SMI Culture Group Holdings Limited

星 美 文 化 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 2366)

Annual Report 2014

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. HAO Bin *(Chairman)*
(appointed on 7 June 2014)
Mr. YUAN Xin
Mr. CHAN Chi To, Antony
Mr. KONG Dalu
(appointed on 7 July 2014)
Mr. CHEN Hai
(resigned on 16 May 2014)

Non-Executive Directors

Dr. LIN Junbo
(retired on 6 June 2014)
Mr. CHI Chenxi
(resigned on 31 October 2014)
Ms. HU Gin Ing
(resigned on 31 October 2014)
Mr. GUO Hong
(resigned on 15 March 2014)

Independent Non-Executive Directors

Mr. DU Jiang
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng

BOARD COMMITTEE

Audit Committee

Mr. DU Jiang *(Chairman)*
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng

Remuneration Committee

Mr. DU Jiang *(Chairman)*
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng

Nomination Committee

Mr. LIU Xianbo *(Chairman)*
Mr. DU Jiang
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng

Executive Committee

Mr. YUAN Xin *(Chairman)*
Mr. HAO Bin
(appointed on 7 June 2014)
Mr. CHAN Chi To, Antony
Mr. CHEN Hai
(resigned on 16 May 2014)

Corporate Information

AUTHORISED REPRESENTATIVES

Mr. YUAN Xin
Mr. CHAN Chi To, Antony

COMPANY SECRETARY

Ms. MUI Ngar May

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

19/F., Prosperity Tower,
No. 39 Queen's Road Central,
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
A18/F., Asia Orient Tower, Town Place,
33 Lockhart Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (HK) Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISERS

As to Hong Kong Law
Michael Li & Co.

As to Cayman Islands Law
Conyers Dill & Pearman

As to PRC Law
Duan & Duan

STOCK CODE

2366

WEBSITE

http://www.smiculture2366.com

Management Discussion and Analysis

BUSINESS REVIEW

During the financial year ended 31 December 2014, the Group continued to refine both its business and financing structure and has established a stable business model and board composition. In recent years, the Chinese television and film industry has seen a gradual improvement and the film industry, in particular, has experienced rapid growth. During the year, the Group seized the opportunities brought by industry growth and swiftly shifted its focus onto film investment, which resulted in a turnaround in performance.

The Group principally engages in film and television investment, advertising agency services and copyright distribution. During the year, the Group acquired from its substantial shareholders, SMI Holdings Group Limited, the copyright of several films and television series including The Golden Era, Dearest and Evolution Man, which have generated profit for the Group. Amongst these projects, The Golden Era and Dearest had their cinematic releases in the second half of 2014 and recorded a combined box office revenue of nearly RMB400 million. Such outstanding performance has made significant contributions to the return on investment in film projects. For another three films, namely The Nightingale, Paddington Bear and Evolution Man acquired by the Group, it is expected that they will generate revenue in next financial year.

Moreover, revenue from the sale of copyright of a television series, namely Love's Bodyguard, also contributed to the results for the year. Overall sale of copyrights of television programmes, however, continued to be unsatisfactory. As a results, the Group has spun off such operation for the purpose of restructuring.

CHANGE OF NAME, DOMICILE AND APPOINTMENT OF CHAIRMAN OF THE BOARD

On 16 January 2014, the name of the Company was officially changed from "Qin Jia Yuan Media Services Company Limited 勤+緣媒體服務有限公司" to "SMI Culture Group Holdings Limited 星美文化集團控股有限公司" (the "Company").

With effect from 7 June 2014, Mr. HAO Bin was appointed by the board of directors (the "Board") as an executive director and the chairman of the Board, while Mr. KONG Dalu was appointed as an executive director. Both of them have extensive experience and deep understanding in the television and film as well as finance industries. The Group believes that their appointments are in the best interest, and in line with the future development, of the Group.

On 23 January 2015, the Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda.

REVIEW OF OPERATIONS

During the financial year ended 31 December 2014, the Group attained a turnover of HK$124.8 million (2013: HK$191.4 million). Loss for the financial year was HK$563.3 million (2013: HK$674.3 million). The loss for the financial year was arrived at after charging impairment of goodwill of HK$21.1 million (2013: HK$nil), administrative and other operating expenses of HK$38.3 million (2013: HK$75.2 million), impairment loss for intangible assets of HK$252.1 million (2013: HK$371.3 million), provision for inventories of HK$178.6 million (2013: HK$88.0 million), finance costs of HK$4.8 million (2013: HK$73.7 million) and income tax credit of HK$4.3 million (2013: charge of HK$1.2 million).

The Directors of the Company are of the opinion that the financial position of the Company remains strong.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has consistently managed its liquidity and financial resources in a prudent manner. As at 31 December 2014, the Group's cash level stood at HK$8.8 million (2013: HK$5.0 million). The balances are mainly in Hong Kong Dollar and Renminbi. With cash in hand and banking and other facilities available, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

As at the date of statement of financial position, the Group had no outstanding bank borrowings (2013: nil).

Gearing ratio (expressed as a percentage of the Group's total borrowings over total equity) was approximately 32.2% (2013: 5.0%).

MORTGAGES AND CHARGES

As at 31 December 2014, the Group had no significant mortgages and charges.

DISPOSAL OF SUBSIDIARIES

Detail of the disposal of subsidiaries are set out in note 36 to the financial statements.

EXPOSURE TO FOREIGN EXCHANGE RISK

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in either Hong Kong Dollar or Renminbi. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

PENDING LITIGATION

Detail of the pending litigation are set out in note 37 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

Detail of the events after the reporting period are set out in note 38 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had a total staff of 58 (2013: 62). Employees are remunerated based on their performance, experience and the prevailing industry practices, with compensation policies and packages being reviewed on a regular basis. Bonus payments are discretionary and depend on both the Group's performance and the performance of the individual employee. Benefits include retirement schemes and share option scheme.

FINAL DIVIDEND

The Directors did not recommend the payment of a dividend for the financial year ended 31 December 2014 (2013: Nil).

BUSINESS PROSPECTS

The prosperity of the Chinese economy has lead to greater spending on cultural and entertainment activities, and China is now the second largest film market in the world. According to the Film Division of the State Administration of Press, Publication, Radio, Film and Television, growth of China's gross box office receipts for 2014 speeded up further to a year-on-year rate of 36.15%. The Group expects that its strategy of increasing investment in film and television projects will be benefited from the booming development of the industry.

Following the introduction of a major shareholder, SMI Holdings Group Limited (stock code: 00198), and the formation of the new management team, the Group has gradually implemented its business restructuring proposal. It is expected that the new operation model will generate return for the Group in 2015.

