng is a director of a number of our subsidiaries and is responsible for marketing, management function and business operation of the Group's entertainment and sports business segments.

Mr. Hsu Tung Sheng was a director and legal representative of Shanghai Yilaishen Technology Company Limited*上海易來申科技有限公司 ("Shanghai Yilaishen"), a company incorporated in the PRC and principally engaged in the business of IT license platform, which was dissolved due to cessation of business on 16 June 2014.

Mr. Hsu Tung Chi (許東琪), aged 49, was appointed as an executive director and chief executive officer of the Company on 1 February 2011. Mr. Hsu Tung Chi is a brother of Mr. Hsu Tung Sheng, being the chairman of the Company and an executive director of the Company. Mr. Hsu Tung Chi holds a bachelor's degree in Economics from Fu Jen Catholic University (輔仁大學) in Taiwan.

Mr. Hsu Tung Chi has over 20 years' experience in advisory on management, operation and strategic planning. Mr. Hsu Tung Chi worked in Daily Air Corporation from October 1993 to January 2005 as deputy general manager, responsible for management and development of business. Before joining the Group, he has been an executive director of Palmpay China (Holdings) Limited (now known as China Ocean Fishing Holdings Limited) (Stock Code: 8047) from March 2008 to July 2011, in which he was responsible for the management function and business operation of some of its subsidiaries.

Mr. Hsu Tung Chi is a director of a number of our subsidiaries and is responsible for overall management and operation of the Group's entertainment, sports and Theme Park segments.

DIRECTORS' PROFILE

Ms. Zhang Jing (張靜), aged 50, was appointed as an executive director of the Company on 31 May 2016. Ms. Zhang is responsible for overall advisory of the Group's entertainment and sports segments. Ms. Zhang obtained a bachelor's degree in Material Management Engineering from Huazhong University of Science and Technology (華中理工大學) (now known as 華中科技大學) of the People's Republic of China in 1989. She then obtained a master of arts from Northeastern University in 1994 and a master of business administration in accountancy from Bernard M. Baruch College, City University of New York of the United States in 1998. She is experienced in accounting and financial management. She worked for Ernst & Young Hua Ming LLP from January 2006 to October 2011, in which her last position was senior manager in its core business service department. At present, Ms. Zhang acts as a director of Crown Link Group Limited, a company incorporated in the British Virgin Islands.

Ms. Zhang was a supervisor and one of the shareholders of Beijing Wenfeng Tiandi Technology Company Limited* 北京文峰天地科技有限公司 ("Beijing Wenfeng Tiandi"), a company incorporated in the PRC and principally engaged in the business of advertisement, which was dissolved due to cessation of business on 10 October 2007.

Mr. Lai Kwok Fai, Franki (賴國輝), aged 53, was appointed as an executive director of the Company on 22 July 2016. Mr. Lai obtained a bachelor's degree of arts in computing studies from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1989. He possesses extensive experience in accounting and financial advisory. Mr. Lai was the chief financial officer of Net Movie Limited from 2008 to 2012. Prior to that, Mr. Lai worked for JPMorgan Chase & Co. from 2000 to 2008 with his last position as executive director in treasury & securities services department of JPMorgan Chase & Co..

Mr. Lai is a director of a number of our subsidiaries and is responsible for management and operation of the Group's Theme Park segment.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Chi Sun, Vincent (郭志燊), aged 55, was appointed as an independent non-executive director in October 2004. Mr. Kwok is also chairman of the audit committee, the nomination committee and the remuneration committee of the Company. He is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant (Practising). Mr. Kwok holds a bachelor's degree in Economics from University of Sydney. He has more than 25 years of experience in auditing and accounting. Mr. Kwok was previously employed by Price Waterhouse (now known as PricewaterhouseCoopers) from 1989 to 1995 in which his last position was senior audit manager and was also employed by Hopewell Holdings Limited from 1995 to 1996 as systems control manager and Cathay Pacific Airways Limited from 1996 to 1998 as financial audit manager. Mr. Kwok is currently an independent non-executive director of three other listed companies in Hong Kong, i.e. Shun Ho Property Investments Limited (Stock code: 219), Shun Ho Holdings Limited (Stock code: 253) and Magnificent Hotel Investments Limited (Stock code: 201). Mr. Kwok was previously an independent non-executive director of Evergreen International Holdings Limited (stock code: 238) and IA International Holdings Limited (currently known as China Ocean Fishing Holdings Limited) (stock code: 8047).

DIRECTORS' PROFILE

Mr. Wong Tak Shing (黃德盛), aged 55, was appointed as an independent non-executive director of the Company on 15 December 2009. Mr. Wong is also a member of the audit committee and the nomination committee of the Company. Mr. Wong graduated from the University of New England, Australia in 1989 with a Diploma in Financial Management and from the University of Southampton, U.K. with a bachelor's degree of Science in the Social Sciences in Business Economics and Accounting in 1985. 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 30 years of experience in accounting, corporate finance, personnel and administration. Mr. Wong has acted as chief financial officer, company secretary, financial controller for a number of companies responsible for accounting, corporate finance and compliance, details of which are set forth in the table below.

Period	Companies	Positions
March 2011– present	L'sea Resources International Holdings Limited (利海資源國際控股有限公司) (Stock code: 195)	Regional chief financial officer of a subsidiary company, company secretary and authorized representative
January 2010 – February 2011	Global Energy Resources International Group Ltd. (環球能源資源國際集團有限公司) (Stock code: 8192)	Chief financial officer
June 2007 – January 2008	Wah Yuen Holdings Limited (華園控股有限公司) (subsequently renamed as China City Infrastructure Group Limited (中國城市基礎設施集團有限公司) (Stock code: 2349)	Chief financial officer and deputy general manager of a subsidiary company
March 2000 – November 2003	Sun Media Group Holdings Limited (subsequently renamed as Up Energy Development Group Limited (優派能源發展集團有限公司)) (Stock code: 307)	Company secretary (from August 2001 to April 2003); controller – personnel and administration (from March 2000 to October 2001), vice president – personnel and administration (from October 2001 to June 2002) and group vice president – personnel and administration (from June 2002 to November 2003) of a subsidiary company
December 1999 – February 2000	Times Publishing (Hong Kong) Limited	Financial controller and company secretary

In addition, from July 1991 to April 1999, Mr. Wong worked for Asia Television Limited with his last position as controller – personnel and administration. From January 1989 to June 1989, he was a semi-senior accountant in Deloitte Haskins & Sells (subsequently renamed as Deloitte Touche Tohmatsu) in Hong Kong. From November 1985 to January 1988, he worked in PriceWaterhouse (subsequently renamed as PriceWaterhouseCoopers) in Hong Kong as an audit assistant. Mr. Wong was a consultant of Chu Lung Hai, Jimmy & Co. CPA from January 2004 to April 2006.

Mr. Wong is currently an independent non-executive director of Pa Shun International Holdings Limited (Stock code: 574).

Mr. Gou Yanlin (苟延霖), aged 43, was appointed as an independent non-executive director of the Company on 13 April 2016. Mr. Gou obtained a Bachelor Degree in Heating, Ventilation and Air Conditioning from Gansu University of Technology (now known as Lanzhou University of Technology) of the People's Republic of China in 1997. He possesses experience in hotel management. Mr. Gou has been working as the executive director and the general manager of Guangzhou IMovie Inn Management Co., Ltd since 2014, and is responsible for all daily operations and business development of the company.

DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Each of Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Ms. Zhang Jing and Mr. Lai Kwok Fai, Franki is interested in the shares of the Company as disclosed in the section headed "Directors' Report - Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures".

DIRECTORS' REPORT

The Directors present the annual report and the audited financial statements of the Group for the year ended 31 December 2017.

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 GEM 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 43 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATION

During the year ended 31 December 2017, the Company confirmed it has complied with relevant laws and regulations which constitute material impact on the business and operation of the Company and its subsidiaries in all material times.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income on page 50.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity on pages 53 and 54.

DISTRIBUTABLE RESERVES

As at 31 December 2017, 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$948,417,000 as at 31 December 2017 (2016: HK$921,248,000).

PROPERTY, PLANT AND EQUIPMENT

Details of significant changes in the property, plant and equipment of the Group during the year ended 31 December 2017 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 ended 31 December 2017 are set out in note 29 to the consolidated financial statements.

BUSINESS REVIEW AND OUTLOOK

The business review and outlook of the Group for the year ended 31 December 2017 is set out in the sections of "Chairman's Statement" and "Management Discussion and Analysis" of this report.

A review of the business of the Group, which includes a description of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators of the Group's business, particulars of important events affecting the Group, an indication of likely future developments in the Group's business, and discussion on the Company's environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this report. The review forms part of this directors' report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year ended 31 December 2017 and up to the date of this report were:

Executive directors:

Mr. Hsu Tung Sheng *(Chairman)*
Mr. Hsu Tung Chi *(Chief Executive Officer)*
Mr. Chang Ching Lien (resigned on 19 October 2017)
Ms. Zhang Jing
Mr. Lai Kwok Fai, Franki

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent
Mr. Wong Tak Shing
Mr. Gou Yanlin

DIRECTORS' REPORT

In accordance with No.99 and 100 of the Bye-laws of the Company, Mr. Hsu Tung Sheng, Mr. Kwok Chi Sun, Vincent and Mr. Wong Tak Shing 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

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 ended 31 December 2017.

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 ended 31 December 2017.

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 2017, 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 ordinary shares and underlying shares of the Company

Name of director	Nature of interests	Number of shares interested	Approximate percentage or attributable percentage of shareholding *(Note 4)*
Mr. Hsu Tung Sheng	Beneficial owner	18,375,000 (L)	0.95%
Mr. Hsu Tung Chi *(Note 1)*	Beneficial owner and Interest of controlled corporation	380,145,782 (L)	19.59%
Ms. Zhang Jing *(Note 2)*	Beneficial owner and Interest of controlled corporation	81,253,659 (L)	4.19%
Mr. Lai Kwok Fai, Franki *(Note 3)*	Beneficial owner and Interest of controlled corporation	54,129,778 (L)	2.79%

(L) denotes long position

Notes:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 361,899,559 shares of the Company. Daily Technology Company Limited ("Daily Technology") beneficially owns 18,246,223 shares of the Company, which is in turn wholly owned by Mr. Hsu. Under the SFO, Mr. Hsu is deemed to be interested in 18,246,223 shares of the Company.

2. Ms. Zhang Jing ("Ms. Zhang") beneficially owns 53,853,659 shares of the Company. Crown Smart Investment Limited beneficially owns 27,400,000 shares, which is in turn wholly owned by Ms. Zhang. Under the SFO, Ms. Zhang is deemed to be interested in 27,400,000 shares of the Company.

3. Mr. Lai Kwok Fai, Franki ("Mr. Lai") beneficially owns 960,000 shares of the Company. Earn Wise Limited ("Earn Wise") beneficially owns 22,669,778 shares of the Company, which is in turn wholly owned by Mr. Lai. Under the SFO, Mr. Lai is deemed to also be interested in 22,669,778 shares of the Company.

   Earn Wise holds convertible bonds in the principal amount of HK$14,640,000 convertible to 30,500,000 shares of the Company at the initial conversion price of HK$0.48 per conversion share. Under the SFO, Mr. Lai is deemed to be interested in the 30,500,000 shares of the Company underlying the convertible bonds held by Earn Wise.

4. Based on 1,940,176,170 shares of the Company in issue as at 31 December 2017.

(ii) Interest in underlying shares of the convertible bonds

Name of director	Nature of interests	Principal amount of the convertible bonds	Number of underlying	Approximate percentage of interests *(Note 2)*
Mr. Lai Kwok Fai, Franki *(Note 1)*	Interest of controlled corporation	HK$14,640,000	30,500,000 (L)	1.57%

Notes:

1. Earn Wise is beneficially owned as to 100% by Mr. Lai. The underlying shares represented the new shares of the Company to be issued upon full conversion of HK$14,640,000 convertible bonds held by Earn Wise, at the initial conversion price of HK$0.48 per conversion share. Under the SFO, Mr. Lai is deemed to be interest in 30,500,000 underlying shares of the Company.

2. Based on 1,940,176,170 shares of the Company in issue as at 31 December 2017.

(L) denotes long position

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. For further details, please refer to Note 30 to the consolidated financial statements. Details of the movements in the number of share options during the period under the Scheme are as follows:

Categories of grantees	Outstanding as at 1 January 2017	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2017	Exercise price HK$	Grant date	Exercisable period
Directors							
Mr. Hsu Tung Sheng	8,251,276	–	8,251,276	–	0.4572	10/06/2014	10/06/2014 – 09/06/2017
Mr. Hsu Tung Chi	5,501,276	–	5,501,276	–	0.4572	10/06/2014	10/06/2014 – 09/06/2017
Consultant							
Willing International Capital (Shanghai) Company Limited	5,501,276	–	5,501,276	–	0.4572	10/06/2014	10/06/2014 – 09/06/2017
Employees	22,008,932	–	22,008,932	–	0.4572	10/06/2014	10/06/2014 – 09/06/2017
	41,262,760	–	41,262,760	–			

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 December 2017, 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 or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Interest in ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of shares interested	Approximate percentage or attributable percentage of shareholding *(Note 4)*
Ms. Chuang Meng Hua *(Note 1)*	Interest of a spouse	380,145,782 (L)	19.59%
Best Million Holdings Limited *(Note 2)*	Beneficial owner	119,976,405 (L)	6.18%
Ms. Ma Hsin-Ting *(Note 2)*	Interest of controlled corporation	119,976,405 (L)	6.18%
Ease Wing Limited *(Note 3)*	Beneficial owner	114,816,406 (L)	5.92%
Mr. Ho Chi Sing *(Note 3)*	Interest of controlled corporation	114,816,406 (L)	5.92%

Notes:

1. Ms. Chuang Meng Hua is the spouse of Mr. Hsu Tung Chi, therefore, pursuant to the SFO, she is deemed to be interested in all the shares of the Company in which Mr. Hsu is interested.

2. Best Million Holdings Limited ("Best Million") is wholly and beneficially owned by Ms. Ma Hsin-Ting ("Ms. Ma"). Best Million beneficially owns 119,976,405 shares of the Company. Under the SFO, Ms. Ma is deemed to be interested in 119,976,405 shares of the Company held by Best Million.

3. Ease Wing Limited ("Ease Wing") is wholly and beneficially owned by Mr. Ho Chi Sing ("Mr. Ho"). Ease Wing beneficially owns 114,816,406 shares of the Company. Under the SFO, Mr. Ho is deemed to be interested in 114,816,406 shares of the Company held by Ease Wing.

4. Based on 1,940,176,170 shares of the Company in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person (other than the directors and the chief executive of 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 or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

The Directors believe that none of the directors nor the controlling shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective close associates had an interest in a business which competes or may compete with the business of the Group during the year ended 31 December 2017.

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 headings "Share Option Scheme" and "Directors' and Chief Executive's Interests in Shares, underlying Shares and Debentures" above, at no time during the year ended 31 December 2017 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.

RELATED AND CONNECTED PARTY TRANSACTIONS

Except otherwise disclosed in the consolidated financial statements and as disclosed in the announcements of the Company dated 28 December 2016 and 10 January 2017, the Group had no transactions incurred during the year ended 31 December 2017 which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There has been no material subsequent events from 31 December 2017 up to the date of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results are described below:

Credit Risk

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 24 to the consolidated financial statements.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in note 27 to the consolidated financial statements.

DIRECTORS' REPORT

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Directors closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, the Group's largest customer and the five largest customers accounted for approximately 26.4% (2016: 29.5%) and 61.6% (2016: 75.8%) respectively, of the Group's total revenue

During the year ended 31 December 2017, the Group's largest supplier and the five largest suppliers accounted for approximately 31.1% (2016: 40.0%) and 81.3% (2016: 87.5%) respectively, of the Group's total purchases.

None of the directors, their close associates or any shareholders who, to the knowledge of the Directors, 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 ended 31 December 2017, 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

On 27 March 2018, Mazars CPA Limited resigned as the independent auditor of the Group. The Company has resolved to appoint Elite Partners CPA Limited as the new auditors of the Group with effect from 27 March 2018.

The consolidated financial statements of the Company for the year ended 31 December 2017 were audited by Elite Partners CPA Limited, Certified Public Accountants. A resolution will be submitted to the annual general meeting to re-appoint Elite Partners CPA Limited as auditor of the Company.