The Group will focus on the investment in and distribution of films, television series, micro-films and online films and establish a database of copyright so as to boost revenue from copyright distribution. It will also increase the investment in digital content and digital entertainment. Eyeing on the enormous opportunities brought by the Internet and mobile Internet platforms, the Group intends to tap the mobile video business by taking advantage of its strength in content development and the ample resources of its advertising clients, with an aim to enlarge the base of high-value customers.

Management Discussion and Analysis

To capitalise on the Group's resources and bring its advantages into full play, the Company has the following plans to be implemented by stages: (1) set up a pre- and post-production company which engages in the provision of supporting services for film production, including special effects, dubbing and editing; (2) set up a school of performance and an artist management company to cultivate management talents for the film and television industry, such as directors, screenwriters, production crew members and artists ; (3) invest in the construction of filming venues and seek acquisitions of studios as well as expand into new lines of business such as venue leasing, hotel operation and ticket sales; and (4) develop the brand of Stellar Tourism and explore the business of overseas travels by organising film- and television-based tours under the brand name of SMI/Stellar. The Group will continue to actively identify any suitable financing proposals and attractive investment opportunities that are in line with the overall development and can enhance profitability, with an ultimate goal of becoming a leading content provider in China.

On behalf of the Board
SMI Culture Group Holdings Limited
HAO Bin
Chairman of the Board

31 March 2015

EXECUTIVE DIRECTORS

Mr. HAO Bin ("Mr. Hao"), aged 51, has been an Executive Director since 7 June 2014. He obtained a bachelor's degree in Journalism at Communication University of China in the PRC in 1995.

During the period from 1999 to 2002, Mr. Hao was the deputy-general manager of the 廣華廣播電視有限公司 (transliterated as Guanghua Broadcast Television Company Limited#). During the period from 2005 to 2013, Mr. Hao had served as a director respectively at various companies listed on the Shenzhen Stock Exchange, being Stellar Megaunion Corporation (Stock Code: 000892), Chengde Nanjiang Co, Ltd. (formerly known as Chengde Dalu Co. Ltd.) (Stock Code: 200160) and Contemporary Eastern Investment Co., Ltd (Stock Code: 000673). From 2005 to 2007, Mr. Hao was a chief executive officer and an executive director of Singpao Media Enterprises Limited (formerly known as SMI Publishing Group Limited) (Stock Code: 8010) being a company listed on the growth enterprise market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Hao is the Chairman of the board of directors and a member of Executive Committee of the Company.

Mr. YUAN Xin ("Mr. Yuan"), aged 42, has been an Executive Director since 19 August 2013. He obtained tertiary qualification in finance at Beijing Normal University in the People's Republic of China (the "**PRC**"). Mr. Yuan is the chairman of Stellar Cinema Development Co., Ltd. He was also vice president responsible for the management of cinemas operation under the SMI from September 2009 to June 2014. He was also involved in the production and distribution of certain movies invested by SMI. Mr. Yuan has rich experience in cinema management and the movie industry. He was named as top ten cinema manager in Beijing by Beijing Municipal Bureau of Culture.

Mr. Yuan is an authorised representative, and the chairman of the Executive Committee of the Company.

Mr. CHAN Chi To, Antony ("Mr. Chan"), aged 63, has been an Executive Director since 27 August 2013. He is the founder of Asmile Holdings Company Limited which is engaging in Asmile brand building in the ecommerce market in the PRC, selling cosmetic products and essential oils through multi online platforms. Mr. Chan has rich experience in the entertainment and advertising industries. He was the founder and the chief executive officer of Cosmedia Group, an advertising and media group with focus on television advertising in the PRC, from 1996 to 2009. He was also the founder and the chief executive officer of Metro Communication Limited which was involved in television programme production and distribution in the PRC. Mr. Chan was the vice chairman of the Hong Kong Motion Picture Industry Association. He is also a director, producer and scriptwriter. He is a member of the "Wynners", a popular Hong Kong pop group that released its own album and hosted its own television shows.

Mr. Chan was a director of Executive Resources Limited ("**Executive Resources**") (formerly known as Cosmedia Limited), a company incorporated under the laws of Hong Kong, which was dissolved on 25 June 2012 pursuant to an order for winding up dated 11 November 2009 made by the High Court of Hong Kong in a petition for winding up against Executive Resources filed by Holita Company Limited on 18 August 2009 under HCCW 499/2009. Mr. Chan was a director of Executive Resources, which was principally engaged in media and advertising business, from 15 January 1996 to 12 January 2009. At the time of the liquidation, Mr. Chan had already ceased to be a director of Executive Resources.

Mr. Chan is an authorised representative and a member of the Executive Committee of the Company.

Mr. KONG Dalu ("Mr. Kong"), aged 42, has been an Executive Director since 7 June 2014. He has approximately 20 years' working experience and extensive knowledge in the field of banking, corporate finance and investment in Hong Kong and Mainland China. Mr. Kong obtained a bachelor's degree in Economics (major in International Finance) at Wuhan University in the People's Republic of China (the "**PRC**") in 1994.

Mr. Kong was a foreign exchange manager and foreign exchange trader in the international business department in the headquarter of Hua Xia Bank Co., Limited from 1994 to 1997. From 1997 to 2007, Mr. Kong also served at senior management level respectively at China Minsheng Bank Corp., Ltd. and Bank of Communications Co., Ltd. Mr. Kong has acted as a director of Xince (Hong Kong) Investment Development Co. Limited, being an equity investment company incorporated in Hong Kong, since 2007. During the period from 2008 to 2011, Mr. Kong also acted as a director of Haitong Securities Company Limited (Shanghai Stock Code: 600837), being a company listed on the Shanghai Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DU Jiang (''Mr. Du''), aged 47, has been an Independent Non-executive Director since 27 August 2013. He holds an accounting degree from Renmin University of China in the PRC and a master degree of business administration from Montclair State University in the United States of America. Mr. Du is a certified public accountant of Virginia State Board of Accountancy. Mr. Du is the co-head of the financial department of the Bank of China International Securities Ltd since August 2003. He also has working experience in the fields of accounting and finance.

Mr. Du is the chairman of both the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. LIU Xianbo (''Mr. Liu''), aged 51, has been an Independent Non-executive Director since 27 August 2013. He holds a law degree from Jiangxi University and a graduate of Southwest University of Political Science & Law in civil and commercial law in the PRC. Mr. Liu has been practicing law in the PRC for more than 20 years, specializing in finance, real estate, economics, contracts, civil dispute, liquidation and bankruptcy, criminal defence. He currently works at China Commercial Law Co. in the PRC.

Mr. Liu is a member of the Audit Committee and Remuneration Committee and the chairman of the Nomination Committee of the Company.