On behalf of the Board

Hsu Tung Sheng
CHAIRMAN

Hong Kong, 26 June 2018

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS of CHINA DIGITAL CULTURE (GROUP) LIMITED

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

OPINION

We have audited the consolidated financial statements of CHINA DITIGAL CULTURE (GROUP) LIMITED (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 50 to 164, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section to our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "Code") issued by the HKICPA, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill and intangible assets	
As at 31 December 2017, the Group had goodwill of approximately HK$659,632,000 and various types of intangible assets of HK$276,292,000 which were belongs multiple cash generating units ("CGUs"). During the year ended 31 December 2017, the Group had not recognised impairment loss of goodwill and recognised impairment loss of amounted HK$6,142,000 of intangible assets. For the purpose of the impairment assessment of goodwill and intangible assets, the Group appointed an independent external valuer to assess the recoverable amount of each CGU at the end of the reporting period. We had identified impairment assessment of goodwill and intangible assets as a key audit matter because significant management judgement was required to determine the key assumptions including estimated future income, operating margins and discount rate, etc. and the amounts involved were significant.	Our major audit procedures in relation to the impairment assessment of goodwill and intangible assets included the following: • We discussed with management as to whether there was any indicator of impairment. • We obtained cash flow forecasts relating to each CGU prepared by management and approved by the directors of the Company. • We discussed with management and independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated sales growth rate and discount rate etc.) to see whether the methodology and assumptions used were reasonable. • We checked, on a sample basis, the accuracy and reliance of the input data used. • We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Impairment of trade receivables	
The Group generally provided credit term of 30 – 60 days to its customers. As at 31 December 2017, the Group had trade receivables (before impairment) of HK$127,462,000. For the year ended 31 December 2017, the Group recognised impairment losses on trade receivables of approximately HK$634,000 which had been outstanding for over one year, representing approximately 0.5% of the total trade receivables as at 31 December 2017. Details of the Group's trade receivables has been as set out in note 24 to the consolidated financial statements. We had identified impairment assessment of trade receivables as a key audit matter because the amounts of trade receivables were significant and significant management judgement had to be made for the assessment of the recoverability of the trade receivables (e.g. credit history, subsequent settlements and aging analysis).	Our major audit procedures relating to the impairment assessment of trade receivables included the following: • We discussed with management of the Company the impairment policy, basis and assumptions used in estimation of the recoverable amount of the trade receivables. • We obtained from the management of the Company the aging analysis of the trade receivables and assessed the recoverability of trade receivables and sufficiency of impairment losses with reference to the credit history of the customers and subsequent settlements. We tested the aging analysis of the trade receivables on a sample basis to the source downwards, for instance sales invoices.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How the matter was addressed in our audit
Business combinations	
During the year ended 31 December 2017, the Group acquired the entire equity interests in Vector Vision Limited and its subsidiaries ("Vector Vision") and The Players Limited ("The Players") The acquisition of Vector Vision and The Players are disclosed in Note 35 to the consolidated financial statements. For the purpose of the initial recognition of intangible assets in business combination, the Group appointed an independent external valuer to assess the fair value of the identifiable net assets at initial recognition. We had identified business combination as a key audit matter because significant management judgement was required to determine the key assumptions including estimated future income, operating margins and discount rate, etc. and the amounts involved were significant.	Our major audit procedures in relation to the business combination included the following: • We tested the purchase price allocations in which we especially focused on the valuation of the identifiable assets of Vector Vision and The Players and the related fair value adjustments. • We evaluated the timing and appropriateness of the accounting treatment and the consideration of the acquisition based on the contractual agreement. • We obtained cash flow forecasts of Vector Vision and The Players prepared by management and approved by the directors of the Company. • We discussed with management and independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated sales growth rate and discount rate etc.) to see whether the methodology and assumptions used were reasonable and appropriate. • We checked, on a sample basis, the accuracy and reliance of the input data used. • We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yip Kai Yin with Practising Certificate Number P05131.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 26 June 2018

10/F., 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000 (Restated)
Revenue	5	**349,816**	206,214
Cost of services rendered		**(185,130)**	(78,027)
Gross profit		**164,686**	128,187
Other income	6	**20,060**	32,053
Selling and distribution costs		**(1,622)**	(2,507)
Administrative and other expenses		**(103,573)**	(73,609)
Finance costs	7	**(18,096)**	(4,527)
Fair value change on contingent consideration		**(27,940)**	(54,672)
Share of results of an associate		**(52)**	(123)
Share of results of a joint venture	17	**84**	(762)
Profit before taxation	7	**33,547**	24,040
Income tax expense	10	**(11,677)**	(18,776)
Profit for the year		**21,870**	5,264
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**8,448**	(7,029)
Share of other comprehensive loss of a joint venture		**(203)**	(196)
		8,245	(7,225)
Total comprehensive income/(loss) for the year		**30,115**	(1,961)
Profit/(loss) attributable to:			
Equity holders of the Company		**22,917**	5,103
Non-controlling interests		**(1,047)**	161
		21,870	5,264
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		**31,257**	(855)
Non-controlling interests		**(1,142)**	(1,106)
		30,115	(1,961)
Earnings per share	12		
Basic		**HK1.203 cents**	HK0.312 cents
Diluted		**HK1.203 cents**	HK0.310 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	**2017 HK$'000**	2016 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	*13*	**10,167**	21,102
Intangible assets	*14*	**276,292**	240,025
Goodwill	*15*	**659,632**	579,961
Interest in an associate	*16*	**2,347**	–
Interest in joint ventures	*17*	**5,298**	5,012
Available-for-sale financial assets	*18*	**79,573**	11,159
Deposits for acquisition of available-for-sale financial assets	*18*	**3,139**	–
Derivative financial assets	*19*	**12,129**	2,439
Deposit for acquisition of a subsidiary/joint venture	*20*	**2,755**	40,000
Loans to and due from joint ventures	*21*	**2,824**	5,591
Prepayments	*24*	**15,783**	–
		1,069,939	905,289
Current assets			
Inventories	*22*	**140,819**	6,180
Financial assets at fair value through profit or loss	*23*	**–**	20,916
Accounts and other receivables	*24*	**223,654**	211,922
Bank balances and cash	*25*	**268,969**	48,058
		633,442	287,076
Current liabilities			
Accounts and other payables	*26*	**124,758**	75,405
Interest-bearing borrowings	*27*	**19,911**	6,418
Tax payable		**20,514**	34,119
		165,183	115,942
Net current assets		**468,259**	171,134
Total assets less current liabilities		**1,538,198**	1,076,423

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000 (Restated)
Non-current liabilities			
Interest-bearing borrowings	*27*	**–**	612
Convertible bonds	*28*	**381,500**	8,799
Consideration payable for intangible asset		**–**	3,022
Contingent consideration – convertible bonds	*34*	**205,915**	176,831
Deferred tax liabilities	*33*	**54,014**	45,065
		641,429	234,329
NET ASSETS		**896,769**	842,094
Capital and reserves			
Share capital	*29*	**77,607**	75,277
Reserves		**820,342**	742,481
Equity attributable to equity holders of the Company		**897,949**	817,758
Non-controlling interests		**(1,180)**	24,336
TOTAL EQUITY		**896,769**	842,094

Approved and authorised for issue by the Board of Directors on 26 June 2018 and signed on its behalf by

Hsu Tung Sheng
Director

Hsu Tung Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to equity holders of the Company													
		Reserves												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Warrant reserve HK$'000	Foreign currency translation reserve HK$'000	Share options reserve HK$'000	Statutory reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016 (As previously reported)	46,726	599,286	10,084	(20,749)	138	(2,340)	6,360	–	–	(181,970)	410,809	457,535	26,290	483,825
Profit for the year (Restated)	–	–	–	–	–	–	–	–	–	5,103	5,103	5,103	161	5,264
Other comprehensive loss														
Items that may be reclassified subsequently to profit or loss														
Foreign currency translation differences	–	–	–	–	–	(5,762)	–	–	–	–	(5,762)	(5,762)	(1,267)	(7,029)
Share of other comprehensive loss of a joint venture	–	–	–	–	–	(196)	–	–	–	–	(196)	(196)	–	(196)
Other comprehensive loss for the year	–	–	–	–	–	(5,958)	–	–	–	–	(5,958)	(5,958)	(1,267)	(7,225)
Total comprehensive (loss) income for the year (Restated)	–	–	–	–	–	(5,958)	–	–	–	5,103	(855)	(855)	(1,106)	(1,961)
Non-controlling interests arising from incorporation of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	345	345
Transactions with equity holders														
Contribution and distribution														
Disposal of interest in a subsidiary	–	–	–	–	–	328	–	–	–	–	328	328	(1,193)	(865)
Equity-settled share-based payment	–	–	–	–	–	–	1,181	–	–	–	1,181	1,181	–	1,181
Issue of consideration shares for acquisition of subsidiaries	6,438	61,961	–	–	–	–	–	–	–	–	61,961	68,399	–	68,399
Issue of consideration shares for acquisition of an intangible asset	833	9,792	–	–	–	–	–	–	–	–	9,792	10,625	–	10,625
Issue of convertible bonds for acquisition of subsidiaries	–	–	–	–	–	–	–	–	74,232	–	74,232	74,232	–	74,232
Shares issued upon conversion of convertible bonds	8,780	117,221	–	–	–	–	–	–	(65,176)	–	52,045	60,825	–	60,825
Shares issued upon placing	12,500	132,988	–	–	–	–	–	–	–	–	132,988	145,488	–	145,488
Transfer from accumulated losses to statutory reserve	–	–	–	–	–	–	–	5,251	–	(5,251)	–	–	–	–
Total transactions with equity holders (Restated)	28,551	321,962	–	–	–	328	1,181	5,251	9,056	(5,251)	332,527	361,078	(1,193)	359,885
At 31 December 2016 (Restated)	75,277	921,248	10,084	(20,749)	138	(7,970)	7,541	5,251	9,056	(182,118)	742,481	817,758	24,336	842,094

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to equity holders of the Company													
		Reserves												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Warrant reserve HK$'000	Foreign currency translation reserve HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017 (Restated)	75,277	921,248	10,084	(20,749)	138	(7,970)	7,541	5,251	9,056	(182,118)	742,481	817,758	24,336	842,094
Profit for the year	-	-	-	-	-	-	-	-	-	22,917	22,917	22,917	(1,047)	21,870
Other comprehensive income														
Items that may be reclassified subsequently to profit or loss														
Foreign currency translation differences	-	-	-	-	-	8,543	-	-	-	-	8,543	8,543	(95)	8,448
Share of other comprehensive loss of a joint venture	-	-	-	-	-	(203)	-	-	-	-	(203)	(203)	-	(203)
Other comprehensive income for the year	-	-	-	-	-	8,340	-	-	-	-	8,340	8,340	(95)	8,245
Total comprehensive (loss) income for the year	-	-	-	-	-	8,340	-	-	-	22,917	31,257	31,257	(1,142)	30,115
Transactions with equity holders														
Issue of consideration shares for acquisition of subsidiaries	1,200	15,300	-	-	-	-	-	-	-	-	15,300	16,500	-	16,500
Share-based payment	1,130	11,869	-	-	-	-	-	-	-	-	11,869	12,999	-	12,999
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1,189	1,189
Further acquisition of non-wholly own subsidiary	-	-	-	-	-	-	-	-	-	(32,437)	(32,437)	(32,437)	(25,563)	(58,000)
Issuance of convertible bonds	-	-	-	-	-	-	-	-	51,872	-	51,872	51,872	-	51,872
Transfer from accumulated losses to statutory reserve	-	-	-	-	-	-	-	3,480	-	(3,480)	-	-	-	-
Lapse of warrant	-	-	-	-	(138)	-	-	-	-	138	-	-	-	-
Lapse of share option	-	-	-	-	-	-	(7,541)	-	-	7,541	-	-	-	-
Total transactions with equity holders	2,330	27,169	-	-	(138)	-	(7,541)	3,480	51,872	(28,238)	46,604	48,934	(24,374)	24,560
At 31 December 2017	77,607	948,417	10,084	(20,749)	-	370	-	8,731	60,928	(187,439)	820,342	897,949	(1,180)	896,769

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.

(iii) Statutory reserve comprises statutory surplus reserves fund of the subsidiaries in the PRC and form part of shareholders' fund. According to the Articles of Association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital. The transfer to the funds must be made before distributing dividends to shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	2017 HK$'000	2016 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit before taxation	**33,547**	24,040
Depreciation and amortisation	**28,143**	33,874
Allowance provided/(reversed) for doubtful debts	**1,785**	(3,012)
Write-off of prepayment to licensors and producers	**12,224**	4,939
Gain on disposal of a subsidiary	**(1,546)**	(865)
Gain on disposal of an associate	**–**	(473)
Gain on disposal of available-for-sale financial assets	**–**	(22,301)
Fair value gain on financial assets at fair value through profit or loss	**(6,631)**	(916)
Fair value loss on contingent consideration	**27,940**	54,672
Equity-settled share-based payment	**–**	1,181
Impairment loss on intangible assets	**6,142**	–
Loss on disposal of property, plant and equipment	**193**	–
Share of results of an associate	**52**	123
Share of results of a joint venture	**(84)**	762
Interest income	**(1,036)**	(69)
Interest expense	**18,096**	4,527
Waiver of amount due to the director of a subsidiary	**(9,390)**	–
Changes in working capital:		
Accounts and other receivables	**(16,024)**	(63,893)
Accounts and other payables	**82,325**	12,139
Inventories	**(134,639)**	(4,260)
Cash generated from operations	**41,097**	40,468
Interest paid	**(6,023)**	(2,994)
Income taxes paid	**(29,007)**	(10,334)
Net cash from operating activities	**6,067**	27,140

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000 (Restated)
INVESTING ACTIVITIES			
Acquisition of available-for-sale financial assets		**(30,018)**	(20,528)
Net cash outflow from acquisition of subsidiaries	35	**(134,893)**	(95,054)
Capital injection from non-controlling interests		**–**	345
Deposit for acquisition of joint ventures		**(1,955)**	–
Deposit for acquisition of a subsidiary		**(800)**	(40,000)
Deposits for available-for-sale financial assets		**(3,139)**	–
Purchase of property, plant and equipment		**(6,453)**	(18,247)
Purchase of intangible assets		**(13,261)**	(47,173)
Purchase of financial assets at fair value through profit or loss		**(10,000)**	(20,000)
Disposal of a subsidiary	36	**330**	(3,589)
(Purchase of)/proceeds from (acquisition)/disposal of an associate		**(2,401)**	2,141
Proceeds from disposal of available-for-sale financial assets		**–**	40,000
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	7,770
Interest received		**94**	69
Net cash used in investing activities		**(202,496)**	(194,266)
FINANCING ACTIVITIES			
New bank loans raised		**19,299**	16,271
Other loan raised		**–**	4,464
Proceeds from issue of new shares		**–**	145,488
Proceeds from issue of convertible bonds		**412,500**	–
Repayment of bank loans		**(6,418)**	(12,143)
Repayment of other loan		**(13,391)**	(1,562)
Advances from (to) directors		**(518)**	2,591
Net cash from financing activities		**411,472**	155,109
Net increase (decrease) in cash and cash equivalents		**215,043**	(12,017)
Cash and cash equivalents at beginning of year		**48,058**	63,792
Effect of foreign exchange rate changes, net		**5,868**	(3,717)
Cash and cash equivalents at end of year	25	**268,969**	48,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

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 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 Company and its subsidiaries (together, the "Group") are principally engaged in the business of licensing and sales of entertainment, sports and music content, operating E-sports and webcast celebrity businesses, operating film-based cultural parks and tourism focused projects, planning and design of concerts and providing marketing and promotional services for professional athletes.

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 HKFRSs, 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").

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January, 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Reconciliations of various types of the Group's financing liabilities is disclosed in elsewhere to the consolidated financial statements. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements.

The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference. The application of the amendments has not had any material effect on the consolidated financial statements.

Annual improvements to HKFRSs (2014-2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 *Non-current Assets held for Sale and Discontinued operations*, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 *Disclosure of Interests in Other Entities*.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

New and amendments to HKFRSs in issue but not yet effective (Continued)

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after 1 January 2021

[4] No mandatory effective date yet determined but available for adoption

HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for (a) classification and measurement of financial assets, (b) impairment of financial assets and (c) general hedge accounting.

Specifically, with regards to the classification and measurement of financial assets HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

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

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of a financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments (Continued)

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is still in the process of assessing the impact of IFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 *Leases* and the related interpretations when it becomes effective.

With regards to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regards to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

As at 31 December, 2017, the Group has non-cancellable operating lease commitments of HK$18,577,000 as disclosed in note 38. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties that are currently classified as operating leases as based on preliminary assessment, the Group will be required to recognise the right-to-use asset and corresponding lease liability. However, the directors of the Company are undergoing a detailed assessment on the implementation of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a "net settlement feature", such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments and hence the Directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Amendments to HKFRS 4 Insurance Contracts

Amendments to HKFRS 4 are not applicable to the Group as the Company or its subsidiaries are not engaged in insurance business.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Continued)

The Group did not enter into these transactions in the current year. The Directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasize that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of HKAS 40 are examples only.

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

The Directors of the Company do not anticipate any impact as the Group did not have any transfers in the past.

HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

HK(IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments.

The Directors of the Company do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost except for financial assets at fair value through profit or loss and contingent consideration – convertible bonds, which are measured at fair value as explained in the accounting policy as set out below.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in ownership interest (Continued)

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

Subsidiaries

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

In the Company's statement of financial position 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Associates and joint ventures *(Continued)*

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.

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 business 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 business.

Goodwill on acquisition of business 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, 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	under the lease term
Computer equipment	$33^{1}/_{3}$%
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.

Construction in progress

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated lives are as follows:

Broadcasting and software license rights	20% to $33^{1}/_{3}$%
Image rights in eSports field	$16^{2}/_{3}$% to $33^{1}/_{3}$%
Usage right of movie database	10%
Exclusive operation rights – after launch of theme park	remaining years to operate
Contract backlog	term of contracts
Agency license	term of license
Trademark	10 years
Music license	5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are amortised over the estimated useful lives and stated at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Classification and 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.

Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities at fair value through profit or loss include financial assets or liabilities held for trading, financial assets or liabilities designated upon initial recognition as at fair value through profit or loss, and financial assets or liabilities resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at fair value through profit or loss only if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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, interest-bearing borrowings and contingent consideration – convertible bonds. All financial liabilities except for financial liabilities at fair value through profit or loss, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

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

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

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.

Contingent consideration

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

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

Convertible bond

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of issue costs. The corresponding dividends on those shares are charged as interest expense in profit or loss.

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Convertible bond *(Continued)*

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

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

Cash equivalents

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

Revenue recognition

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

Income from licensing of 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 organise music concert and system development business is recognised when services are rendered.

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

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

Theme park operation service income is recognised when services are rendered.

Event production and online broadcasting income from organising and arranging for the production of the event or online broadcasting show and broadcasting on the platform is recognised when services are rendered.

Income for managing eSports teams and eSports broadcasters is recognised when services are rendered.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the 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, other than goodwill

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 and investments in joint ventures may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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

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

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

Borrowing costs

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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

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

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

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

Taxation

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

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

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

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 chief operating decision makers, who are the directors of the Company, 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

(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 respectively. In accordance with the terms of the Control Agreements, the Group controls Liheng because:

(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 Group 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 Group.

(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. At the end of the reporting period, the carrying amount of accounts receivables after provision for impairment amounted to HK$123,624,000 (2016: HK$113,912,000).

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

(b) ***Key sources of estimation uncertainty*** *(Continued)*

Allowance for inventories

The Group's management reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

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.

Intangible assets and amortisation

The management determines the estimated useful lives and related amortisation for the Group's intangible assets. At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets with finite useful lives to determine whether there is an indication that the intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with finite useful lives are amortised over the expected useful economic lives.

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 business of training, nurturing and managing eSports teams and eSports broadcasters, distribution of copyright-protected items, licensing of entertainment content, production of television drama series and talent management, provision of consultancy services in cultural industry and provision of entertainment-related services;

- Sports segment which engages in licensing of professional sports events content and provision of marketing and promotional services to professional athletes; and

- Theme park segment which engages in operating film-based cultural parks and tourism focused projects.

4. SEGMENTAL INFORMATION *(Continued)*

(a) Segment revenue and results

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

Year ended 31 December 2017

	Entertainment HK$'000	Sports HK$'000	Theme park HK$'000	Total HK$'000
Segment revenue				
Sale to external customers	266,666	59,897	23,253	349,816
Segment results before the following items:	52,261	26,756	17,482	96,499
Fair value change on contingent consideration	629	–	(28,569)	(27,940)
Gain on disposal of a subsidiaries, net	1,546	–	–	1,546
Share of results of an associate	(52)	–	–	(52)
Share of results of a joint venture	84	–	–	84
Allowance for doubtful debts on loans to and due from joint ventures	(1,155)	–	–	(1,155)
Segment results	53,313	26,756	(11,087)	68,982
Unallocated income				6,652
Unallocated expenses				(42,087)
Profit before taxation				33,547
Taxation	(2,230)	(5,620)	(3,827)	(11,677)
Profit for the year				21,870

4. SEGMENTAL INFORMATION *(Continued)*

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

Year ended 31 December 2016

	Entertainment HK$'000	Sports HK$'000	Theme park HK$'000 (Restated)	Total HK$'000 (Restated)
Segment revenue				
Sale to external customers	102,386	55,444	48,384	206,214
Segment results before the following items:	41,074	24,428	9,277	74,779
Fair value change on contingent consideration	–	–	(54,672)	(54,672)
Gain on deemed disposal of a subsidiary	865	–	–	865
Gain on disposal of an associate	–	–	473	473
Gain on disposal of available-for-sale financial assets	22,301	–	–	22,301
Share of results of an associate	–	–	(123)	(123)
Share of results of a joint venture	(762)	–	–	(762)
Reversal of allowance for doubtful debts on loans to and due from joint ventures	6,136	–	–	6,136
Segment results	69,614	24,428	(45,045)	48,997
Unallocated income				916
Unallocated expenses				(25,873)
Profit before taxation				24,040
Taxation	(10,584)	(6,244)	(1,948)	(18,776)
Profit for the year				5,264

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 makers, who are the directors of the Company, for the purposes of resource allocation and assessment of segment performance.

4. SEGMENTAL INFORMATION *(Continued)*

(b) Segment assets and liabilities

As at 31 December 2017

	Entertainment HK$'000	Sports HK$'000	Theme park HK$'000	Total HK$'000
Assets before the following items:	357,120	231,581	81,452	670,153
Goodwill	352,854	1,924	304,854	659,632
Intangible assets	106,938	–	169,354	276,292
Loans to and due from joint ventures	2,824	–	–	2,824
Interest in joint ventures	5,298	–	–	5,298
Interest in an associate	2,347	–	–	2,347
Segment assets	827,381	233,505	555,660	1,616,546
Unallocated assets				86,835
Consolidated total assets				1,703,381
Segment liabilities	112,602	26,940	600,589	740,031
Unallocated liabilities				66,481
Consolidated total liabilities				806,612

4. SEGMENTAL INFORMATION *(Continued)*

(b) Segment assets and liabilities *(Continued)*

As at 31 December 2016

	Entertainment HK$'000	Sports HK$'000	Theme park HK$'000 (Restated)	Total HK$'000 (Restated)
Assets before the following items:	195,485	71,125	54,458	321,068
Goodwill	169,472	105,635	304,854	579,961
Intangible assets	49,857	9,907	180,261	240,025
Loans to and due from joint ventures	5,591	–	–	5,591
Interest in joint ventures	5,012	–	–	5,012
Segment assets	425,417	186,667	539,573	1,151,657
Unallocated assets				40,708
Consolidated total assets				1,192,365
Segment liabilities	65,209	37,649	240,376	343,234
Unallocated liabilities				7,037
Consolidated total liabilities				350,271

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

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

4. SEGMENTAL INFORMATION *(Continued)*

(c) Other segment information

Year ended 31 December 2017

	Entertainment HK$'000	Sports HK$'000	Theme park HK$'000	Total HK$'000
Amortisation of intangible assets	**(12,275)**	**(3,766)**	**(10,906)**	**(26,947)**
Depreciation of property, plant and equipment	**(1,125)**	**(63)**	**(8)**	**(1,196)**
Allowance for doubtful debt	**(1,785)**	**–**	**–**	**(1,785)**
Write-off of prepayment to licensors/producers	**(11,071)**	**(1,153)**	**–**	**(12,224)**
Capital expenditure	**(19,714)**	**–**	**–**	**(19,714)**
Loss on disposal of property, plant and equipment	**(193)**	**–**	**–**	**(193)**
Impairment loss on intangible assets	**–**	**(6,142)**	**–**	**(6,142)**
Gain on disposal of subsidiaries	**1,546**	**–**	**–**	**1,546**

Year ended 31 December 2016

	Entertainment HK$'000	Sports HK$'000	Theme park HK$'000 (Restated)	Total HK$'000 (Restated)
Amortisation of intangible assets	(6,041)	(6,275)	(20,527)	(32,843)
Depreciation of property, plant and equipment	(932)	(95)	(4)	(1,031)
Reversal of (allowance for) doubtful debt	6,136	(3,124)	–	3,012
Write-off of prepayment to licensors	–	(4,939)	–	(4,939)
Capital expenditure	(74,651)	(12,091)	(200,813)	(287,555)
Gain on deemed disposal of a subsidiary	865	–	–	865

4. SEGMENTAL INFORMATION *(Continued)*

(d) Geographic information

The Group's operations are principally located in Hong Kong, Taiwan 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	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
				(Restated)
Hong Kong	**32,317**	65,934	**253,347**	338,343
The PRC	**306,579**	138,003	**630,674**	490,169
Taiwan	**10,920**	2,277	**62,070**	12,576
	349,816	206,214	**946,091**	841,088

Non-current assets presented above exclude financial instruments, interest in an associate and interest in joint ventures.

(e) Information about major customers

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

Customer	Segment	**2017** **HK$'000**	2016 HK$'000
A	Entertainment	**92,494**	–
B	Entertainment	**N/A** *(Note)*	60,840
C	Sports	**39,000**	33,000
D	Entertainment	**35,000**	–
E	Theme park	**N/A** *(Note)*	48,384

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.

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. REVENUE

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

	2017 HK$'000	2016 HK$'000
Entertainment		
– Licensing of music content	**9,088**	8,531
– Consultancy service income	**101,173**	3,860
– Sale of entertainment content and products	**113,628**	76,840
– Event production and online broadcasting income	**33,938**	7,154
– Managing eSports teams and eSports broadcasters	**179**	6,001
– Celebrity and artists training course agency business	**8,660**	–
Sports		
– Licensing of sports events content	**54,897**	43,250
– Marketing and promotional service commission income	**5,000**	6,381
– Sale of athletes' agency agreements	**–**	5,813
Theme Park		
– Theme park operation service income	**23,253**	48,384
Total revenue	**349,816**	206,214

6. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Bank interest income	**94**	69
Exchange gain, net	**–**	1,267
Fair value gain on financial assets at fair value through profit or loss	**6,631**	916
Gain on disposal of subsidiaries	**1,546**	865
Gain on disposal of an associate	**–**	473
Gain on disposal of available-for-sale financial assets	**–**	22,301
Loan interest income from joint venture	**942**	–
Reversal of doubtful debts on loans to and due from joint ventures	**–**	6,136
Sundry income	**1,457**	26
Waive of amount due to director of a subsidiary	**9,390**	–
	20,060	32,053

Note:

(i) A director agreed to waive the amount due from the Group.

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging (crediting):

	2017 HK$'000	2016 HK$'000 (Restated)
Finance costs		
Interest on convertible bonds	**17,791**	1,533
Interest on bank loans	**68**	318
Interest on other loans	**237**	2,676
	18,096	4,527
Other items		
Employee benefits expenses (including directors' remuneration)		
Salaries and allowances	**19,396**	13,526
Contribution to defined contribution retirement schemes	**1,265**	686
Equity-settled share-based payment	**–**	1,063
	20,661	15,275
Auditor's remuneration	**2,000**	1,812
Amortisation of intangible assets		
– included in cost of services rendered	**4,415**	8,507
– included in administrative and other expenses	**22,532**	24,336
Write-off of prepayment to producer	**11,071**	–
Exchange loss, net	**475**	–
Depreciation of property, plant and equipment	**1,196**	1,031
Operating lease payments on premises	**4,808**	4,015
Provision for doubtful debt – accounts receivable	**634**	3,124
Allowance for (reversal of) doubtful debts on loans to and due from joint ventures	**1,151**	(6,136)
Write-off of prepayment to licensors	**1,153**	4,939
Loss on disposal of property, plant and equipment	**193**	–
Impairment losses on intangible asset	**6,142**	–

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	Contribution to defined contribution retirement schemes HK$'000	Total HK$'000
Year ended 31 December 2017				
Executive directors				
Hsu Tung Sheng	120	876	–	996
Hsu Tung Chi	120	876	–	996
Chang Ching Lien	192	–	–	192
Lai Kwok Fai, Franki	240	721	–	961
Zhang Jing	240	–	–	240
	912	2,473	–	3,385
Independent non-executive directors				
Kwok Chi Sun, Vincent	60	–	–	60
Wong Tak Shing	60	–	–	60
Gou Yanlin	60	–	–	60
	180	–	–	180
	1,092	2,473	–	3,565

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 2016					
Executive directors					
Hsu Tung Sheng	120	876	118	–	1,114
Hsu Tung Chi	120	876	118	–	1,114
Chang Ching Lien (re-designated from independent non-executive director to executive director on 13 April 2016)	160	–	–	–	160
Pang Hong Tao (resigned on 31 May 2016)	100	–	–	–	100
Lai Kwok Fai, Franki (appointed on 22 July 2016)	106	1,012	–	–	1,118
Zhang Jing (appointed on 31 May 2016)	140	–	–	–	140
	746	2,764	236	–	3,746
Independent non-executive directors					
Kwok Chi Sun, Vincent	60	–	–	–	60
Wong Tak Shing	60	–	–	–	60
Chang Ching Lien (re-designated from independent non-executive director to executive director on 13 April 2016)	29	–	–	–	29
Gou Yanlin (appointed on 13 April 2016)	43	–	–	–	43
	192	–	–	–	192
	938	2,764	236	–	3,938

8. DIRECTORS' EMOLUMENTS *(Continued)*

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 2017 and 2016. 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 2017 and 2016.

Except as disclosed in note 24 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 2017 and 2016.

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 2017 and 2016.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included three (2016: 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 two (2016: two) highest paid individuals, who are not directors, for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries and allowances	**1,460**	1,599
Contribution to defined contribution retirement schemes	**–**	–
Equity-settled share-based payment	**–**	118
	1,460	1,717

The above two (2016: two) highest paid individuals fell within the following bands:

	2017	2016
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**–**	1
	2	2

10. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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% (2016: 25%) on the estimated assessable profits of the PRC subsidiaries during the year.

The ROC Income Tax is calculated at 17% on the estimated assessable profits of the Taiwan subsidiaries during the year.

	2017 **HK$'000**	2016 HK$'000 (Restated)
Hong Kong Profits Tax		
Current year provision	**3,787**	12,635
Over-provision in prior years	**(16)**	–
EIT		
Current year provision	**11,631**	11,375
(Over) Underprovision in prior year	**–**	(102)
Deferred tax		
In respect of current year	**(3,725)**	(5,132)
Total tax expense for the year	**11,677**	18,776

Reconciliation of effective tax rate

	2017 **%**	2016 %
Income tax at applicable tax rate	**37.3**	38.8
Non-deductible expenses	**6.7**	45.5
Non-taxable revenue	**(9.0)**	(7.3)
Unrecognised temporary differences	**(0.1)**	4.2
Utilisation of previously unrecognised tax losses	**0**	(2.7)
(Over) underprovision in prior year	**(0.1)**	(0.4)
Effective tax rate for the year	**34.8**	78.1

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:

	2017 **HK$'000**	2016 HK$'000 (Restated)
Profit attributable to equity holders of the Company and used to determine basic and diluted earnings per share	**22,917**	5,103

	2017 **No. of shares** **'000**	2016 No. of shares '000
Issued ordinary shares at 1 January	**1,881,921**	1,168,150
Effect of shares issued	**23,082**	468,014
Weighted average number of ordinary shares for basic earnings per share	**1,905,003**	1,636,164
Effect of dilutive potential shares from:		
– Share options	**–**	1,052
Weighted average number of ordinary shares for diluted earnings per share	**1,905,003**	1,637,216
Earnings per share		
Basic	**HK1.203 cents**	HK0.312 cents
Diluted	**HK1.203 cents**	HK0.310 cents

Note:

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would result in a decrease in earnings per share for both years.

The computation of diluted earnings per share for the year ended 31 December 2016 does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of shares.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000 *(Note i)*	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2016						
At beginning of reporting period	3,409	17	284	6	–	3,716
Additions – acquisition of subsidiaries *(note 35)*	681	256	236	–	–	1,173
Additions	271	140	301	–	17,535	18,247
Depreciation	(720)	(67)	(244)	–	–	(1,031)
Effect on foreign currency exchange differences	(192)	(3)	(12)	–	(796)	(1,003)
At end of reporting period	3,449	343	565	6	16,739	21,102
Reconciliation of carrying amount – year ended 31 December 2017						
At beginning of reporting period	**3,449**	**343**	**565**	**6**	**16,739**	**21,102**
Additions – acquisition of subsidiaries *(note 35)*	**150**	**68**	**16**	**–**	**–**	**234**
Additions	**5,611**	**502**	**340**	**–**	**–**	**6,453**
Depreciation	**(816)**	**(197)**	**(183)**	**–**	**–**	**(1,196)**
Disposal	**–**	**(197)**	**(66)**	**–**	**–**	**(263)**
Add back depreciation of disposal	**–**	**53**	**17**	**–**	**–**	**70**
Disposal of subsidiary	**–**	**–**	**–**	**–**	**(17,711)**	**(17,711)**
Effect on foreign currency exchange differences	**411**	**38**	**57**	**–**	**972**	**1,478**
At end of reporting period	**8,805**	**610**	**746**	**6**	**–**	**10,167**
At 31 December 2016						
Cost	6,633	947	1,485	43	16,739	25,847
Accumulated depreciation	(3,184)	(604)	(920)	(37)	–	(4,745)
Net carrying amount	3,449	343	565	6	16,739	21,102
At 31 December 2017						
Cost	**13,095**	**1,409**	**1,909**	**47**	**–**	**16,460**
Accumulated depreciation	**(4,290)**	**(799)**	**(1,163)**	**(41)**	**–**	**(6,293)**
Net carrying amount	**8,805**	**610**	**746**	**6**	**–**	**10,167**

Note:

(i) Construction in progress represents the total contract sum of leasehold improvement amounted to RMB19,854,000 (equivalent to approximately HK$22,155,000), in which RMB15,000,000 (equivalent to approximately HK$16,739,000) was paid as at 31 December 2016. Construction in progress had been disposed of together with the disposal of subsidiary during the year ended 31 December 2017.