Mr. WU Chien-Chiang (''Mr. Wu''), aged 59, has been an Independent Non-executive Director since 11 September 2013. He has experience of operating media and entertainment business in Taiwan for more than 30 years. He holds offices and positions in the following companies: (i) a director and the general manager of Era Communications Co., Ltd.; (ii) the chairman and the general manager of Satellite Entertainment Communication Co., Ltd.; (iii) the chairman and the general manager of Goldsun Communications Co., Ltd.; (iv) the general manager of Media-Chain International Marketing Co., Ltd.; (v) the chairman of Era Integrated Marketing Co., Ltd.; and (vi) the publisher of Trend Media & Publication Ltd.

Mr. Wu is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. JIANG Jinsheng ("Mr. Jiang"), aged 60, has been an Independent Non-executive Director since 11 September 2013. He holds a master degree of business administration from Macau University of Science and Technology. Mr. Jiang was formerly supervisor of the chief executive officer of a property investment company and he is currently one of the senior management to supervise the administration of the Shenzhen Pavilion Hotel Co., Ltd. (深圳聖廷苑酒店有限公司). Mr. Jiang has experience in property investment, property development and hotel management in the PRC.

Mr. Jiang is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

SENIOR MANAGEMENT

The senior management of the Group comprises the executive Directors who held office during the year ended 31 December 2014.

CORPORATE GOVERNANCE

The board (the "Board") of directors of the Company (the "Directors") and the management are committed to uphold a high standard of corporate governance to safeguard the interests of shareholders of the Company and the Company as a whole.

The Company has adopted the code provision set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the financial year ended 31 December 2014, the Company was in compliance with the code provisions set out in the CG Code except the following deviations:

Code provision A.2.1 of the CG Code, details of which are set out in the section headed "Chairman and Chief Executive Officer" below in this report.

Code provision E.1.2 of the CG Code, details of which are set out in the section headed "Communication with Shareholders".

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code for Securities Transactions") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Confirmations have been sought from the Directors that they have complied with the required standards set out in the Model Code for Securities Transactions throughout the period from 1 January 2014 or their respective dates of appointment as Directors to 31 December 2014. The Board has also adopted the Model Code for Securities Transactions as guidelines for relevant employees in respect of their dealings in the securities of the Company.

THE BOARD

Role of Directors

The Board is accountable to the shareholders for leading the Company in a responsible and effective manner. Every Director is charged to act in the best interest of the Company and contribute to the Company with their expertise and knowledge. The Board decides on overall strategies and monitors the Group's performance on behalf of the shareholders of the Company.

Composition

The Board currently comprises the following Directors:

Executive Directors
Mr. HAO Bin
Mr. YUAN Xin
Mr. CHAN Chi To, Antony
Mr. KONG Dalu

Independent Non-Executive Directors
Mr. DU Jiang
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng

The diversified expertise and experience of the independent non-executive Directors contribute significantly in advising management on strategy and policy development. The independent non-executive Directors also serve to ensure that a high standard in financial and other mandatory reporting is maintained and to provide adequate checks and balances for safeguarding the interests of the shareholders and the Company as a whole. Having considered the functions of independent non-executive Directors, particularly their role in checks and balances, it is considered that there is a reasonable balance between the executive and non-executive Directors on the Board.

Save as disclosed therein, the Directors have no other financial, business, family or other material/relevant relationships with each other.

Independent Non-executive Directors

As at the date of this report, Mr. Du Jiang, one of the independent non-executive Directors has appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Board has received from each independent non-executive Director, a written annual confirmation of their independence and is satisfied with their independence in accordance with the Listing Rules. The Company considers that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

Non-Executive Directors

Each of the independent non-executive Directors was appointed for a specific terms of either one or two years.

Appointment and Re-election of Directors

On 23 January 2015, the Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. A Bye-Laws has been adopted by shareholders of the Company and registered in the Companies Registry of Bermuda.

In accordance with the CG Code and the Bye-laws, all Directors (including independent non-executive Directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Directors' profile is set out on pages 9 to 11.

During the year, Mr. HAO Bin and Mr. KONG Dalu were appointed as Directors. The appointment of the above new directors is a matter for consideration and decision by the full Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence are considered. During the year, the Board as a whole (with recommendations from the Nomination Committee of the Company) is responsible for agreeing to the appointment of its new members and for recommending appropriate person for election or re-election pursuant to the articles of association of the Company for shareholders' approval at the annual general meeting.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be divided. Before 7 June 2014, the chairman of the Company (the "Chairman") had not been filled and the responsibilities were undertaken by the Board until the position has been filled by Mr. HAO Bin (Mr. Hao"). Mr. Hao takes the responsibilities of the chairman as specified in the CG Code on overall strategic planning and development of the Group and effective functioning of the Board.

The chief executive officer of the Company has been vacant from 23 October 2013. Until the appointment of new chief executive officer, the Executive Committee (chaired by Mr. YUAN Xin, an executive Director) continues to oversee the day-to-day management of the business and operations of the Group.

The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Executive Committee is responsible for effective implementation of the overall strategies and initiatives adopted by the Board as well as the daily operation of the Group.

With the support of the Executive Committee, the Chairman seeks to ensure that all Directors are properly briefed on issues brought up at Board meetings and receive adequate and reliable information in relation to matters discussed at Board meetings and also other affairs of the Group on a timely basis.

Directors' Duties

The Directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all Directors are kept abreast of the conduct, business activities and development of the Company.

Corporate Governance Function

The Board is also responsible for performing the corporate governance duties as required under the CG Code. The roles and functions of the Board in respect of corporate governance function are set out in code provision D.1.3 of the CG Code.

The Board had considered the following corporate governance matters for the year ended 31 December 2014:

— Reviewed the policies and procedures adopted by the Company.

— Reviewed the usage of annual caps on the continuing connected transactions of the Group.

— Reviewed the compliance with the CG Code and disclosure of this corporate governance report.