14. INTANGIBLE ASSETS

	Broadcasting license rights	Software license rights	Usage right of movie database	Image rights in eSports field	Exclusive operation rights of theme park	Contract backlog	Agency license	Trade mark	Music license	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note i)	*(Note ii)*	*(Note iii)*	*(Note iii)*	*(Note iv)*	*(Note v)*	*(Note vi)*	
Reconciliation of carrying amount – year ended 31 December 2016 (Restated)										
At beginning of reporting period	4,180	657	–	–	–	–	–	–	–	4,837
Additions	–	–	44,150	23,197	–	–	–	–	–	67,347
Additions – acquisition of subsidiaries	–	–	–	–	169,355	31,433	–	–	–	200,788
Amortisation	(4,092)	(643)	(4,415)	(3,166)	–	(20,527)	–	–	–	(32,843)
Effect on foreign currency exchange differences	(88)	(14)	–	(2)	–	–	–	–	–	(104)
At end of reporting period (Restated)	–	–	39,735	20,029	169,355	10,906	–	–	–	240,025
Reconciliation of carrying amount – year ended 31 December 2017 (Restated)										
At beginning of reporting period	**–**	**–**	**39,735**	**20,029**	**169,355**	**10,906**	**–**	**–**	**–**	**240,025**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,261**	**13,261**
Additions – acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**40,295**	**15,757**	**–**	**56,052**
Amortisation	**–**	**–**	**(4,415)**	**(5,638)**	**–**	**(10,906)**	**(3,128)**	**(1,313)**	**(1,547)**	**(26,947)**
Impairment	**–**	**–**	**–**	**(6,142)**	**–**	**–**	**–**	**–**	**–**	**(6,142)**
Effect on foreign currency exchange differences	**–**	**–**	**–**	**43**	**–**	**–**	**–**	**–**	**–**	**43**
At end of reporting period	**–**	**–**	**35,320**	**8,292**	**169,355**	**–**	**37,167**	**14,444**	**11,714**	**276,292**
At 31 December 2016 (Restated)										
Cost	8,369	3,348	44,150	23,195	169,355	31,433	–	–	–	279,850
Accumulated amortisation	(8,369)	(3,348)	(4,415)	(3,166)	–	(20,527)	–	–	–	(39,825)
Net carrying amount (Restated)	–	–	39,735	20,029	169,355	10,906	–	–	–	240,025
At 31 December 2017										
Cost	**9,005**	**3,603**	**44,150**	**23,242**	**169,355**	**10,906**	**40,294**	**15,757**	**13,261**	**329,573**
Accumulated amortisation	**(9,005)**	**(3,603)**	**(8,830)**	**(8,808)**	**–**	**(10,906)**	**(3,127)**	**(1,313)**	**(1,547)**	**(47,139)**
Impairment	**–**	**–**	**–**	**(6,142)**	**–**	**–**	**–**	**–**	**–**	**(6,142)**
Net carrying amount	**–**	**–**	**35,320**	**8,292**	**169,355**	**–**	**37,167**	**14,444**	**11,714**	**276,292**

14. INTANGIBLE ASSETS *(Continued)*

Notes:

(i) On 1 January 2016, the Company entered into a license agreement ("License Agreement") with an independent third party ("Vendor"), which is a professional movie license company and owned the license right of numerous movies. Pursuant to the License Agreement, the Vendor granted the Company license right of the movie database in the PRC region for 10 years, from 1 January 2016 to 31 December 2025 ("Contract Period") at a consideration of HK$44,150,000. Within the Contract Period, the Company has right to sub-license the usage right to other parties. The usage right of movie database was measured initially at cost and amortised over 10 years using the straight-line method. At the end of the reporting period, the remaining amortisation period is 8 years.

(ii) During the year ended 31 December 2016, the Group acquired image rights to use the names and endorsement of celebrities in eSports field in an aggregate consideration of HK$23,197,000. The image rights were initially measured at cost and amortised over 3 to 6 years using the straight-line method.

(iii) On 14 January 2016, the Group acquired Dream World Holdings Limited ("Dream World") and its subsidiaries (the "Dream World Group"). Dream World Group has cooperation agreements with an independent third party for the exclusive operation rights of a film-based cultural park for 40 years from 2012. The theme park will be launched in 2019. At the date of completion of Dream World Group, the Group recognised exclusive operation rights of HK$169,355,000. The exclusive operation rights of theme park would not be amortised until the launch of theme park.

As at the date of completion, Dream World Group has services contracts with customers for provision of consultancy services until 31 December 2017. Those service contracts were amortised over the contract period and was classified as contract backlog.

(iv) On 11 April 2017, the Group acquired Vector Vision Enterprises Limited ("Vector Vision") and its subsidiaries (the "Vector Vision Group"). Vector Vision Group entered into agency agreements with an independent third party for the exclusive agency of the celebrity and artists training course. The agency license were initially measured at cost HK$ 40,294,000 and amortised over 10 years using the straight-line method. At the end of the reporting period, the remaining amortisation period is 9 years.

(v) On 4 December 2017, the Group acquired The Players Limited ("The Players"). The Players entered in the operation of an E-sports institute which provides E-sports education and training classes in Hong Kong. The Trademark were initially measured at HK$15,757,000 and amortised over 5 years using the straight-line method.

(vi) During the year ended 31 December 2017, the Group acquired music license for the global music right in an aggregate consideration of HK$13,260,000. The music license were initially measured at cost and amortised over 5 years using the straight-line method.

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:

	2017	2016
	HK$'000	HK$'000
		(Restated)
Reconciliation of carrying amount		
At beginning of reporting period	**579,961**	240,702
Acquisition of subsidiaries	**79,671**	339,259
At end of reporting period	**659,632**	579,961
At 31 December		
Cost	**690,632**	610,961
Accumulated impairment losses	**(31,000)**	(31,000)
	659,632	579,961

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.

15. GOODWILL *(Continued)*

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:

	2017 HK$'000	2016 HK$'000 (Restated)
Entertainment		
– Music content	**18,545**	18,545
– Film and TV series production and distribution	**94,695**	94,695
– Television-related content	**21,827**	21,827
– Event production and online broadcasting	**33,522**	33,522
– Managing eSports teams and eSports broadcasters	**35,703**	883
– Celebrity and artists training course agency business	**44,851**	–
Sports		
– Sports events content	**1,924**	1,924
– Marketing and promotional services	**103,711**	103,711
Theme Park		
– Theme park operation services	**304,854**	304,854
	659,632	579,961

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 2%-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 amounts of the CGUs exceeded their carrying amounts based on value-in-use calculations. Accordingly, no impairment on goodwill was recognised during the years ended 31 December 2017 and 2016.

15. GOODWILL *(Continued)*

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

	Entertainment									
	Music content		Film and TV series production and distribution		Television-related content		Event production and online broadcasting		Celebrity and artist training course agency business	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Gross profit margin	**54%**	60%	**41%**	47%	**74%**	95%	**88%**	83%	**94%**	N/A
Average growth rate	**5%**	78%	**3%**	8%	**5%**	5%	**10%**	31%	**60%**	N/A
Long-term growth rate	**3%**	3%	**3%**	3%	**3%**	3%	**3%**	3%	**3%**	N/A
Discount rate	**32%**	37%	**32%**	33%	**25%**	34%	**28%**	34%	**27%**	N/A

	Sports				Theme park	
	Sports events content		Marketing and promotional services		Theme park operation services	
	2017	2016	**2017**	2016	**2017**	2016
Gross profit margin	**45%**	59%	**49%**	47%	**65%**	75%
Average growth rate	**5%**	7%	**5%**	3%	**13%**	54%
Long-term growth rate	**3%**	3%	**3%**	3%	**3%**	3%
Discount rate	**41%**	39%	**22%**	22%	**26%**	25%

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

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

16. INTEREST IN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Unlisted shares		
Share of net assets	**2,347**	–

Particulars of the associate is as follows:

Name	Place of incorporation/ type of legal entity	Place of operation	Percentage equity attributable to the Group *Directly*	*Indirectly*	Principal activity
Guangzhou Yuedong Investment Management Co., Ltd.* ("Yuedong") 廣州市躍動投資管理有限公司	The PRC/limited liability company	The PRC	–	20%	Project investment, investment management and financial consultancy

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

Summarised financial information of the Group's material associates is set out below. The amounts presented below are after adjustments made to equity-account the associates.

	Yuedong 2017 HK$'000	2016 HK$'000
Current assets	**3,903**	N/A
Non-current assets	**37**	N/A
Current liabilities	**(4,211)**	N/A
Non-current liabilities	**–**	N/A

	2017 HK$'000	2016 HK$'000
Revenue	**–**	N/A
Loss for the year	**(271)**	N/A

17. INTEREST IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Unlisted shares		
Share of net assets	**5,298**	5,012

Particulars of the joint ventures 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	Percentage equity attributable to the Group Directly	Percentage equity attributable to the Group Indirectly	Principal activities
Shinning Day Limited (i)	British Virgin Islands/ limited liability company	Hong Kong	4 shares of US$1 each	50%	–	Investment holding
Golden Sino Limited (i)	Hong Kong/limited liability company	Hong Kong	1,000 shares with capital of HK$1,000	–	50%	Investment holding
Beijing YiLaiShen Technology Company Limited* 北京易來申科技有限公司(i)	The PRC/foreign wholly-owned enterprise	The PRC	Paid-up capital of HK$12,000,000	–	50%	Distribution of copyright-protected items and other entertainment related business
Beijing WenZiShuma Investment Management Company Limited* ("BWIM") 北京文資數碼投資管理有限公司	The PRC/limited liability company	The PRC	Paid-up capital of RMB6,000,000	50%	–	Project investment, investment management and financial consultancy service

* English translation of company name is for identification purpose only.
(i) Companies collectively referred to as the Shinning Day Group.

17. 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.

Relationship with joint ventures

Shinning Day Group was established by the Group and the other joint venturer, which is a music provider in the PRC, to engage in distribution of copyright-protected items and other entertainment related business in the PRC. The investment is a strategic move of the Group to leverage the expertise of the other joint venturer in the field of the entertainment related business.

BWIM was established by the Group and the other joint venturer, which is a project investment company in the PRC, to engage in project investment, investment management and financial consultancy service in the PRC. The investment is a strategic move of the Group to leverage the expertise of the other joint venturer in the field of the project investment related business.

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.

17. INTEREST IN JOINT VENTURES *(Continued)*

At 31 December 2017	Shinning Day Group HK$'000	BWIM HK$'000
Gross amount		
Non-current assets	32	12,221
Current assets	2,976	10,614
Current liabilities	(30,134)	(12,238)
Equity	(27,126)	10,597
Group's ownership interests	50%	50%
Group's share of equity	–**	5,298
Included in above:		
Cash and cash equivalents	62	5,757
Current financial liabilities*	(26,211)	(12,026)
Year ended 31 December 2017		
Gross amount		
Revenue	585	2,741
(Loss) Profit for the year	(4,726)	169
Other comprehensive loss income the year	317	405
(Loss) Profit for the year and total comprehensive income for the year	(4,409)	574
Group's ownership interest	50%	50%
Group's share of results of joint ventures	–**	84
Group's share of other comprehensive income for the year	–**	203
Included in above:		
Depreciation and amortisation	–	(81)
Interest income	–	13
Interest expenses	(942)	–

* Exclude trade and other payables and provisions.

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

17. INTEREST IN JOINT VENTURES *(Continued)*

At 31 December 2016	Shinning Day Group HK$'000	BWIM HK$'000
Gross amount		
Non-current assets	30	11,428
Current assets	5,748	9,910
Current liabilities	(27,878)	(11,314)
Equity	(22,100)	10,024
Group's ownership interests	50%	50%
Group's share of equity	–**	5,012
Included in above:		
Cash and cash equivalents	17	5,049
Current financial liabilities*	(26,628)	(11,161)
Year ended 31 December 2016		
Gross amount		
Revenue	29	3,496
Profit (Loss) for the year	1,502	(1,524)
Other comprehensive loss for the year	(3,641)	(391)
Loss for the year and total comprehensive loss for the year	(2,139)	(1,915)
Group's ownership interest	50%	50%
Group's share of results of joint ventures	–**	(762)
Group's share of other comprehensive loss for the year	–**	(196)
Included in above:		
Depreciation and amortisation	–	(38)
Interest income	–	14
Interest expenses	(940)	–

* Exclude trade and other payables and provisions.

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

The unrecognised share of losses of Shinning Day Group for the current year amounted to HK$2,363,000 (2016: profit of HK$751,000) and the unrecognised share of losses cumulatively up to the end of the reporting period amounted to HK$3,564,000 (2016: HK$1,201,000) respectively.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	2017 HK$'000	2016 HK$'000
Unlisted investments, at cost		**79,573**	11,159
Deposits for acquisition of available-for-sale financial assets	(i)	**3,139**	–

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.

Note:

(i) On 21 December 2017, Summer Eagle Limited ("Summer Eagle"), a wholly owned subsidiary of the Group subscribed 200,000 shares of Julien's Trading Limited at the consideration of TN$12,000,000 (approximately HK$3,139,000) and the shares of which are listed on the Taiwan Stock Exchange. The shares was allotted to Summer Eagle on 12 February 2018.

19. DERIVATIVE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000 (Restated)
Contingent consideration - Vector Vision *(Note a)*	**5,357**	–
Contingent consideration - The Players *(Note b)*	**3,819**	–
Contingent consideration - Dream World *(Note c)*	**2,953**	2,439
	12,129	2,439

Contingent consideration for business combination

	2017 HK$'000	2016 HK$'000
As at 1 January	**2,439**	–
Acquisition of subsidiaries	**8,547**	552
Fair value changes reclassified to profit or loss	**1,143**	1,887
	12,129	2,439

Contingent consideration for business combination – Derivative financial assets are initially and subsequently measured at fair value, with changes in fair values in subsequent accounting periods being recognised in profit or loss.

(a) On 30 November 2016, the Group entered into a sale and purchase agreement ("Vector Vision Agreement") with an independent third parties to acquire the entire equity interests of Vector Vision Group (the"Vector Vision Acquisition"). The acquisition was completed on 11 April 2017.

Included in the Vector Vision Agreement, there was a profit guarantee pursuant to which the Vendor guarantees to the Group that the net profit after tax of Vector Vision Group (i) for the year ended 31 December 2017 is not less than HK$3,000,000 for the whole financial year; (ii) for the year ending 31 December 2018 is not less than HK$6,000,000 for the whole financial year; and (iii) for the year ending 31 December 2019 is not less than HK$9,000,000 for the whole financial year ("Guaranteed Profit"). If the event that Guaranteed Profit have not been met, compensation shall be paid by the Vendor to the Group. For the year ended 31 December 2017, the actual profit of Vector Vision Group has been met with the Guaranteed Profit for not less than HK$3,000,000.

19. DERIVATIVE FINANCIAL ASSETS *(Continued)*

Contingent consideration for business combination *(Continued)*

(b) On 6 October 2017, the Group entered into a sale and purchase agreement ("The Players agreement") with an independent third parties to acquire the entire equity interests of The Players Limited ("The Players"). The acquisition was completed on 4 December 2017.

Included in The Players Agreement, there was a profit guarantee pursuant to which the Ventor guarantees to the Group that the net profit after tax of The Players for the year ending 31 December 2018 is not less than HK$5,500,000. If the event that guaranteed profit have not been met, compensation shall be paid by the Vendor to the Group.

(c) On 6 July 2015, the Group entered into a sale and purchase agreement with three independent third parties (the "Vendors") pursuant to which the Company/the Vendors agreed to acquire/sell the entire equity interests of Dream World Group (the "Dream World Acquisition"). The acquisition was completed on 14 January 2016.

Include in the Dream World Agreement, there is a profit guarantee pursuant to which the Vendor guarantees to the Group that the net profit after tax of Dream World Group for the 3 financial years end 2015, 2016 and 2017 is not less than certain amounts. For detail of the profit guarantee and the related fair value hierarchy disclosure have been set out in note 34 to the consolidated financial statements.

	Fair value hierarchy	**Valuation methodology and inputs**	**Significant inputs**	**Sensitivity analysis**
Contingent consideration for business combination	Level 3	Discounted Cash flow	Estimated future cash flow of Vector Vision and The Players with discount rate of 27% and 15.4% per annum respectively.	Assuming other factors remain unchanged, the higher the probability, the higher the fair value of the contingent consideration.

20. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY/JOINT VENTURE

As at 31 December 2017

(a) On 17 October 2017, the Company entered into a Memorandum of Understanding ("MOU") with an independent third party to acquire 100% of the issued share capital in Mirage Technology Limited ("Mirage"). The aggregate consideration shall not less than HK$30,000,000. Deposit of HK$800,000 had been paid pursuant to the MOU. The acquisition of Mirage had not completed as at the date of this report.

Mirage was incorporated in Hong Kong with limited liability and is principally engaged in design, research and development of household-and-commercial solutions technology.

(b) On 8 December 2017, the Company entered into an Operating Agreement ("VGJ Agreement") with an independent third party to invest in VGJ, LLC. The additional capital contribution shall be US$250,000 and to be settled by the Company no later than 31 March 2018. As at 19 September 2017, 25 September 2017 and 19 December 2017, deposit of US$75,000, US$25,000 and US$150,000 had been paid pursuant to the VGJ Agreement respectively. The acquisition of VGJ, LLC was not completed as at the date of this report.

VGJ, LLC was incorporated in the United States with limited liability and is principally engaged in the business of management and operation of professional eSports teams.

As at 31 December 2016

(c) On 30 November 2016, the Company entered into the Vector Vision Agreement to acquire 100% of the issued share capital of Vector Vision. The acquisition was completed on 11 April 2017. Further details of this acquisition have been disclosed in note 35 to the consolidated financial statements.

21. LOANS TO AND DUE FROM JOINT VENTURES

	Note	**2017** **HK$'000**	2016 HK$'000
Due from joint ventures	*(i)*	**1,053**	2,669
Loans to a joint venture	*(ii)*	**17,000**	17,000
		18,053	19,669
Allowance for doubtful debts	*(iii)*	**(15,229)**	(14,078)
		2,824	5,591

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

Notes:

(i) The amounts due from joint ventures are unsecured, interest-free and have no fixed repayment term. The directors 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.

On 27 December 2016, the Group further signed a supplemental agreement with the joint venture and agreed to extend the term of the loan facility from 28 December 2016 to 27 December 2019. The joint venture had drawn down HK$17,000,000 (2016: HK$17,000,000) as at 31 December 2017.

(iii) Allowance for doubtful debts was 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 in full would be remote. During the year, reversal of allowance for doubtful debts was made because of the improvement in the financial position of the joint ventures to the Group.

Movement in allowance for doubtful debts is as follows:

	2017 **HK$'000**	2016 HK$'000
At beginning of reporting period	**14,078**	20,214
Increase (decrease) in allowance	**1,151**	(6,136)
At end of reporting period	**15,229**	14,078

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

22. INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Food and beverages	**36**	–
Movie scripts	**88,289**	6,180
Entertainment license	**52,494**	–
	140,819	6,180

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Analysis of financial assets at fair value through profit or loss:

	2017	2016
	HK$'000	HK$'000
Unlisted convertible notes at fair value, designated upon initial recognition		
At beginning of reporting period	**20,916**	–
Additions	**10,000**	20,000
Fair value adjustments	**6,631**	916
Converted during the year	**(37,547)**	–
At end of reporting period	**–**	20,916

Notes:

(a) During the year ended 31 December 2016, the Group subscribed convertible note in the principal amount of HK$5,000,000 ("Convertible note A") and HK$15,000,000 ("Convertible note B") of Light Cycle Limited ("Light Cycle").

In the opinion of the directors, subscription of the convertible notes, representing 9.21% equity interests in Light Cycle, would not constitute significant influence on Light Cycle, and the unlisted convertible notes were designated as at fair value upon initial recognition as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

(b) During the year ended 31 December 2017, the Group subscribed another convertible note in the principal amount of HK$10,000,000 ("Convertible note C") of Light Cycle.

In the opinion of the directors, total subscription of the convertible notes, representing 13.82% equity interests in Light Cycle, would not constitute significant influence on Light Cycle, and the unlisted convertible notes were designated as at fair value upon initial recognition as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel. The fair values are estimated using valuation technique based on assumptions and estimates including but not limited to average stock price, risk-free rate, expected volatility and expected dividend yield of similar comparable by an independent qualified professional valuer, by using the Binomial Option Pricing Model.

On 22 September 2017, all of the convertible notes including Convertible note A, Convertible note B and Convertible note C with aggregate fair value amount approximately HK$37,547,000 was fully converted to the ordinary shares of Light Cycle and had been reclassified to available-for-sale financial assets.

24. ACCOUNTS AND OTHER RECEIVABLES

	Note	2017 HK$'000	2016 HK$'000
Accounts receivable			
From third parties		**127,462**	116,902
Allowance for doubtful debts	*(i)*	**(3,838)**	(2,990)
	(i)	**123,624**	113,912
Prepayments and other receivables – current			
Deposits, prepayments and other receivables		**50,881**	23,661
Prepayments to licensors and service providers		**46,240**	45,177
Receivable from disposal of available-for-sale financial asset	*(ii)*	**–**	15,000
Refund of deposits of available-for-sale financial asset		**–**	10,713
Due from directors of subsidiaries of the Company	*(iii)*	**2,391**	2,624
Due from directors	*(iv)*	**518**	835
		100,030	98,010
		223,654	211,922
Prepayments – non-current			
Prepayments for use of the Likeness of artists for the Group's E-sports team		**15,783**	–
		239,437	211,922

Notes:

(i) Accounts receivable

In general, the Group allows a credit period from 30 days to 90 days to its customers upon presentation of invoices. Included in the Group's accounts receivable balances are debtors with carrying amounts of HK$64,571,000 (2016: HK$94,047,000), 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.

24. 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:

	2017 **HK$'000**	2016 HK$'000
0-30 days	**11,621**	15,534
31-90 days	**47,432**	6,277
91-365 days	**64,333**	90,662
Over 365 days	**238**	1,439
	123,624	113,912

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:

	2017 **HK$'000**	2016 HK$'000
Current	**59,053**	19,865
Less than 1 month past due	**31,695**	67,614
1 month to 3 months past due	**–**	24,944
3 months to 12 months past due	**32,638**	855
Over 1 year past due	**238**	634
	64,571	94,047
	123,624	113,912

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

24. ACCOUNTS AND OTHER RECEIVABLES *(Continued)*

Note: (Continued)

(i) Accounts receivable *(Continued)*

Movement in allowance for doubtful debts is as follows:

	2017	2016
	HK$'000	HK$'000
At beginning of reporting period	**2,990**	–
Increase in allowance	**634**	3,124
Exchange realignment	**214**	(134)
At end of reporting period	**3,838**	2,990

(ii) Receivable from disposal of available-for-sale financial asset

On 15 July 2016, the Group entered into an agreement with an independent third party for the disposal of an available-for-sale financial asset at a consideration of HK$25,000,000. The receivable has been partially settled during the year ended 31 December 2016 and the remaining balance of HK$15,000,000 has been fully settled subsequently during the year.

(iii) 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.

(iv) 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 approximates their fair value. Details of the amounts due from directors are as follows:

Name of director	**Maximum balance during the year HK$'000**	**2017 HK$'000**	2016 HK$'000
Hsu Tung Chi	–	**–**	–
Hsu Tung Sheng	53	**53**	49
Lai Kwok Fai Franki	465	**465**	465
Chang Ching Lien	321	**–**	321
		518	835

25. BANK BALANCES AND CASH

	2017 HK$'000	2016 HK$'000
Bank balances and cash are denominated in		
HK$	**156,020**	29,733
RMB	**74,450**	17,055
NT$	**996**	224
USD	**37,495**	1,046
KRW	**8**	–
Bank balances and cash	**268,969**	48,058

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

26. ACCOUNTS AND OTHER PAYABLES

	Note	2017 HK$'000	2016 HK$'000
Accounts payable			
To third parties	*(i)*	**63,298**	14,852
Other payables			
Accrued charges and other payables		**55,087**	30,648
Other loan	*(ii)*	**–**	13,391
Deferred income		**–**	33
Due to directors	*(iii)*	**3,165**	2,202
Due to a joint venture	*(iv)*	**2,823**	5,590
Due to directors of subsidiaries of the Company	*(iv)*	**385**	8,689
		61,460	60,553
		124,758	75,405

26. ACCOUNTS AND OTHER PAYABLES *(Continued)*

Notes:

(i) Accounts payable

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

(ii) Other loan

Liheng has entered into an agreement with an independent third party (the "Producer"), pursuant to which Liheng agrees to invest RMB10 million in a Reality TV Show to be produced and developed by the Producer as disclosed in note 17(i). 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 lend RMB10 million (equivalent to approximately HK$11,941,000) loan to 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 interest return within 12 months. 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 (Beijing Jumi Hudong Film Media Limited, "Beijing Jumi"), an independent third party, to transfer the rights and obligations of Alibaba Hangzhou as stated in the agreement to Beijing Jumi. Beijing Jumi, currently being a party to the corresponding agreement, is therefore entitled to receive the principal of RMB10 million and the 20% fixed interest return from Liheng.

The corresponding principal and fixed interest return have been repaid by Liheng during the year.

(iii) Due to directors

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

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

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

27. INTEREST-BEARING BORROWINGS

	Note	2017 HK$'000	2016 HK$'000
Unsecured bank loans	*(a)*	**19,252**	4,128
Secured loan from a third party	*(b)*	**659**	2,902
		19,911	7,030

The maturity of the bank loans based on repayment schedule (ignoring the effect of any repayment on demand clause) are as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**19,911**	6,418
In the second to fifth years	**–**	612
	19,911	7,030

Notes:

(a) At the end of the reporting period, bank loans with a clause in their terms that gives the banks an overriding rights to demand for repayment without notice or with notice period of less than 12 months at its sole discretion are classified as current liabilities even though the directors do not expect that the banks would exercise their right to demand repayment. The bank loans are denominated in Hong Kong Dollars.

(b) The loan from a third party is repayable in 2 years and is secured by the Group's inventories and the deposit paid for script-writing with carrying value of approximately HK$2,790,000 in total and a corporate guarantee from the Company.

The ranges of interest rates on the Group's interest-bearing borrowings are as follows:

	2017	2016
Interest rates		
Hong Kong Interbank Offer Rate	**Minus 0.5-1.75% p.a.**	Plus 2.5% p.a
Fixed rate	**11%**	5%-11%

28. CONVERTIBLE BONDS

The liabilities component of convertible bonds ("CB") at 31 December is as follows:

	2017 **HK$'000**	2016 HK$'000 (Restated)
CB1	**9,855**	8,799
CB2	**371,645**	–
At the end of the year	**381,500**	8,799

Convertible Bond issued in 2017

On 19 June 2017, the Company issued CB with the aggregate principal amount of HK$412,500,000 issued in denomination and integral amount of HK$412,500,000 in nominal amount for the aggregate cash consideration of HK$412,500,000 ("CB2"). The holders of the CB2 will be able to convert the outstanding principal amount of each of the CB2 in whole or in part (in multiples of HK$1,000,000) into ordinary shares of the Company at a conversion price of HK$0.55 per conversion share (subject to customary anti-dilutive adjustments) at any time following the date of issue until the maturity date (18 June 2022). The convertible bonds bear interest at 5.5 per cent per annum, payable annually. Also, the Company has an option to early redeem the CB2 at an amount equal to 105% of the principal amount any time since the issue date but before the maturity date. None of the CB2 have been converted into ordinary shares of the Company up to the date when the consolidated financial statements are authorised for issue.

The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 8.7% which is based on market interest rates for a number of comparable convertible bonds denominated in HK$ and certain parameters specific to the Group's liquidity risk. The equity component is recognised initially as the difference between the fair value of the bonds and the fair value of the liability component and is included in convertible bonds reserves in equity. Subsequently, the liability component is carried at amortised cost.

28. CONVERTIBLE BONDS *(Continued)*

Convertible Bond issued in 2017 *(Continued)*

	2017	2016
	HK$'000	HK$'000
At the beginning of the year	**–**	–
Measured at fair value on initial recognition	**412,500**	–
Less: equity component (being the conversion option)	**(51,872)**	–
The liability component	**360,628**	–
Interest expense (base on effective interest)	**16,735**	–
Interest paid	**(5,718)**	–
At the end of the year	**371,645**	–

Convertible Bond issued in 2016

As mentioned in note 34 to the consolidated financial statements, the 1st tranche of CB with the principal amount of HKD120 million was recognised by the Group on 31 March 2016 ("CB1").

The holders of the of CB1 will be able to convert the outstanding principal amount in whole or in part (in multiples of HK$1,000,000) into ordinary shares of the Company at a conversion price of HK$0.48 per conversion share (subject to be customary anti-dilutive adjustments) until the maturity date (i.e. 3 July 2021). The Company has an option to early redeem the CB1 at an amount equal to 100% of the principal amount any time since the issue date but before the maturity date. The CB1 is not interest bearing.

The CB1 is determined to be a compound financial instrument with a conversion option, that will or may be settled by an exchange of a fixed number of ordinary shares of the Company for a fixed amount of cash, being treated as equity. The liability components include host debt component (being the Company's obligation to pay the principal amount of the CB1 on maturity date if the CB1 is not converted or redeemed) and a non-closely related early redemption option which is remeasured to its fair value at the end of the reporting period which fair value changes being recognised in profit or loss.

28. CONVERTIBLE BONDS *(Continued)*

Convertible Bond issued in 2016 *(Continued)*

On initial recognition of the CB1, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The value of the early redemption option embedded in the CB1 other than the equity component (i.e. the conversion option) is included in the liability component. Accordingly, on initial recognition, the Group first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including the embedded early redemption option which is considered insignificant) that does not have an associated conversion option feature. The carrying amount of the equity conversion option is then determined by deducting the fair value of the financial liability from the fair value of the CB1 as a whole. The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 12% which is based on market interest rates for a number of comparable convertible bonds denominated in HK$ and certain parameters specific to the Group's liquidity risk. At subsequent reporting dates, the liability component is carried at amortised cost with an effective interest rate of 12%.

During the year ended 31 December 2016, the majority of the CB1 with the aggregate principal amount of HKD105,360,000 were converted into 219,500,000 ordinary shares of the Company.

Movements of the carrying amount of the liability component of the CB1 (with the fair value of the early redemption option being insignificant) are as follows:

	2017	2016
	HK$'000	HK$'000
At the beginning of the year	**8,799**	–
Measured at fair value on initial recognition	**–**	142,323
Less: equity component (being the conversion option)	**–**	(74,232)
The liability component	**8,799**	68,091
Interest expense (base on effective interest)	**1,056**	1,533
Conversion	**–**	(60,825)
At the end of the year	**9,855**	8,799

29. SHARE CAPITAL

	Note	Number of ordinary shares '000	Nominal value HK$'000
Authorised:			
At 1 January 2016, ordinary shares of HK$0.04 each		5,000,000	200,000
Share consolidation from HK$0.01 each to HK$0.04 each			
At 31 December 2016, 1 January 2017 and 31 December 2017, ordinary shares of HK$0.04 each		5,000,000	200,000
Issued and fully paid:			
At 1 January 2016, ordinary shares of HK$0.04 each		1,168,150	46,726
Issue of consideration shares for acquisition of subsidiaries – Dream World Group		160,938	6,438
Issue of consideration shares for acquisition of an intangible asset – Image rights in eSports field		20,833	833
Shares issued upon conversion of convertible bonds		219,500	8,780
Shares issued upon placing		312,500	12,500
At 31 December 2016, ordinary shares of HK$0.04 each		1,881,921	75,277
Issue of shares – for payments of Likeness of an artistic	*(a)*	5,605	224
Issue of shares – for payments of Likeness of an artistic	*(b)*	22,650	906
Issue of consideration shares for acquisition of an subsidiaries – The Players Limited		30,000	1,200
At 31 December 2017, ordinary shares of HK$0.04 each		1,940,176	77,607

Note (a) On 23 January 2017, the Company issued 5,604,445 shares at HK$0.511 per share for the use of the Likeness of Jeremy Lin for the Group's E-sports team.

Note (b) On 6 April 2017, the Company issued 22,650,056 shares at issue price of HK$0.4415 per share for the use of the Likeness of Wayne Lim the Group's E-sports team.

30. SHARE OPTION SCHEME

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

The purpose of the New Share Option Scheme is to provide eligible employees with performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership. The Board may, at its discretion, invite any full-time 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. 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. As a result of the share consolidation on 1 December 2015, the exercise price of the share options had been adjusted to HK$0.4572 per share since then. The 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.

30. SHARE OPTION SCHEME *(Continued)*

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

* Before share consolidation

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 Option 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 (before share consolidation)	0.1130
Exercise price (before share consolidation)	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, there is no equity-settled share-based payment for share options (2016: HK$1,181,000) has been recognised in profit or loss.

30. 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 2017 and 2016:

Grant date	Exercise period	Exercise price* HK$	Outstanding at 1 January	Lapsed during the year	Outstanding at 31 December
Year ended 31 December 2017					
Directors					
10/06/2014	10/06/2014 to 10/06/2017	0.1143	**13,752,552**	**(13,752,552)**	**–**
Employees					
10/06/2014	10/06/2014 to 10/06/2017	0.1143	**22,008,932**	**(22,008,932)**	**–**
Consultant					
10/06/2014	10/06/2014 to 10/06/2017	0.1143	**5,501,276**	**(5,501,276)**	**–**
			41,262,760	**(41,262,760)**	**–**
Exercisable at end of reporting period					**–**
Weighted average exercise price					**–**

* Before share consolidation

30. SHARE OPTION SCHEME *(Continued)*

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

Grant date	Exercise period	Exercise price* HK$	Outstanding at 1 January	Exercised during the year	Outstanding at 31 December
Year ended 31 December 2016					
Directors					
10/06/2014	10/06/2014 to 10/06/2017	0.1143	13,752,552	–	13,752,552
Employees					
10/06/2014	10/06/2014 to 10/06/2017	0.1143	22,008,932	–	22,008,932
Consultant					
10/06/2014	10/06/2014 to 10/06/2017	0.1143	5,501,276	–	5,501,276
			41,262,760	–	41,262,760
Exercisable at end of reporting period					41,262,760
Weighted average exercise price					HK$0.4572
Weighted average share price at date of exercise					N/A

* Before share consolidation

31. 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.

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.

No unlisted warrants were issued and exercised during the year ended 31 December 2016 and all the outstanding 34,437,500 unlisted warrants lapsed during the year ended 31 December 2017.

32. RETIREMENT BENEFITS SCHEMES

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Schemes"). The assets of the MPF Schemes are held separately in provident funds managed by independent trustees. Under the MPF Schemes, the Group and each of the employees make monthly contributions to the schemes at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK$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$1,265,000 (2016: HK$686,000).

33. DEFERRED TAXATION

The movements in the Group's net deferred tax liabilities were as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
At the beginning of the reporting period	**45,065**	–
Acquisition of subsidiaries – Dream World Group	**–**	50,197
Acquisition of subsidiaries – Vector Vision Group	**10,074**	–
Acquisition of subsidiaries – The Players Limited	**2,600**	–
Less: Deferred tax credit resulting from amortisation of intangible asset	**(3,725)**	(5,132)
At the end of the reporting period	**54,014**	45,065

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$87,455,000 (2016: HK$6,271,000). 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.