Board Delegation

The Board is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior management members, the Executive Committee is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Board Process

During the year ended 31 December 2014, the Board has scheduled meetings at regular interval and additional board meetings were held as and when necessary. The Directors participated in person or through electronic means of communication. The attendance of each Director at board meetings and general meetings are set out as follows:

Name of Directors

Executive Directors	No. of Board meetings attended/No. of Board meetings eligible to attend	No. of general meetings attended/No. of general meetings eligible to attend
Mr. HAO Bin *(Chairman) (appointed on 7 June 2014)*	4/4	4/4
Mr YUAN Xin	0/4	—
Mr. CHAN Chi To, Antony	4/4	4/4
Mr. CHEN Hai *(resigned on 16 May 2014)*	0/4	—
Mr. KONG Dalu *(appointed on 7 June 2014)*	4/4	1/4

Name of Directors

Non-Executive Directors	No. of Board meetings attended/No. of Board meetings eligible to attend	No. of general meetings attended/No. of general meetings eligible to attend
Dr. LIN Junbo *(retired on 6 June 2014)*	0/4	—
Mr. CHI Chenxi *(resigned on 31 October 2014)*	0/4	—
Ms. HU Gin Ing *(resigned on 31 October 2014)*	0/4	—
Mr. GUO Hong *(re-designated as non-executive director on 28 August 2013 and resigned as non-executive director on 15 March 2014)*	0/4	—

Name of Directors

Independent Non-Executive Directors	No. of Board meetings attended/No. of Board meetings eligible to attend	No. of general meetings attended/No. of general meetings eligible to attend
Mr. DU Jiang	4/4	1/4
Mr. LIU Xianbo	4/4	—
Mr. WU Chien-Chiang	4/4	1/4
Mr. JIANG Jinsheng	4/4	—

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquiries if necessary. A Director of the Company who considers it necessary to seek independent professional advice in order to perform his/her duties as a Director of the Company may convene, or request the Company Secretary of the Company to convene, a meeting of the Board to approve the consultation of independent legal or other professional advisor for advice. For regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all Directors well in advance.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the designated secretary and are open for inspections by any Director during normal office hours by giving reasonably advance notice. Minutes of Board meetings and Board committees meetings record in sufficient details the matters considered in the meetings and decisions reached. Draft and final versions of minutes of Board meetings have been sent to all Directors for their comments and record respectively within a reasonable time after the relevant meeting was held.

If a substantial shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

BOARD COMMITTEES

The Board has established the following committees with defined terms of reference, which are of no less than exact terms than those set out in the CG Code.

Remuneration Committee

The Chairman of the current Remuneration Committee is Mr. Du Jiang and other members are Mr. Liu Xianbo, Mr. Wu Chien-Chiang and Mr. Jiang Jinsheng, all are independent non-executive Directors. The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The Company's emolument policy is to ensure that the remuneration offered to employees including executive Directors and senior management is based on the skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The emolument policy for non-executive Directors, mainly comprising directors' fees, is subject to annual assessment with reference to the market standard. Individual Director and senior management would not be involved in deciding their own remuneration. The specific written terms of reference which follows closely the requirements of the code provisions of the CG Code have been adopted by the Board and are available on the Company's website, www.smiculture2366.com.

During the year ended 31 December 2014, the Remuneration Committee held two meetings, with attendance record as follows:

Name of Members	**No. of meetings attended/No. of meetings eligible to attend**
Mr. DU Jiang *(Chairman)*	2/2
Mr. LIU Xianbo	2/2
Mr. WU Chien-Chiang	2/2
Mr. JIANG Jinsheng	2/2

During the year ended 31 December 2014, the Remuneration Committee reviewed matters relating to remuneration packages of executive directors and senior management, remuneration of non-executives and made recommendation to the Board for approval. The model set out in code provision B.1.2(c)(ii) has been adopted by the Remuneration Committee.

The remuneration of the senior management (including former and existing executive Directors) fell within the following band:

	Number of Senior Management
Up to HK$1,000,000	5

Audit Committee

The Chairman of the current Audit Committee is Mr. DU Jiang and other members are Mr. LIU Xianbo, Mr. WU Chien-Chiang, Mr. JIANG Jinsheng all are independent non-executive Directors. The Audit Committee is to oversee the Group's financial reporting system and internal control procedures, and to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with the applicable standard. Other duties of the Audit Committee are set out in its specific written terms of reference which deal clearly with their authority and duties and are available on the Company's website, www.smiculture2366.com.

During the year ended 31 December 2014, the Audit Committee held two meetings with attendance record as follows:

Name of Members	No. of meetings attended/No. of meetings eligible to attend
Mr. DU Jiang *(Chairman)*	2/2
Mr. LIU Xianbo	2/2
Mr. WU Chien-Chiang	2/2
Mr. JIANG Jinsheng	2/2

At the meetings, the Audit Committee has reviewed the audited financial statements for the financial year ended 31 December 2013 with senior management and the Company's external auditors and the interim report for the six months ended 30 June 2014. The Audit Committee has also reviewed the Group's accounting policies and practices, the Listing Rules and statutory compliance, internal controls and financial reporting matters. During the year, the Audit Committee met representatives of the auditors twice to discuss matters relating to fees and audit/review findings, etc.

Nomination Committee

The Chairman of the current Nomination Committee is Mr. LIU Xianbo and other members are Mr. DU Jiang, Mr. WU Chien-Chiang and Mr. JIANG Jinsheng, all being the independent non-executive Directors. The Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Other duties of the Nomination Committee are set out in its specific written terms of reference which deal clearly with their authority and duties and are available on the Company's website, www.smiculture2366.com.

During the year, Mr. HAO Bin and Mr. KONG Dalu respectively were appointed as directors of the Company. In considering the above new appointment of directors, the Nomination Committee assessed the candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively, independence under the requirement of the Listing Rules of independent non-executive directors, etc. and made recommendation to the Board for approval. The Nomination Committee reviewed the board diversity policy.

The Nomination Committee also nominated and the Board recommended (i) Mr. DU Jiang and Mr. LIU Xianbo, being directors serving longest in office since their last re-election, to retire by rotation, and being eligible, will offer themselves for re-election by shareholders of the Company at the forthcoming 2015 annual general meeting; and (ii) Mr. HAO Bin and Mr. KONG Dalu, the newly appointed Director, to retire, and being eligible, will offer themselves for re-election by shareholders of the Company at the forthcoming 2015 annual general meeting.

During the year ended 31 December 2014, the Nomination Committee held two meetings with attendance record as follows:

Name of Members	No. of meetings attended/No. of meetings eligible to attend
Mr. LIU Xianbo *(Chairman)*	2/2
Mr. DU Jiang	2/2
Mr. WU Chien-Chiang	2/2
Mr. JIANG Jinsheng	2/2

Board Diversity Policy

The Company has formulated the board diversity policy in August 2013 aiming at setting out the approach on diversity of the Board of the Company.

The Board recognizes the importance of having a diverse Board in enhancing the board effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities, etc. of Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee has responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and reviewing effectiveness of the Board.

The Nomination Committee is also responsible for reviewing and reporting to the Board in relation to Board diversity.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates to join the Board will be, in part, dependent on the pool of candidates with the necessary knowledge, experience, skills, educational background and other qualities. The final decision will be based on merit and contribution the chosen candidate will bring to the Board.

The Board considers that Board diversity, including gender diversity, is a vital asset to the business.