	2017 HK$'000	2016 HK$'000
Unrecognised deferred tax assets arising from		
Deductible temporary differences	**890**	1,022
Tax losses	**3,173**	3,173
At the end of the reporting period	**4,063**	4,195

Neither the tax losses nor the deductible temporary differences expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

34. CONTINGENT CONSIDERATION – CONVERTIBLE BONDS

On 6 July 2015, the Company entered into a sale and purchase agreement with three independent third parties (the "Vendors") pursuant to which the Company/the Vendors agreed to acquire/sell the entire equity interests of Dream World Group (the "Dream World Acquisition"). Dream World would be principally engaged in the business of operating film-based cultural parks and tourism focused projects after the completion of construction of the parks. Details of the Dream World Acquisition were set out in the Company's circular dated 28 October 2015. Subsequent to the abovementioned sale and purchase agreement was entered into, a number of supplementary agreements were entered into (collectively referred to as "Dream World Agreements").

Pursuant to the Dream World Agreements, the consideration for the Dream World Acquisition included the following:

Initial consideration

- Cash consideration of HK$50,000,000 paid in December 2015;

- Cash consideration of HK$100,000,000 paid in January 2016;

- Allotment and issue of 643,750,000 ordinary shares of the Company ("Consideration Shares") (allotted and issued in January 2016).

Contingent consideration

A sum of maximum of HK$360,000,000 to be paid by issuance of convertible bonds by the Company ("CB"), subject to the fulfilment of Profit Guarantee requirements (see below) and the Group being satisfied with the progress of the stage of construction of the Project (being a film-based cultural park as referred to in the Cooperation Agreements (see below) executed between Dream World Group and Wang Shang Shi Jie (Beijing) Digital Movie Culture Development Limited 網尚世界(北京)數字電影文化發展有限公司 as well as its subsidiaries (the "Wang Shang Shi Jie Group").

The Profit Guarantee is set out below:

- For the year ending 31 December 2015, the net profit after tax of Dream World Group (based on the audited accounts) is not less than HK$15 million;

- For the year ending 31 December 2016, the net profit after tax of Dream World Group (based on the audited accounts) is not less than HK$20 million; and

- For the year ending 31 December 2017, the net profit after tax of Dream World Group (based on the audited accounts) is not less than HK$25 million.

34. CONTINGENT CONSIDERATION – CONVERTIBLE BONDS *(Continued)*

Contingent consideration *(Continued)*

Financial year	Maximum amount of the CB to be issued in the corresponding financial year
Year ending 31 December 2015	HK$120 million
Year ending 31 December 2016	HK$120 million
Year ending 31 December 2017	HK$120 million

The CB consideration shall be paid in 3 different payments within 3 months upon the Company (i) being satisfied with the progress of the stage of construction of the Project for the corresponding financial years of 2015, 2016 and 2017 respectively as set out in the relevant independent construction progress reports prepared by Dream World Group, which shall be received by the Company on or before 31 March 2016, 31 March 2017 and 31 March 2018 respectively or such other dates as agreed by the parties in writing and (ii) having received the relevant audited accounts of the Dream World Group fulfilling the Profit Guarantee on or before 31 March 2016, 31 March 2017 and 31 March 2018 or such other dates agreed by the parties in writing. If the Company is not satisfied with the progress of the stage of construction of the Project in the relevant independent construction progress, the Company shall not be obliged to pay the CB consideration for that corresponding financial year regardless whether the Profit Guarantee for that year has been met.

In the event that the Project Completion as defined in the Dream World Agreements does not take place by 31 December 2019, the Group has the option (in its sole and absolute discretion) for the refund and return of the 643,750,000 Consideration Shares and any portion of the CB Consideration already paid to the Vendors or their nominees from the Vendors in full within 3 months upon receiving the relevant written notice from the Group. In the event that the said Consideration Shares and/or CB Consideration have been disposed of by the Vendors or their nominee(s), the Vendors shall refund and return all undisposed Consideration Shares and CB Consideration to the Company and, by way of cash compensation, pay the Group a sum equivalent to the shortfall, being the number of the Consideration Shares and/or CB Consideration disposed multiplied by their respective issue price of the Consideration Shares and applicable conversion price of the Convertible Bonds on the date the cash compensation is made respectively.

In the event that any CB consideration for any relevant year is not paid by the Company on grounds that the Company is not satisfied with the progress of the stage of construction of the Project for the relevant year, only the on the fulfillment of the conditions that the Project Completion defined in the Dream World Agreements has taken place by 31 December 2019 and the Profit Guarantee for the year of 2015, 2016 and 2017 have all been met or satisfied (either by way of Dream World Group's performance or by way of the Vendor's cash reimbursement to the Company), then, the Company shall, upon request from the Vendors in writing, pay to the Vendors the CB consideration that has not been paid.

34. CONTINGENT CONSIDERATION – CONVERTIBLE BONDS *(Continued)*

Contingent consideration *(Continued)*

In the event that the Company is not satisfied with the progress of the stage of construction of the Project for the relevant financial year, the Company may, at its discretion, withhold the CB consideration payable to the Vendors or their nominee(s) for that year. Only on the conditions that, in the next financial year(s), the Company is satisfied with the progress of the stage of construction of the Project for such financial year and the Profit Guarantee requirement for such financial year and the earlier financial year have been met or satisfied (either by way of Dream World Group's performance or by way of the Vendors' cash reimbursement to the Company), then, the Company shall pay the Vendors for such financial year and the previous financial year(s) within 3 months upon the Company receiving the audited account of the Dream World Group on or before 31 March 2017 or 31 March 2018, as applicable.

In the event that the Company is satisfied with the progress of the stage of construction of the Project for the relevant years and Dream World Group records a shortfall between the Guaranteed Profit and the Actual Profit in each of the relevant financial years, the Vendors may, at their sole discretion, by cash reimburse the Company, within 3 months upon the Company receiving the audited account of Dream World Group on or before 31 March 2016, 31 March 2017 and 31 March 2018 respectively or such other dates agreed by the parties in writing, for the Actual Profit that Dream World Group would have earned had the Guaranteed Profit requirement as described above is fully met in the corresponding financial year and, in such case, the Vendors shall be entitled to obtain the relevant CB consideration for that year.

In the event that the Company is satisfied with the progress of the stage of construction of the Project for the relevant years and that Dream World Group records a loss in any of the 3 financial years ending 31 December 2015, 31 December 2016 and 31 December 2017, the Vendors shall, in proportion to their respective shareholdings in Dream World Group as at the date hereof, pay the Company and/or its nominee(s) a compensation in cash, within 3 months upon the Company receiving the audited accounts of Dream World Group on or before 31 March 2016, 31 March 2017 and 31 March 2018 respectively or such other dates agreed by parties in writing, equivalent to the loss incurred by Dream World Group for the corresponding year. The Vendors may also, at their sole discretion, by cash reimburse the Company the shortfall of the Guaranteed Profit for that corresponding year and, in such case, the Vendors shall be entitled to obtain the relevant CB consideration for that year.

The Dream World Acquisition was completed on 14 January 2016 and Dream World Group has become subsidiaries of the Group since then.

34. CONTINGENT CONSIDERATION – CONVERTIBLE BONDS *(Continued)*

Consideration for the Dream World Acquisition

Based on the terms and circumstances described above, the consideration for the Dream World Acquisition as at the date of acquisition included the followings:

- Cash consideration of HK$150 million;

- CB with a maximum amount of HK$360 million to be issued by the Company and hence being treated as contingent consideration payable and measured at fair value at the date of acquisition, amounting to HKD262,595,000;

- 643,750,000 Consideration Shares being classified as equity and measured at fair value at the date of acquisition based on the quoted market price of ordinary shares of the Company at the date of acquisition, amounting to HK$68,399,000; and

- Right to require the Vendors to return the 643,750,000 Consideration Shares and CB issued or to receive cash compensation in case any of the Consideration Shares and CB were disposed of by the Vendors (when the Project Completion does not take place by 31 December 2019). Given the nature, such a right is considered and referred to as "Contingent Consideration Receivable" and measured at fair value at the date of acquisition, amounting to HK$552,000.

Transaction costs of HK$60,880,000 were expensed in the profit or loss for the year ended 31 December 2016.

The Profit Guarantee in respect of the year ended 31 December 2015 was met (with the related audited accounts received on 31 March 2016 and the Company was satisfied with the progress of the construction of the Project in respect of the year ended 31 December 2015. Hence the 1st tranche of CB (with the aggregate principal amount of HKD120,000,000) were issued to the Vendors during the year ended 31 December 2016. The initial recognition date of the 1st tranche of the CB was determined to be 31 March 2016, being the date when the conditions for the issuance of the 1st tranche of the CB were satisfied. Please see note 28 for details regarding the terms and accounting treatment of the CB.

34. CONTINGENT CONSIDERATION – CONVERTIBLE BONDS *(Continued)*

Consideration for the Dream World Acquisition *(Continued)*

The Profit Guarantee in respect of the years ended 31 December 2016 and 31 December 2017 respectively were also satisfied. The Group received an independent progress report regarding the construction progress of the Project dated 25 June 2016 which mentioned that the construction was not on schedule and would be delayed for one year and 4 months so that the revised completion time of the Project would be delayed to the end of 2018; the original scheduled completion time of the Project was June 2017. Up to the date when the Group's consolidated financial statements for the year ended 31 December 2017 were authorised for issue, the management of the Company has not confirmed that it was satisfied with the progress of the construction of the Project in respect of the years ended 31 December 2016 and 31 December 2017, as in the opinion of the management of the Company, since there is no definitive and quantitative benchmark to assess the satisfaction of the construction progress, the management of the Company decided to withhold the issuance of the 2nd tranche of CB (with principal amount of HKD120 million) and the 3rd tranche of CB (with principal amount of HKD120 million) until the Project Completion defined in the Dream World Agreements. For these reasons, the directors of the Company concluded not to issue the 2nd and 3rd tranches of the CB yet. Accordingly, as at 31 December 2016 and 31 December 2017, the 2nd and 3rd tranches of CB are still treated as contingent consideration payables and remeasured to their fair values amounting to HK$176,831,000 and HK$205,915,000 respectively with a fair value loss of HK$34,571,000 being recognised for the year ended 31 December 2016 and a fair value loss of HK$29,084,000 being recognised for the year ended 31 December 2017.

The fair values of these contingent consideration payable as at 31 December 2016 and 31 December 2017 were categorised as Level 3 under the fair value measurement hierarchy and were determined by an independent qualified valuer engaged by the Company using Monte-Carlo simulation approach with the key assumptions and inputs described below:

Key inputs	Sensitivity analysis
12% discount rate	The higher the discount rate, the lower the contingent consideration and vice versa

34. CONTINGENT CONSIDERATION – CONVERTIBLE BONDS *(Continued)*

Consideration for the Dream World Acquisition *(Continued)*

At the end of the reporting period, these contingent consideration payables are presented as non-current liabilities on the basis that the 2nd and 3rd tranche of CB, if issued, would have a maturity date being five year after the issue date.

Similarly, the abovementioned Contingent Consideration Receivable was remeasured to its fair value as at 31 December 2016 and 31 December 2017 amounting to HK$2,439,000 and HK$2,954,000 respectively with a fair value gain of HK$1,887,000 being recognised for the year ended 31 December 2016 and a fair value gain of HK$515,000 being recognised for the year ended 31 December 2017.

The fair values of the Contingent Consideration Receivable as at 31 December 2016 and 31 December 2017 were categorised as Level 3 under the fair value measurement hierarchy and were determined by an independent qualified valuer engaged by the Company using Monte-Carlo simulation approach with the key assumptions and inputs described below:

Key inputs	**Sensitivity analysis**
12% Discount rate	The higher the discount rate, the lower the consideration and vice versa

Such Contingent Consideration Receivable is presented as a non-current asset as at 31 December 2016 and 31 December 2017.

35. BUSINESS COMBINATION

For the year ended 31 December 2017

(a) Business combination that took place for the year ended 31 December 2017

	Principal activity of the acquiree	The Group's equity interest and voting power acquired
Vector Vision Enterprises Limited *(note 1)* ("Vector Vision")	Celebrity and artists training course agency	100%
The Players Limited *(note 2)* ("The Players")	Selling learning materials, consulting services, sponsorship and student tuition	100%
Digital Cultural and Creative Co Ltd *(note 3)* ("Digital Cultural")	Training, nurturing and managing eSports teams and eSports broadcasters	100%

Notes:

(1) On 11 April 2017, the Group acquired the entire equity interests of Vector Vision from an independent third party, Vector Vision and its subsidiaries ("Vector Vision Group") are principally engaged in the business of celebrity and artists training course agency.

(2) On 4 December 2017, the Group acquired the entire equity interests of The Players from an independent third party, The Players is principally engaged in the business of selling learning materials, consulting services, sponsorship and student tuition.

(3) On 6 December 2017, the Group acquired the entire equity interest of Digital Cultural from an independent third party, Digital Cultural is principally engaged in the business of training, nurturing and managing eSports teams and eSports broadcasters.

35. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2017

(b) Consideration transferred

	Vector Vision HK$'000	The Players HK$'000	Digital Cultural HK$'000	Total HK$'000
Cash paid during the year	40,000	35,000	2,859	77,859
Deposit paid	40,000	–	–	40,000
Ordinary shares of the Company issued *(note i)*	–	16,500	–	16,500
Total	80,000	51,500	2,859	134,359

Note:

(i) 30,000,000 ordinary shares (approximately equivalent to HK$16,500,000) of the Company were issued to the vendor as part of the consideration for the acquisition of The Players. The fair value of ordinary shares measured at the date of acquisition was based on quoted market price of shares of the Company on the Hong Kong Stock Exchange.

35. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2017

(c) Details of assets and liabilities of the acquiree recognised at the date of acquisition

	Vector Vision HK$'000	The Players HK$'000	Digital Cultural HK$'000	Total HK$'000
Intangible assets	**40,295**	**15,757**	**–**	**56,052**
Property, plant and equipment	**–**	**53**	**181**	**234**
Bank balance and cash	**15**	**10**	**941**	**966**
Accounts and other receivables	**2,264**	**384**	**8,210**	**10,858**
Derivative financial assets *(note)*	**4,677**	**3,870**	**–**	**8,547**
Accounts and other payable	**(2,028)**	**(324)**	**(6,943)**	**(9,295)**
Defferred tax liabilities	**(10,074)**	**(2,600)**	**–**	**(12,674)**
Total identifiable net assets	**35,149**	**17,150**	**2,389**	**54,688**

Notes:

(1) Included in the acquisition of Vector Vision Group, there was a profit guarantee pursuant to which the vendor guarantees to the Group that the net profit after tax of the Vector Vision Group for the year ending 31 December 2017 is not less than HK$3,000,000 for the whole financial year; for the year ending 31 December 2018 is not less than HK$6,000,000 for the whole financial year and; for the year ending 31 December 2019 is not less than HK$9,000,000 for the whole financial year. If the event that guaranteed profit have not been met, compensation shall be paid by the vendor to the Group. For the year ending 31 December 2017, the actual profit of Vector Vision Group has met the guaranteed profit of not less than HK$3,000,000. As at 31 December 2017, the fair value of the profit guarantee was approximately HK$4,677,000 and classified as derivative financial assets at the date of acquisition.

(2) Included in the acquisition of The Players, there was a profit guarantee pursuant to which the vendor guarantees to the Group that the net profit after tax of the The Players for the year ending 31 December 2018 is not less than HK$5,500,000. If the event that guaranteed profit have not been met, compensation shall be paid by the vendor to the Group. As at 31 December 2017, the fair value of the profit guarantee was approximately HK$3,870,000 and classified as derivative financial assets at the date of acquisition.

35. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2017

(d) Goodwill arising on acquisition

	Vector Vision HK$'000	The Players HK$'000	Digital Cultural HK$'000	Total HK$'000
Consideration transferred	80,000	51,500	2,859	134,359
Less: Identifiable net assets acquired	(35,149)	(17,150)	(2,389)	(54,688)
Goodwill arising on acquisition	44,851	34,350	470	79,671

Goodwill arose in the acquisition of Vector Vision and The Players because the consideration for the acquisition reflects the control premium as well as the future economic benefits expected to be generated from combining the acquiree's operation with the Group's operations.

For the year ended 31 December 2017

(e) Net cash flow effect arising from the acquisition

	Vector Vision HK$'000	The Players HK$'000	Digital Cultural HK$'000	Total HK$'000
Consideration paid in cash	40,000	35,000	2,859	77,859
Less: cash and cash equivalents acquired	(15)	(10)	(941)	(966)
Net outflow of cash and cash equivalents	39,985	34,990	1,918	76,893

35. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2017

(f) Performance of the acquiree from the date of acquisition up to the end of the reporting period

(1) Included in the Group's profit for the year was HK$3,130,000 generated by Vector Vision Group since the date of acquisition. The Group's revenue for the year included HK$8,660,000 generated by Vector Vision Group since the date of acquisition.

Had the business combination been effected on 1 January 2017, the revenue of the Group from continuing operations would have been HK$351,981,000, and the profit for the year from continuing operations would have been HK$22,624,000.

(2) Included in the Group's profit for the year was HK$12,000 generated by The Player since the date of acquisition. The Group's revenue for the year included HK$75,000 generated by The Player since the date of acquisition.

Had the business combination been effected on 1 January 2017, the revenue of the Group from continuing operations would have been HK$350,641,000, and the profit for the year would have been HK$21,974,000.

(3) Included in the Group's profit for the year was HK$1,193,000 deducted by Digital Cultural since the date of acquisition. The Group's revenue for the year included HK$151,000 generated by Digital Cultural since the date of acquisition.