At present, the Nomination Committee has not set any measurable objectives to implement the board diversity policy. However, it will consider and review the board diversity policy and setting of any measurable objectives from time to time.

Executive Committee

The Executive Committee was established on 13 March 2014. The chairman of the Executive Committee is Mr. YUAN Xin and other members are Mr. HAO Bin and Mr. CHAN Chi To, Antony, all being executive Directors. The Executive Committee is to help the Board accomplish its work in the most efficient way.

DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The current Directors who held office during the year ended 31 December 2014 have participated in continuous professional development and provided a record of training they received for the year ended 31 December 2014 to the Company. The management provided induction materials to the Directors appointed during the year.

The individual training record of each current Director who held office during the year ended 31 December 2014 is set out below:

Name of Directors	Attending or participating in seminars/ conference/ workshops relevant to rules and regulations and the Group's business/ directors' duties	Reading materials relating to rules and regulations and discharge of directors' duties and responsibilities
Mr. HAO Bin	√	√
Mr. YUAN Xin	√	√
Mr. CHAN Chi To Antony	√	√
Mr. KONG Dalu		√
Mr. DU Jiang	√	√
Mr. LIU Xianbo	√	√
Mr. WU Chien-Chiang	√	√
Mr. JIANG Jinsheng	√	√

COMPANY SECRETARY

During the year, Ms. MUI Ngar May ("Ms. Mui") was the Company Secretary. Ms. Mui is not an employee of the Company and is from an external company secretarial services provider which has been engaged to provide company secretarial services to the Company.

The Chairman of the Executive Committee of the Company is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Mui has confirmed to the Company that she has taken no less than 15 hours of relevant professional training for the year ended 31 December 2014 and has obtained the practitioner's endorsement certificate for 2014/2015 issued by The Hong Kong Institute of Chartered Secretaries.

AUDITOR'S REMUNERATION

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work. For the year ended 31 December 2014, the remuneration to the auditor of the Company charged to income statement were approximately HK$3.4 million for audit services.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The management provides the explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended. Meanwhile, the Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the financial year ended 31 December 2014, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as going concern. The Board has prepared the financial statements on a going concern basis.

The reporting responsibilities of external auditors of the Company are disclosed in "Independent Auditor's Report" set out on pages 32 and 33 of this annual report.

INTERNAL CONTROL

The Board is responsible for reviewing the effectiveness of the internal control system of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers all material controls, including financial, operational and compliance controls and risks management functions. Such annual review also considers the adequacy of resources, staff's qualifications and experience and training programmes and budget of the Company's accounting and financial reporting function. The internal control review function reports directly to the Chairman of the Audit Committee. Regular internal control review reports are circulated to the Audit Committee members and the Board in accordance with the approved scope.

During the year ended 31 December 2014, management has conducted regular review on the effectiveness of the internal control system covering all material controls in area of financial and compliance controls and various functions for risks management. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management function for the year ended 31 December 2014. The Audit Committee is satisfied that the internal control system maintained by the Group is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained.

In addition, an independent professional firm has been engaged to review and assess certain internal control system of the Group for the year ended 31 December 2014 and reported the review and recommended procedures whereas no material control failure was noted.

The Group will continue to enhance the system to cope with the changes in the business environment.

COMMUNICATION WITH SHAREHOLDERS

Effective communication

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the Annual General Meeting (the "AGM"). The section under "Management Discussion and Analysis" of the annual report facilitate the shareholders' understanding of the Company's activities. The AGM allows the Directors to meet and communicate with shareholders. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations.

Code provision E.1.2 of the CG Code requires the chairman of the Board to attend the annual general meeting. Since the new Chairman has not been appointed until 7 June 2014, Mr. CHAN Chi To Antony, the executive Director, has been elected by other Directors present to act as the chairman of the AGM held on 6 June 2014 (the "2014 AGM") in accordance with the articles of association of the Company.

During the year ended 31 December 2014, the Company also held extraordinary general meetings ("EGMs"). Due to other business commitments, all independent board committee members (Mr. DU Jiang, Mr. LIU Xianbo, Mr. WU Chien-Chiang and Mr. JIANG Jinsheng) could not attend two extraordinary general meetings to approve connected transactions respectively as provided for in the aforesaid code provision E.1.2.

The Chairman of the 2014 AGM and EGMs had explained the procedures for conducting a poll. At the 2014 AGM and EGMs, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including re-election of retiring directors at the 2014 AGM, and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Directors including the chairmen of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company and representatives of the former external auditors, Messrs. KPMG, attended the 2014 AGM and have effective communication with shareholders. Besides, the Company held EGMs to consider and approve mainly about (i) change of company name; (ii) discloseable and connected transaction; (iii) major and connected transaction, change of domicile, capital reorganisation, etc. The executive Directors attended the EGMs to answer related questions.

To manage its relationship with investment community, the Group meets regularly with the press and financial analysts and participates frequently in other conferences and presentations.

To further promote effective communication, the corporate website is maintained to disseminate Company announcements and other relevant financial and non-financial information electronically on a timely basis.

The Company has established a shareholders' communications policy.

Shareholders' Rights

An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called a special general meeting under the Bye-Laws.

Shareholders to convene a special general meeting

Pursuant to the Bye-laws of the Company and the Companies Act, the Board shall, on the requisition of shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company (the "Registered Office"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and may consist of several documents in like form each signed by one or more requisitionists.

If the Board does not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionist, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

The procedures that shareholders can use for proposing a person for election as Director at general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

Putting enquiries by shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Executive Committee or the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals by shareholders at shareholders' meeting

Pursuant to the Companies Act, either any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than one hundred shareholders, can request the Company in writing to (a) give to 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; and (b) circulate to 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.

The requisition signed by all the requisitionists must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution; and not less than one week before the meeting in the case of any other requisition. Provided that if, an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

The above procedures are subject to Bye-Laws and applicable laws and regulation.

Voting by way of poll

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the AGM or general meetings must be taken by poll. The chairman of the meeting demanded a poll for every resolution put to the vote of the AGM and EGMs held during the year pursuant to article 76 of the Articles. Relevant details of the proposed resolutions, including biographies of each retiring Director standing for re-election, were included in the circular to shareholders dispatched together with the proxy forms. The Company announced the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Constitutional Document

The Memorandum of Association and Articles of the Company have been published on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2014, there was no change in the Memorandum of Association and Articles of Association of the Company.

On 23 January 2015, the Memorandum of Continuance and Bye-laws were registered in Bermuda in substitution for the aforementioned Memorandum of Association and Articles of Association due to change of domicile in Bermuda.

The Memorandum of Continuance and Bye-Laws were uploaded to the websites of the Stock Exchange and the Company on 26 January 2015.