Had the business combination been effected on 1 January 2017, the revenue of the Group from continuing operations would have been HK$352,365,000, and the profit for the year would have been HK$20,213,000.

Management of the Group considers that these "pro-forma" numbers are just for reference only which the acquiree may or may not achieve these results in the future.

35. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2016

(g) Business combination that took place for the year ended 31 December 2016

	Principal activity of the acquiree	The Group's equity interest and voting power acquired
Dream World Group *(note 1)*	Operating film-based cultural parks and tourism focused projects	100%
Jieyi Wenchuang Company Limited *(note 2)*	Training, nurturing and managing eSports teams and eSports broadcasters.	100%
Shanghai Xin Ke Culture Media Company Limited *(note 3)*	Entertainment project planning, celebrity management and production of online streaming content.	100%

Notes:

(1) On 6 July 2015, the Group acquired the entire equity interests of Dream World Group from an independent third party. Dream World Group is principally engaged in the business of operating film-based cultural parks and tourism focused projects.

(2) On 8 March 2016, the Group acquired the entire equity interests of Jieyi Wenchuang Company Limited from an independent third party,Jieyi Wenchuang Company Limited is principally engaged in the business of training, nurturing and managing eSports teams and eSports broadcasters.

(3) On 13 July 2016, the Group acquired the entire equity interests of Shanghai Xin Ke Culture Media Company Limited from an independent third party. Shanghai Xin Ke Culture Media Company Limited are principally engaged in the business of entertainment project planning, celebrity management and production of online streaming content.

35. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2016

(h) Consideration transferred

The following summarised the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of the respective acquisitions.

	Dream World Group HK$'000 (Restated)	Jieyi Wenchuang Company Limited HK$'000	Shanghai Xin Ke Culture Media Company Limited HK$'000	Total HK$'000 (Restated)
Cash paid during the year	150,000	274	35,000	185,274
Ordinary shares of the Company issued *(note i)*	68,399	–	–	68,399
Contingent consideration payable *(note 34)*	262,595	–	–	262,595
Contingent consideration receivable *(note 34)*	(552)	–	–	(552)
Total	480,442	274	35,000	515,716

Note:

(i) 643,750,000 (approximately equivalent to HK$63,399,000) of the Company were issued to the vendor as part of the consideration for the acquisition of Dream World Group. The fair value of ordinary shares measured at the date of acquisition was based on quoted market price of shares of the Company on the Hong Kong Stock Exchange.

35. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2016

(i) Details of assets and liabilities of the acquiree recognised at the date of acquisition

	Dream World Group HK$'000	Jieyi Wenchuang Company Limited HK$'000	Shanghai Xin Ke Culture Media Company Limited HK$'000	Total HK$'000
Intangible asset *(Notes 1)*	200,788	–	–	200,788
Property, plant and equipment	5	1,168	–	1,173
Investment in an associate *(Note 2)*	1,791	–	–	1,791
Bank balance and cash	9,665	80	475	10,220
Accounts and other receivables	15,449	530	2,281	18,260
Financial assets at fair value through profit or loss	7,770	–	–	7,770
Accounts and other payable	(3,723)	(2,387)	(748)	(6,858)
Tax payables	(5,960)	–	(530)	(6,490)
Deferred tax liability	(50,197)	–	–	(50,197)
Total identifiable net assets (liabilities)	175,588	(609)	1,478	176,457

Notes:

(1) The identifiable assets and liabilities of Dream World Group as at the date of acquisition are shown in the above table. On 30 September 2011, Dream World Group entered into a cooperation agreement with Wang Shang Shi Jie Group. Such a cooperation agreement and subsequent supplementary agreements were referred to as ("Cooperation Agreements").

According to the Cooperation Agreements, Dream World Group has (a) an exclusive right to operate the Project for a term of 40 years starting from when Wang Shang Shi Jie Group obtained the related land use right for the Project with regard to "properties for operation" (b) an exclusive right to receive rental income for a term of 40 years with regards to "properties for leasing" These rights entitle Dream World Group to 70% of the operation profit in respect of "properties for operation" and "properties for leasing" for a term of 40 years. Accordingly, they are recognised as intangible assets and measured at fair value at the date of acquisition.

The Cooperation Agreements include a termination clause to allow Wang Shang Shi Jie Group to early terminate the Cooperation Agreements and in that case Wang Shang Shi Jie Group shall compensate the Dream World Group the higher of the two below:

- Calculation 1: Average net profit entitled by the Dream World Group before the termination right being exercised by Wang Shang Shi Jie Group multiplied by remaining years of the operating right plus valuation of equipment renewed by Dream World Group.
- Calculation 2: RMB14 million multiplied by remaining years of the operating right plus valuation of equipment renewed by Dream World Group.

(2) The associate being acquired was 15% equity interest in Shanghai Sanpace Technology Co., Ltd ("Shanghai Sanpace") which was disposed of for a total consideration of RMB1,800,000 (equivalent to HK$2,141,000) on 30 September 2016. During the year ended 31 December 2016, the Group shared the loss of Shanghai Sanpace and generated a gain on disposal of Shanghai Sanpace of approximately HK$123,000 and HK$473,000 respectively.

35. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2016

(j) Goodwill arising on acquisition

	Dream world group HK$'000 (Restated)	Jieyi Wenchuang Company Limited HK$'000	Shanghai Xin Ke Culture Media Company Limited HK$'000	Total HK$'000 (Restated)
Consideration transferred	480,442	274	35,000	515,716
Less: Identifiable net assets acquired	(175,588)	609	(1,478)	(176,457)
Goodwill arising on acquisition	304,854	883	33,522	339,259

Goodwill arose in the acquisition of the above subsidiaries because the consideration for the acquisition reflects the control premium as well as the future economic benefits expected to be generated from combining the acquiree's operation with the Group's operations.

(k) Net cash flow effect arising from the acquisition

	Dream world group HK$'000	Jieyi Wenchuang Company Limited HK$'000	Shanghai Xin Ke Culture Media Company Limited HK$'000	Total HK$'000
Consideration paid in cash	150,000	274	35,000	185,274
Less: cash and cash equivalents acquired	(9,665)	(80)	(475)	(10,220)
Deposit for acquisition of subsidiary	(80,000)	–	–	(80,000)
Net outflow of cash and cash equivalents	60,335	194	34,525	95,054

35. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2016

(I) Performance of the acquiree from the date of acquisition up to the end of the reporting period

(1) Included in the Group's profit for the year was HK$21,770,000 generated by Dream world group since the date of acquisition. The Group's revenue for the year included HK$48,384,000 generated by Dream world group since the date of acquisition.

Had the business combination been effected on 1 January 2016, the revenue of the Group from continuing operations would have been HK$206,214,000, and the profit for the year would have been HK$69,021,000.

(2) Included in the Group's profit for the year was HK$727,000 generated by Jieyi Wenchuang Company Limited since the date of acquisition. The Group's revenue for the year included HK$6,002,000 generated by Jieyi Wenchuang Company Limited since the date of acquisition.

Had the business combination been effected on 1 January 2016, the revenue of the Group from continuing operations would have been HK$206,319,000, and the profit for the year would have been HK$68,166,000.

(3) Included in the Group's profit for the year was HK$3,378,000 generated by Shanghai Xin Ke Culture Media Company Limited since the date of acquisition. The Group's revenue for the year included HK$5,567,000 generated by Shanghai Xin Ke Culture Media Company Limited since the date of acquisition.

Had the business combination been effected on 1 January 2016, the revenue of the Group from continuing operations would have been HK$208,508,000, and the profit for the year would have been HK$70,613,000.

Management of the Group considers that these 'pro-forma' numbers are just for reference only which the acquiree may or may not achieve these results in the future.

36. DISPOSAL OF SUBSIDIARIES

	Guangzhou City Entertainment Digital Media Company Limited ("Guangzhou City") (note 1) HK$'000	Beijing Star Dream Business Management Company Limited ("Beijing Star") (note 2) HK$'000
Net asset disposed of:		
Bank balance and cash	–	1
Other receivable & prepayment	16	17,712
Other payables	(12)	(58)
Due to inter-mediate holding company	–	(20,085)
Net asset value	4	(2,430)
Non controlling interests	(2)	1,191
Release of exchange reserve	–	22
	2	(1,217)
Consideration	–	(331)
Loss/(gain) on disposal of subsidiaries	2	(1,548)

(1) During the year ended 31 December 2017, the Group disposed of 51% equity interests of Guangzhou City to an independent third party at no cash consideration. The disposal has been completed on 31 August 2017.

(2) During the year ended 31 December 2017, the Group disposed of 51% equity interests of Star Dream for cash consideration of approximately HK$331,000. The disposal has been completed on 1 December 2017.

The gain on deemed disposal of subsidiaries are included in other income in the consolidated statement of comprehensive income.

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Guangzhou City HK$'000	Star Dream HK$'000
Cash and bank balances in subsidiaries disposed of and net inflow of cash and cash equivalents on disposal	–	330

37. DEEMED DISPOSAL OF A SUBSIDIARY

On 19 January 2016, Beijing WenZiShuma Investment Management Company Limited ("WenZiShuma"), a non-wholly owned subsidiary of the Company allotted and issued its subscription shares to an independent third party. The Group's equity interests in WenZiShuma was therefore diluted from 80% to 50% and resulted in loss of control over WenZiShuma. This transaction is regarded as a deemed disposal of a subsidiary. WenZiShuma has become a joint venture of the Group since 19 January 2016.

	HK$'000
Net assets disposed of:	
Available-for-sale financial assets	2,388
Cash and bank balances	3,589
Accrued liabilities and other payables	(5)
Due to an immediate holding company	(1)
Tax payable	(1)
Net assets value	5,970
Non-controlling interests	(1,193)
Release of exchange reserve	328
	5,105
Investment retained in the former subsidiary at fair value	(5,970)
Gain on deemed disposal of a subsidiary	(865)
Consideration	–

The gain on deemed disposal of a subsidiary is included in other income in the consolidated statement of comprehensive income.

Analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of a subsidiary is as follows:

	HK$'000
Cash and bank balances in a subsidiary disposed of and net outflow of cash and cash equivalents on disposal	(3,589)

38. COMMITMENTS

Capital expenditure commitment

	2017 **HK$'000**	2016 HK$'000
Contracted but not provided for, net of deposit recognised in the consolidated financial statements:		
– Acquisition of a subsidiary – Vector Vision	**–**	40,000
– Acquisition of an intangible asset	**–**	9,068
– Construction in progress	**–**	5,416
	–	54,484

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:

	2017 **HK$'000**	2016 HK$'000
Within one year	**6,068**	6,772
In the second to fifth years inclusive	**12,509**	42,135
Over five years	**–**	13,047
	18,577	61,954

39. 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:

	2017				2016			
	Available-for-sale financial assets HK$'000	**Loans and receivables HK$'000**	**Assets at fair value through profit or loss HK$'000**	**Total HK$'000**	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Assets at fair value through profit or loss HK$'000 (Restated)	Total HK$'000 (Restated)
Financial assets as per consolidated statement of financial position								
Available-for-sale financial assets	**79,573**	**–**	**–**	**79,573**	11,159	–	–	11,159
Loans to and due from joint ventures	**–**	**2,824**	**–**	**2,824**	–	5,591	–	5,591
Financial assets at fair value through profit or loss	**–**	**–**	**–**	**–**	–	–	20,916	20,916
Derivative financial assets	**–**	**–**	**12,129**	**12,129**	–	–	2,439	2,439
Accounts and other receivables	**–**	**186,903**	**–**	**186,903**	–	164,808	–	164,808
Bank balances and cash	**–**	**268,969**	**–**	**268,969**	–	48,058	–	48,058
Total	**79,573**	**458,696**	**12,129**	**550,398**	11,159	218,457	23,355	252,971

	2017			2016		
	Financial liabilities at fair value HK$'000	**Financial liabilities at amortised cost HK$'000**	**Total HK$'000**	Financial liabilities at fair value HK$'000 (Restated)	Financial liabilities at amortised cost HK$'000 (Restated)	Total HK$'000 (Restated)
Financial liabilities as per consolidated statement of financial position						
Accounts and other payables	**–**	**124,550**	**124,550**	–	78,394	78,394
Interest-bearing borrowings	**–**	**19,911**	**19,911**	–	7,030	7,030
Convertible bonds	**–**	**381,500**	**381,500**	–	8,799	8,799
Contingent consideration liabilities	**205,912**	**–**	**205,912**	176,831	–	176,831
Total	**205,912**	**525,961**	**731,873**	176,831	94,223	271,054

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

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.

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 24 to the consolidated financial statements. The Group only provides services to recognised and credit-worthy third parties. Management closely monitors all outstanding debts and reviews the 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 15% (2016: 44%) and 78% (2016: 87%) 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, in the PRC and in Taiwan.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in note 27 to the consolidated financial statements.

The Group's policy is to minimise the interest rate risk for interest-bearing borrowings with an original tenor of more than one year by fixing the interest rate at the commencement of the tenor. The Group may make use of interest rate swaps transactions in order to effect fixed interest rates for such borrowings if required.

At the end of the reporting period, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by HK$192,524 (2016: HK$20,535) but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

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

Liquidity risk

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

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

	31 December 2017				
	Total carrying value HK$'000	**Total contractual undiscounted cash flow HK$'000**	**On demand HK$'000**	**Within 1 year HK$'000**	**1 to 5 years HK$'000**
Accounts and other payables	**124,550**	**124,550**	**124,550**	**–**	**–**
Interest-bearing borrowings	**19,911**	**20,758**	**–**	**20,758**	**–**
Contingent consideration – convertible bonds	**205,912**	**240,000**	**–**	**–**	**240,000**
Convertible bonds	**381,500**	**427,140**	**–**	**–**	**427,140**
Total	**731,873**	**812,448**	**124,550**	**20,758**	**667,140**

	31 December 2016				
	Total carrying value HK$'000 (Restated)	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Within 1 year HK$'000 (Restated)	1 to 5 years HK$'000 (Restated)
Accounts and other payables	78,394	78,394	72,350	3,022	3,022
Interest-bearing borrowings	7,030	7,301	–	6,672	629
Contingent consideration – convertible bonds	176,831	240,000	–	–	240,000
Convertible bonds	8,799	14,640	14,640	–	–
Total	271,054	340,335	86,990	9,694	243,651

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 2017 and 2016.

40. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. The capital structure of the Group consists of 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 2017 and 2018.

41. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 (lowest level): unobservable inputs for the asset or liability.

Assets and liabilities measured at fair value

	31 December 2017 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Derivative financial assets	**12,129**	**–**	**–**	**12,129**
Liabilities measured at fair value				
Contingent consideration				
– convertible bonds *(note 34)*	**205,915**	**–**	**–**	**205,915**

41. FAIR VALUE MEASUREMENTS *(Continued)*

Assets and liabilities measured at fair value *(Continued)*

	31 December 2016 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Unlisted convertible notes	20,916	–	–	20,916
– Derivative financial assets	2,439	–	–	2,439
Liabilities measured at fair value				
Contingent consideration				
– convertible bonds *(note 34)*	176,831	–	–	176,831

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The Group's policy is to recognise transfers between levels as at the end of the reporting period.

Movements in Level 3 fair value measurements

Description	**Assets**		**Liabilities**	
	Financial assets at fair value through profit or loss		**Contingent consideration Convertible bonds**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000 (Restated)
At beginning of the reporting period	**23,355**	–	**176,831**	–
Additions	**18,547**	20,552	**–**	262,595
Convert during the year	**(37,547)**	–	**–**	–
Issuance of convertible bonds on 4 July 2016	**–**	–	**–**	(142,323)
Net change in fair value	**7,774**	2,803	**29,084**	56,559
At end of the reporting period	**12,129**	23,355	**205,915**	176,831

The above gains or losses are reported as "fair value gain on financial assets at fair value through profit or loss" in other income and fair value loss on contingent consideration – convertible bonds.