Hong Kong, 31 March 2015

The Directors submit herewith their report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the provision of cross-media services including investment in the production and distribution of films and television ("TV") programmes and related services.

The particulars of the subsidiaries are set out in note 39 to the financial statements.

FINANCIAL STATEMENTS

The loss of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 34 to 99.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the period are set out in note 27 to the financial statements.

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

There were no purchases, sales or redemption of the Company's listed securities by the Company and any of its subsidiaries during the year ended 31 December 2014.

RESULTS AND RESERVES

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 34 and 35 of the annual report. The movements in reserves are set out in the consolidated statement of changes in equity on page 38 and 39 of the annual report.

The Directors do not recommend the payment of a final dividend for the financial year ended 31 December 2014 (2013: Nil).

CHARITABLE DONATIONS

During the financial year ended 31 December 2014, no charitable donations were made by the Group (2013: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2014 is set out on page 100 of the annual report.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes of the Group are set out in note 26 to the financial statements.

DIRECTORS

The Directors during the year ended 31 December 2014 and up to the date of this report were:

Executive Directors

Mr. HAO Bin	(appointed on 7 June 2014)
Mr. YUAN Xin	
Mr. CHAN Chi To, Antony	
Mr. CHEN Hai	(resigned on 16 May 2014)
Mr. KONG Dalu	(appointed on 7 June 2014)

Non-executive Directors

Dr. LIN Junbo	(retired on 6 June 2014)
Mr. GUO Hong	(re-designated on 28 August 2013 and resigned on 15 March 2014)
Mr. CHI Chenxi	(resigned on 31 October 2014)
Ms. HU Gin Ing	(resigned on 31 October 2014)

Independent Non-executive Directors

Mr. DU Jiang
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng

In accordance with Bye-Law 83(2) of the Company's Bye-Laws, Mr. HAO Bin and Mr. KONG Dalu will retire at the forthcoming annual general meeting ("AGM"), and being eligible, offer themselves for re-election at the AGM.

In accordance with Bye-Law 84(1) of the Company's Bye-Laws, Mr. DU Jiang and Mr. LIU Xianbo will retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election at the AGM.

None of the Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive directors are independent.

Changes of Directors' Information under Rule 13.51B(1) of the Listing Rules

Save as disclosed herein, the Company is not aware of any other change in the directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2014 interim report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange and as known to the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contracts of significance, to which the Company or its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Interests of the directors of the Company in competing businesses as at 31 December 2014 which are required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of directors	Name of entity the businesses in which are considered to compete or likely to compete with the businesses of the Group	Description of the businesses of the entity which are considered to compete or likely to compete with businesses of the Group	Nature of interest of the director in the entity
Mr. WU Chien-Chiang (Independent Non-Executive Director)	Era Communications Co Ltd. ("Era")	TV program production (The likely "Competing Business")	As General manager of Era

The Board is of the view that the Group is capable of carrying on its business independently of the Competing Business. When making decisions on the television investment, production and distribution of the Group, the above Directors, in the performance of their duties as Directors, have acted and will continue to act in the best interests of the Group.

Save as disclosed above, none of the Directors of the Company has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

SHARE OPTION SCHEME

The Company adopted a share option scheme by written resolutions of the shareholders passed on 13 June 2004 (the "old share option scheme") which would be expired on 13 June 2014. The Company terminated the old share option scheme and adopted a new share option scheme (the "new share option scheme") pursuant to an ordinary resolution passed by the shareholders at the annual general meeting of the Company held on 6 June 2014. Notwithstanding that the old share option scheme was terminated, all outstanding options granted thereunder shall continue to be valid until 13 June 2014. Movement of options granted under the old share option scheme is set out below.

Pursuant to the new share option scheme the Directors of the Company may, at their discretion, invite any full time or part time employees and Directors, consultants and advisers of the Group (subject to the eligibility requirements as set out therein) to take up options which entitle them to subscribe for shares representing up to a maximum in nominal value of 30% of the issued share capital of the Company from time to time. The total number of shares available for issue under the new share option scheme and other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the date of adoption of the new share option scheme of the Company's shares on the Stock Exchange unless further shareholders' approval has been obtained. The total number of shares to be issued upon exercise of the options to be granted (including both exercised and outstanding options) in any 12 months' period up to the date of grant to a substantial shareholder or an independent non-executive Director or their associates would not exceed 0.1% of the shares in issue or an aggregate value of HK$5,000,000 unless further shareholders' approval has been obtained; and to each other eligible person would not exceed 1% of the shares in issue. The purpose of the new share option scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part time), Directors, consultants and advisers of the Group and to promote the success of the business of the Group. The new share option scheme shall be valid and effective for a period of ten years from 6 June 2014 (the "Scheme Period"). The exercise price of options shall be determined by the Board and shall not be less than the highest of the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options and the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer and the nominal value of a share of the Company. An option may be exercised at any time during a period being not more than ten years from the date of grant and expiring at the close of business on the last day of such period but subject to the provisions of early termination hereof. There is no specific minimum period under the new share option scheme for which an option must be held or the performance target which must be achieved before an option can be exercised.

During the year ended 31 December 2014, no options were granted, exercised, cancelled or lapsed under the new share option scheme since its adoption.

As at the date of this report, a total of 56,255,768 shares (representing 8.33% of the existing issued share capital of the Company) may be issued upon exercise of all options which may be granted and yet to be exercised under the new share option scheme.

Movements of the share options granted under the old share option scheme were as follows:

Grantees	Date of grant	Exercise period	Exercise price per share as at 31 December 2014	Number of share options: As at 1 January 2014	Grant during the year	Exercise during the year	Lapsed/ cancelled during the year	As at 31 December 2014	Percentage of total issued share capital of the Company as at 31 December 2014
			HK$		(Note 3)	(Note 3)			
Consultant *(Note 1)*	21 December 2009	15 January 2010 to 13 June 2014	43.8576	18,585	—	—	(18,585)	—	—
Other participants *(Note 2)*	21 December 2009	7 January 2010 to 13 June 2014	43.8576	18,585	—	—	(18,585)	—	—
	15 March 2007	15 March 2007 to 13 June 2014	55.1534	208,467	—	—	(208,467)	—	—
Total				245,637	—	—	(245,637)	—	—

1. Dr. Wong Ying Ho, Kennedy, BBS, JP, resigned as Director on 29 November 2010 and was appointed as consultant of the Company. His interests in share options to subscribe for 18,585 shares of the Company were reclassified under the category of consultant. His options had been lapsed on 14 June 2014.

2. Other participants include the former director, Mr. Tsiang Hoi Fong, as he remains as director of certain subsidiaries of the Group. His options had been lapsed on 14 June 2014.

3. During the year ended 31 December 2014, no options were granted, exercised or cancelled under the old share option scheme.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

The interests and short positions of those persons (other than a Director or chief executive of the Company disclosed above) in the shares and underlying shares of the Company as at 31 December 2014, which have been notified to the Company and recorded in the register required to be kept under Section 336 of the SFO or as known to the Company were as follows:

Name of substantial shareholders	Capacity	Nature of interest	Total number of shares	Approximate percentage of total issued share capital as at 31 December 2014
SMI Investment (HK) Limited *(Note 1)*	Beneficial owner	Beneficial interest	167,097,281	29.70%
SMI Holdings Group Limited *(Note 1)*	Interested in controlled corporation	Corporate interest	167,097,281	29.70%

Name of substantial shareholders	Capacity	Nature of interest	Total number of shares	Approximate percentage of total issued share capital as at 31 December 2014
Mr. Qin Hui *(Note 2)*	Interested in controlled corporation	Corporate interest	167,097,281	29.70%
Hong Kong Xinhu Investment Co., Limited *(Note 3)*	Beneficial owner	Beneficial interest	6,657,538	1.18%
Xinhu Zhongbao Co., Limited *(Note 3)*	Interested in controlled corporation	Corporate interest	6,657,538	1.18%

Note 1: SMI Investment (HK) Limited is wholly-owned by SMI Holdings Group Limited (formerly known as SMI Corporation Limited), the shares of which are listed on the Hong Kong Stock Exchange. SMI Investment (HK) Limited is the beneficial owner of 167,097,281 Shares. SMI Holdings Group Limited is deemed to be interested in such 167,097,281 Shares through SMI Investment (HK) Limited under the SFO.

Note 2: According to individual substantial shareholder Notice filed by Mr. Qin Hui on 25 September, 2013, Mr Qin is deemed to be interested in 167,097,281 shares.

Note 3: According to the corporate substantial shareholder Notices filed by Hong Kong Xinhu Investment Co., Limited ("HK Xinhu") and Xinhu Zhongbao Co., Limited ("Xinhu Zhongbao") in July 2012, HK Xinhu was indirectly wholly-owned by Xinhu Zhongbao, the shares of which are listed on Shanghai Stock Exchange and HK Xinhu was the beneficial owner of 332,876,894 shares. Xinhu Zhongbao is deemed to be interests in such shares through HK Xinhu under the SFO. Such 332,876,894 shares were adjusted by share consolidation and rights issue in March 2013 to 6,657,538 shares. The Company was informed by Xinhu Zhongbao on 4 August 2014 that the total number of shares held by HK Xinhu was 39,945,228 shares after subscription of rights shares under the rights issue made in March 2013, representing 7.10% of the total issued share capital of the Company. The Company did not receive any corporate substantial shareholder notices from HK Xinhu and Xinhu Zhongbao reporting their current shareholding.

RELATED PARTY TRANSACTIONS

The transaction of purchase of films sets out in note 35(B)(i) to the financial statements which is in existence or entered into during the financial year ended 31 December 2014 fall under the definition of connected transactions in accordance with Chapter 14A of the Listing Rules. (Please refer to the announcement dated 5 September 2014 for details)

The transactions of loan and interest thereon set out in note 35(B)(i) fall under Rules 14A.90 of the Listing Rules and are exempted from reporting, announcement and independent shareholders' approval requirements in the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (where applicable) with respect to the connected transactions and continuing connected transactions entered into by the Company for the financial year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws in Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers accounted for approximately 54% (2013: 70%) and the largest customer accounted for approximately 32% (2013: 37%) of the Group's total turnover for the financial year ended 31 December 2014.

The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 51% (2013: 80%) and the largest supplier accounted for approximately 30% (2013: 42%) of the Group's total purchases for the financial year ended 31 December 2014.

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

During the year, Messrs. KPMG, who acted as auditor of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu was appointed as auditor of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditor, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board of Directors
SMI Culture Group Holdings Limited

HAO Bin
Chairman

Hong Kong, 31 March 2015

Deloitte.

德勤

Independent Auditor's Report

To the Members of SMI Culture Group Holdings Limited

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

We have audited the consolidated financial statements of SMI Culture Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 99, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

The financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 28 March 2014.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Notes	2014 HK$'000	2013 HK$'000
Revenue	5	**124,762**	191,402
Cost of sales		**(163,838)**	(227,253)
Gross loss		**(39,076)**	(35,851)
Other income		**8,699**	127
Other expenses		**(8,307)**	(9,392)
Impairment loss recognised in respect of:			
— Goodwill	14	**(21,076)**	—
— Intangible assets	15	**(252,071)**	(371,333)
— Available for sale investment	16	**(15,954)**	(15,954)
— Other receivables		**(11,114)**	—
— amount due from an associate	20	**(6,953)**	—
Allowance for inventories	17	**(178,640)**	(88,031)
Administrative and other operating expenses		**(38,257)**	(75,201)
Share of result of an associate		**—**	(3,858)
Finance costs	6	**(4,820)**	(73,677)
Loss before taxation		**(567,569)**	(673,170)
Taxation	7	**4,314**	(1,171)
Loss for the year	8	**(563,255)**	(674,341)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(273)**	(588)
Transfer of general reserve to profit or loss upon disposal of subsidiaries		**—**	(666)
Transfer of capital reserve to profit or loss upon disposal of subsidiaries		**—**	8,519
Realisation of exchange differences upon disposal of subsidiaries		**—**	22,410
Total comprehensive expenses for the year		**(563,528)**	(644,666)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Notes	**2014** **HK$'000**	2013 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(560,689)**	(675,376)
Non-controlling interests		**(2,566)**	1,035
		(563,255)	(674,341)
Total comprehensive expenses attributable to:			
Owners of the Company		**(560,962)**	(645,701)
Non-controlling interests		**(2,566)**	1,035
		(563,528)	(644,666)
Loss per share (HK$)			
basic and diluted	12	**(1.00)**	(1.99)

Consolidated Statement of Financial Position

As at 31 December 2014
(Expressed in Hong Kong dollars)

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	13	**1,081**	902
Goodwill	14	**—**	21,076
Intangible assets	15	**155,763**	455,124
Interest in an associate	20	**—**	—
Available-for-sale investment	16	**—**	15,954
		156,844	493,056
Current assets			
Inventories	17	**273,706**	460,995
Film rights investment	18	**43,243**	—
Trade and other receivables	19	**70,321**	140,074
Amount due from an associate	20	**—**	5,245
Bank balances and cash	21	**8,789**	4,994
		396,059	611,308
Assets classified as held for sale	36	**—**	31,766
		396,059	643,074
Current liabilities			
Trade and other payables	22	**113,702**	179,564
Tax payable		**58,186**	56,188
Loan from a shareholder	23	**50,000**	—
Other loans	24	**42,865**	42,232
		264,753	277,984
Net current assets		**131,306**	365,090
		288,150	858,146
Non-current liability			
Deferred tax liabilities	25	**—**	6,468
		288,150	851,678