42. 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	2017 HK$'000	2016 HK$'000 (Restated)
Non-current assets			
Interest in subsidiaries	43	**1,188,960**	780,200
Loans to a subsidiary		**40,000**	40,000
Available-for-sale financial assets		**37,546**	–
Deposit for acquisition of a subsidiary		**800**	–
Deposit for acquisition of joint venture		**1,955**	–
Derivative financial assets		**2,953**	2,439
		1,272,214	822,639
Current assets			
Accounts and other receivables		**28,485**	77,286
Financial assets at fair value through profit or loss		**–**	20,916
Amount due from a director		**9,227**	5,067
Bank balances and cash		**46,071**	19,174
		83,783	122,443
Current liabilities			
Other payables		**18,472**	13,230
Net current assets		**65,311**	109,213
Total assets less current liabilities		**1,337,525**	931,852
Non-current liabilities			
Convertible bonds		**381,500**	8,799
Consideration payable for an intangible asset		**–**	3,022
Contingent consideration – convertible bonds		**205,915**	176,831
		587,415	188,652
NET ASSETS		**750,110**	743,200
Capital and reserves			
Share capital		**77,607**	75,277
Reserves		**672,503**	667,923
TOTAL EQUITY		**750,110**	743,200

Approved and authorised for issue by the Board of Directors on 26 June 2018 and signed on its behalf by

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

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

42(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))	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016		599,286	3,047	138	6,360	–	(266,749)	342,082
Profit for the year and total comprehensive income for the year		–	–	–	–	–	(6,358)	(6,358)
Transactions with equity holders								
Contribution and distribution								
Equity-settled share-based payment	30	–	–	–	1,181	–	–	1,181
Issue of consideration shares for acquisition of subsidiaries		61,961	–	–	–	–	–	61,961
Issue of consideration shares for acquisition of an intangible asset		9,792	–	–	–	–	–	9,792
Issue of convertible bonds for acquisition of subsidiaries	28	–	–	–	–	74,232	–	74,232
Shares issued upon conversion of convertible bonds		117,221	–	–	–	(65,176)	–	52,045
Shares issued upon placing		132,988	–	–	–	–	–	132,988
Total transactions with equity holders		321,962	–	–	1,181	9,056	–	332,199
At 31 December 2016		921,248	3,047	138	7,541	9,056	(273,107)	667,923
At 1 January 2017		**921,248**	**3,047**	**138**	**7,541**	**9,056**	**(273,107)**	**667,923**
Profit for the year and total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**(74,461)**	**(74,461)**
Transactions with equity holders								
Contribution and distribution								
Lapse of warrant and share option		**–**	**–**	**(138)**	**(7,541)**	**–**	**7,679**	**–**
Issue of consideration shares for acquisition of subsidiaries		**15,300**	**–**	**–**	**–**	**–**	**–**	**15,300**
Issue of consideration shares for acquisition of an intangible asset		**11,869**	**–**	**–**	**–**	**–**	**–**	**11,869**
Issue of convertible bonds	28	**–**	**–**	**–**	**–**	**51,872**	**–**	**51,872**
Total transactions with equity holders		**27,169**	**–**	**(138)**	**(7,541)**	**51,872**	**7,679**	**79,041**
At 31 December 2017		**948,417**	**3,047**	**–**	**–**	**60,928**	**(339,889)**	**672,503**

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

42(a) Reserves *(Continued)*

Notes:

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

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

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

(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.

43. 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
				Directly	*Indirectly*	
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

43. SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ type of legal entity	Place of operation	Particulars of issued and paid up ordinary share/ registered capital	Percentage of equity attributable to the Company *Directly*	*Indirectly*	Principal activities
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
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 Orient Liheng Television Media Company Limited * 北京東方力恆影視傳媒有限公司	The PRC/limited liability company	The PRC	Paid-up capital of RMB3,000,000	–	97.61%	Production of television drama series and talent management
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

43. SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ type of legal entity	Place of operation	Particulars of issued and paid up ordinary share/ registered capital	Percentage of equity attributable to the Company *Directly*	*Indirectly*	Principal activities
ODE Group *(Continued)*						
Beijing Orient Lixiang Culture Media Company Limited *#1 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
Kunshan Jieyi Culture Communication Co., Ltd *#2 昆山杰藝文化傳播有限公司 (「昆山杰藝」)	The PRC/limited liability company	The PRC	Registered capital of RMB1,000,000	–	100%	Provision of consultancy services in cultural industry
Khorgas Jieshuo Culture Communication Co, Ltd*#3 霍爾果斯杰碩文化傳播有限公司 (「霍爾果斯杰碩」)	The PRC/limited liability company	The PRC	Registered capital of RMB1,000,000	–	100%	Provision of consultancy services in cultural industry
Cheer Culture Media (Beijing) Co., Ltd*#4 歡呼文化傳媒(北京)有限公司 (「歡呼文化」)	The PRC/limited liability company	The PRC	Registered capital of RMB10,000,000	–	100%	Inactive
Beijing Star Dream Investment Culture Co., Ltd* 北京明星夢投文化有限公司 (「明星夢投」)	The PRC/limited liability company	The PRC	Paid-up capital of RMB700,000	–	100%	Provision of consultancy services in cultural industry
Shanghai Xin Ke Culture Media Company Limited *#5 上海歆珂文化傳媒有限公司 (「上海歆珂」)	The PRC/limited liability company	The PRC	Registered capital of RMB500,000	–	100%	Provision of entertainment project planning, celebrity management and production of online streaming content
Beijing Digital Weixi Culture & Creative Co., Ltd*#6 北京數碼維稀文化創意有限公司 (「數碼維稀」)	The PRC/limited liability company	The PRC	Registered capital of RMB10,000,000	–	51%	Operations and management of eSports team

43. SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ type of legal entity	Place of operation	Particulars of issued and paid up ordinary share/ registered capital	Percentage of equity attributable to the Company *Directly*	*Indirectly*	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 *(Note)*						
Socle Limited	British Virgin Islands/limited liability company	Hong Kong	1,000 shares with no par value	–	100%	Investment holding
Imagine Communications Holding Limited	Cayman Islands/limited liability company	Hong Kong	2,000 shares of US$0.001 each	–	100%	Investment holding
Olympic Wealth Limited	British Virgin Islands/limited liability company	The PRC	1 share of US$1 each	–	100%	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	–	100%	Inactive
Goldline Enterprises Limited	British Virgin Islands/limited liability company	Hong Kong	1 share of US$1 each	–	100%	Investment holding
Orient Ace Holdings Limited	Hong Kong/limited liability company	Hong Kong	1 share with capital of HK$1	–	100%	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	–	100%	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/limited liability company	The PRC	Paid-up capital of RMB2,000,000	–	100%	Licensing of professional sports events and entertainment content

43. SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ type of legal entity	Place of operation	Particulars of issued and paid up ordinary share/ registered capital	Percentage of equity attributable to the Company *Directly*	*Indirectly*	Principal activities
Dream World Group						
Dream World Holdings Limited	Cayman Islands/limited liability company	Hong Kong	50,000,000 shares of USD0.001 each	100%	–	Investment holding
China Dream World (HK) Limited	Hong Kong/limited liability company	Hong Kong	Paid-up capital of HK$1	–	100%	Investment holding
Harvest (Shanghai) Management Limited*#7 哈法斯(上海)商業管理有限公司 (「哈法斯」)	The PRC/foreign wholly–owned enterprise	The PRC	Registered capital of RMB10,000,000	–	100%	Investment holding
Kunshan Dream World Business Management Co., Ltd*#8 昆山夢世界商業管理有限公司 (「昆山夢世界」)	The PRC/limited liability company	The PRC	Registered capital of RMB10,000,000	–	100%	Operating film-based cultural parks and tourism focused projects
Khorgas Meng Qiao Business Management Co., Ltd*#9 霍爾果斯夢橋商業管理有限公司 (「霍爾果斯夢橋」)	The PRC/limited liability company	The PRC	Registered capital of RMB1,000,000	–	100%	Provision of entertainment project planning and production of music concert
Summer Eagle Group						
Summer Eagle Limited	British Virgin Islands/limited liability company	Hong Kong	100 shares of US$1 each	100%	–	Investment holding
Star Summer Company Limited	Hong Kong/limited liability company	Hong Kong	1 share of HK$1 each	–	100%	Inactive
Summer Eagle Limited Taiwan Branch	Taiwan/limited liability company	Taiwan	Paid-up capital of NT$5,000,000	–	100%	Investment holding
Jieyi Wenchuang Company Limited* 杰藝文創有限公司	Taiwan/limited liability company	Taiwan	Paid-up capital of NT$20,000,000	–	100%	Business of training, nurturing and managing eSports teams and eSports broadcasters

43. SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation/ type of legal entity	Place of operation	Particulars of issued and paid up ordinary share/ registered capital	Percentage of equity attributable to the Company *Directly*	*Indirectly*	Principal activities
Summer Eagle Group *(Continued)*						
Digital Culture and Creative Company Limited 數碼文創有限公司	Taiwan/limited liability company	Taiwan	Bid-up capital of NT$11,000,000	–	100%	Business of training, nurturing and managing eSports teams and eSports broadcasters
The Players Limited 幕後玩家有限公司	Hong Kong/limited liability company	Hong Kong	100 shares of HK$1 each	–	100%	Business of training, nurturing and managing eSports teams and eSports broadcasters
Star Sail Group						
Star Sail Enterprises Limited	British Virgin Islands/limited liability company	Hong Kong	100 shares of HK$1 each	100%	–	Investment holding
Star Sail Entertainment Limited	Hong Kong/limited liability company	Hong Kong	1 share of HK$1 each	–	100%	Inactive
Vector Vision Group						
Vector Vision Enterprises Limited	British Virgin Islands/limited liability company	Hong Kong	1 share of US$1 each	100%	–	Investment holding
Vector Vision (HK) Limited	British Virgin Islands/limited liability company	Hong Kong	1 share of HK$1 each	–	100%	Investment holding
Tongxinji New Town (Shanghai) Consulting Company Limited*#10 同心濟新城鎮(上海)咨詢顧問有限公司(「同心濟」)	The PRC/limited liability company	The PRC	Registered capital of RMB10,000,000	–	100%	Provision of celebrity and artists training
Khorgas Tongxinji New Town Consulting Company Limited*#11 霍爾果斯同心濟新城鎮咨詢顧問有限公司(「霍爾果斯同心濟」)	The PRC/limited liability company	The PRC	Registered capital of RMB1,000,000	–	100%	Inactive

43. SUBSIDIARIES *(Continued)*

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

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

[#1] At 31 December 2017, 東方理想 had no paid-up capital. Its capital is to be fully paid-up before 17 March 2018.

[#2] At 31 December 2017, 昆山杰藝 had no paid-up capital. Its capital is to be fully paid up before 31 December 2040.

[#3] At 31 December 2017, 霍爾果斯杰碩 had no paid-up capital. Its capital is to be fully paid-up before 30 June 2036.

[#4] At 31 December 2017, 歡呼文化 had no paid-up capital. Its capital is to be fully paid-up before 31 October 2036.

[#5] At 31 December 2017, 上海歆珂 had no paid-up capital. Its capital is to be fully paid up before 2 March 2025.

[#6] At 31 December 2017, 數碼維稀 had no paid-up capital. Its capital is to be fully paid up before 1 August 2026.

[#7] At 31 December 2017, 哈法斯 had no paid-up capital. Its capital is to be fully paid up before 24 November 2024.

[#8] At 31 December 2017, 昆山夢世界 had no paid-up capital. Its capital is to be fully paid up before 31 December 2018.

[#9] At 31 December 2017, 霍爾果斯夢橋 had no paid-up capital. Its capital is to be fully paid-up before 30 June 2037.

[#10] At 31 December 2017, 同心濟 had no paid-up capital. Its capital is to be fully paid-up before 8 May 2024.

[#11] At 31 December 2017, 霍爾果斯同心濟 had no paid-up capital. Its capital is to be fully paid-up before 30 August 2037.

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

Note: Change in ownership interests in a subsidiary. During the year ended 31 December 2017, the Group further acquired 35% of its interest in Socle Limited, increasing its continuing interest to 100%. The consideration was HK$58,000,000 and satisfied in cash. An amount of HK$25,563,000 (being the proportionate share of the carrying amount of the net assets of Socle Limited) has been transferred from non-controlling interests. Difference of HK$32,437,000 between the decrease of non-controlling interests and the consideration paid has been credited to retained profits.

44. PRIOR YEAR ADJUSTMENTS

As described in note 35 to the consolidated financial statements, the Group acquired Dream World Group on 14 January 2016. In preparing the Group's consolidated financial statements for the year ended 31 December 2017, the directors of the Company have reassessed the initial accounting for the acquisition reflected in the consolidated financial statements of the Group for the year ended 31 December 2016 (the "2016 Consolidated Financial Statements") in respect of the fair value of the consideration and the purchase price allocation based on the terms of the related sale and purchase agreements and the Cooperation Agreements (as defined in note 35) as well as the facts and circumstances available at the date of acquisition. Also, the directors of the Company have reassessed the fair value measurement of the contingent consideration payable regarding the 2nd and 3rd tranches of CB (defined in note 34) as at 31 December 2016 based on the terms and conditions of the related agreements as well as the facts and circumstances available at that time.

The Company has engaged a new independent qualified valuer to perform the valuation relating to the Dream World Acquisition.

As a result of the reassessment by the directors of the Company in respect of the fair value measurement of the contingent consideration payable in respect of the issuance of 1st, 2nd and 3rd tranches of the CB and of the Contingent Consideration Receivable (as described in note 34) at the date of acquisition and as at 31 December 2016, it was concluded that certain facts and circumstances available at the fair value measurement dates had not been considered and the valuation methodologies and certain assumptions and inputs adopted in the fair value measurement were not considered appropriate. Further, in the 2016 Consolidated Financial Statements, the 1st tranche of CB was not measured at its fair value on initial recognition, which was not consistent with the requirement in HKAS 39 Financial Instruments: Recognition and Measurement" that requires financial assets and financial liabilities to be measured at fair value on initial recognition. Accordingly, the comparative figures have been restated to correct the misstatements.

44. PRIOR YEAR ADJUSTMENTS *(Continued)*

At the date of acquisition

	As previously reported HK$'000	Adjustments HK$'000	*Note*	Restated HK$'000
Consideration				
Cash paid	150,000	–		150,000
Share issued, at fair value	68,399	–		68,399
Contingent consideration payable (CB), at fair value	355,155	(92,560)	*(a)*	262,595
Contingent consideration receivable, at fair value	–	(552)	*(d)*	(552)
	573,554	(93,112)		480,442
Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition				
Intangible assets	200,788	–		200,788
Property, plant and equipment	5	–		5
Investment in associate	1,791	–		1,791
Bank balance and cash	9,665	–		9,665
Accounts and other receivables	15,449	–		15,449
Financial assets at fair value through profit or loss	7,770	–		7,770
Accounts and other payables	(3,723)	–		(3,723)
Tax payables	(5,960)	–		(5,960)
Deferred tax liabilities	(50,197)	–		(50,197)
	175,588	–		175,588
Goodwill	397,966	(93,112)	*(e)*	304,854

44. PRIOR YEAR ADJUSTMENTS *(Continued)*

For the consolidated statement of financial position as at 31 December 2016

	As previously reported HK$'000	Adjustments HK$'000	*Note*	Restated HK$'000
Intangible assets	255,547	(15,522)	*(f)*	240,025
Goodwill	673,073	(93,112)	*(e)*	579,961
Contingent consideration receivable (Asset)	–	2,439	*(d)*	2,439
1st tranche of the CB	(10,999)	2,200	*(b)*	(8,799)
Contingent consideration payable – 2nd and 3rd tranches of the CB (Liability)	(237,927)	61,096	*(a) and (c)*	(176,831)
Deferred tax liabilities	(50,197)	5,132	*(f)*	(45,065)
Share premium	(900,607)	(20,641)	*(b)*	(921,248)
Convertible bonds reserve	(3,707)	(5,349)	*(b)*	(9,056)
Profit for the year	(69,021)	63,757		(5,264)
	(343,838)	–		(343,838)

For the consolidated statement of comprehensive income for the year ended 31 December 2016

	As previously reported HK$'000	Adjustments HK$'000	*Note*	Restated HK$'000
Administrative expenses	(58,087)	(15,522)	*(f)*	(73,609)
Fair value change on contingent consideration payable and contingent consideration receivable	(2,772)	(51,900)	*(c) and (d)*	(54,672)
Finance costs	(3,060)	(1,467)	*(b)*	(4,527)
Income tax expenses	(23,908)	5,132	*(f)*	(18,776)
	(87,827)	(63,757)		(151,584)

44. PRIOR YEAR ADJUSTMENTS *(Continued)*

Reasons for major adjustments are described below:

(a) The fair value measurements of the contingent consideration payable as previously reported in the 2016 Consolidated Financial Statements were considered inappropriate (i.e. use of key inputs and valuation methodology). After reassessment, the contingent consideration payable is valued using methodology for forward CBs to be issued depending on whether or not the conditions underlying the issuance of the CBs are satisfied.

(b) As mentioned in note 28 to the consolidated financial statements, the 1st tranche of CB should be initially recognised and measured at its fair value on initial recognition. However, it was noted during the reassessment that during the preparation of the 2016 Consolidated Financial Statements, no fair value measurement of such CB was performed on the date of initial recognition; such CB was initially measured at its face value of HK$120,000,000. Also, during the reassessment of the fair value of the liability component of such CB on initial recognition, it was reassessed that a discount rate of 12% would be more appropriate.

(c) As mentioned in note 28 to the consolidated financial statements, the Group received an independent progress report dated 25 June 2016 regarding the construction progress of the Project, which mentioned that the construction progress and the completion date of the Project would be delayed. During the reassessment that, in determining the fair value of the contingent consideration payable in respect of 2nd and 3rd tranches of CB as at 31 December 2016 in the 2016 Consolidated Financial Statements, the directors of the Company had taken into account such factor in the fair value measurement.

44. PRIOR YEAR ADJUSTMENTS *(Continued)*

Reasons for major adjustments are described below: *(Continued)*

(d) As mentioned in note 34 to the consolidated financial statements, if the Project Completion does not take place by 31 December 2019, the Group has the right to get the refund in respect of the Consideration Shares and the CB issued (see note 34). In case that such Consideration Shares and CB were disposed/transfer of by the Vendors to other parties, the Group would be entitled to a cash compensation. With that, there should be a contingent consideration receivable which is required to be measured at fair value at the date of acquisition and at subsequent reporting dates. Such a contingent consideration receivable was not recognised in the 2016 Consolidated Financial Statements even though a certain percentage of probability was assigned to a scenario that the Project Completion would not take place by 31 December 2019 in the fair value measurement of the contingent consideration payable in respect of 2nd and 3rd tranches of CB as at 31 December 2016 during the preparation of the 2016 Consolidated Financial Statements.

(e) Goodwill has been restated accordingly in view of the adjustments described above.

(f) Being adjustments for amortisation for intangible assets and the related deferred tax impact.