Consolidated Statement of Financial Position

As at 31 December 2014
(Expressed in Hong Kong dollars)

	Notes	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	27	**438,795**	438,795
Share premium and reserves		**(150,477)**	410,485
Equity attributable to owners of the Company		**288,318**	849,280
Non-controlling interests		**(168)**	2,398
		288,150	851,678

The consolidated financial statements on pages 34 to 99 were approved and authorised for issue by the board of directors on 31 March 2015 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Share capital HK$'000	Share premium HK$'000	General reserve HK$'000	Capital redemption reserve HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Exchange reserve HK$'000	Equity component of convertible notes HK$'000 (Note 26)	Warrant reserve HK$'000 (Note c)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2013	365,662	981,343	666	95	4,679	(20,856)	54,371	5,392	(407,186)	984,166	3,442	987,608
(Loss) gain for the year	—	—	—	—	—	—	—	—	(675,376)	(675,376)	1,035	(674,341)
Other comprehensive (expense) income	—	—	(666)	—	8,519	21,822	—	—	—	29,675	—	29,675
Total comprehensive (expense) income for the year	—	—	(666)	—	8,519	21,822	—	—	(675,376)	(645,701)	1,035	(644,666)
Issue of new shares upon right issues (Note d)	402,229	111,586	—	—	—	—	—	—	—	513,815	—	513,815
Capital reorganisation (Note e)	(329,096)	—	—	—	—	—	—	—	329,096	—	—	—
Disposal of subsidiaries (Note 36)	—	—	—	—	—	—	—	—	—	—	(2,079)	(2,079)
Early redemption of convertible notes (Note 26)	—	—	—	—	—	—	(54,371)	—	51,371	(3,000)	—	(3,000)
Transfer upon cancellation of Share options	—	—	—	—	(1,129)	—	—	—	1,129	—	—	—
As at 31 December 2013	438,795	1,092,929	—	95	12,069	966	—	5,392	(700,966)	849,280	2,398	851,678
Loss for the year	—	—	—	—	—	—	—	—	(560,689)	(560,689)	(2,566)	(563,255)
Other comprehensive expense for the year	—	—	—	—	—	(273)	—	—	—	(273)	—	(273)
Total comprehensive expense for the year	—	—	—	—	—	(273)	—	—	(560,689)	(560,962)	(2,566)	(563,528)
Transfer upon cancellation of Share options	—	—	—	—	(108)	—	—	—	108	—	—	—
As at 31 December 2014	438,795	1,092,929	—	95	11,961	693	—	5,392	(1,261,547)	288,318	(168)	288,150

Notes:

(a) During 2008, the Company repurchased its owned ordinary shares on the Stock Exchange. The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by nominal value of these shares. An amount equivalent to the par value of the shares cancelled of HK$95,000 was transferred from retained profits to capital redemption reserve.

(b) Pursuant to a group reorganisation (the "Reorganisation") which was completed on 17 November 2003 to rationalise the Group structure in the preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group. The excess of the nominal value of the shares issued by the Company over the aggregate of the nominal value of the share capital of the subsidiaries which the Company acquired under the Reorganisation was transferred to the capital reserve.

The capital reserve also comprises the fair value of the number of unexercised share options granted to directors of the Company and an employee of the Group.

(c) The warrant reserve represents the excess of proceeds from the issue of the convertible notes over the amount initially recognised as the liability component of the convertible notes and the redemption call and put options. The Company created and granted to the warrant holder rights to subscribe in cash at any time and from time to time during the subscription period, which is from 8 July 2010 to 7 July 2015, for an aggregate of 11,380,942 fully paid ordinary shares of US$0.01 each of the Company at a price per share equal to the subscription price of HK$1.3278. As at the end of the year, there was no warrant exercised since the grant date.

(d) On 27 March 2013, the Company completed a rights issue pursuant to which 468,798,074 shares of US$0.01 each were issued in the proportion of one rights share for every one ordinary share at a subscription price of $0.35 per a right share. These newly issued shares rank pari passu in all respects with the existing ordinary shares. As a result of the rights issue, total consideration net of related expenses, of $158,587,000 was received. In addition, $36,566,000 was credited to share capital and $122,021,000 was credited to the share premium account.

Notes: *(Continued)*

(d) *(Continued)*

On 7 August 2013, the Company completed a rights issue pursuant to which 468,798,070 shares of US$0.1 each were issued in the proportion of five rights share for every one ordinary share at a subscription price of $0.78 per rights share. These newly issued shares rank pari passu in all respects with the existing ordinary shares. As a result of the rights issue, total consideration, net of related expenses, of $355,228,000 was received. In addition, $365,663,000 was credited to share capital and $10,435,000 was debited to the share premium account.

(e) On 26 February 2013, the number of the Company's ordinary shares decreased by 4,219,182,674 to 468,798,074 as a result of a capital reorganization which comprised: (i) share consolidation whereby every ten issued and unissued shares of par value of US$0.01 each was consolidated into one consolidated share of par value of US$0.1 each; and (ii) reduction of issued share capital of the Company by the cancellation of US$0.09 on each of the then issued consolidated shares such that the nominal value of each issued consolidated share was reduced from US$0.1 to US$0.01.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(567,569)**	(673,170)
Adjustments for:			
Depreciation of property, plant and equipment		**668**	4,157
Amortisation of intangible assets		**45,716**	53,681
Interest income		**(11)**	(127)
Share of loss of an associate		**—**	3,858
(Gain) loss on disposal of subsidiaries		**(8,404)**	9,123
Finance costs		**4,820**	73,677
Allowance for inventories		**178,640**	88,031
Loss on disposal of property, plant and equipment		**120**	184
Gain on disposal of intangible assets		**(145)**	—
Impairment loss recognised in respect of:			
— goodwill		**21,076**	—
— intangible assets		**252,071**	371,333
— available-for-sale investment		**15,954**	15,954
— other receivables		**11,114**	—
— amount due from an associate		**6,953**	—
Operating cash flows before movements in working capital		**(38,997)**	(53,299)
Decrease (increase) in inventories		**8,649**	(302)
Increase in film rights investment		**(43,243)**	—
Increase in amount due from an associate		**(1,708)**	(5,245)
Decrease (increase) in trade and other receivables		**64,089**	(41,835)
(Decrease) increase in trade and other payables		**(67,213)**	70,916
Cash used in operating activities		**(78,423)**	(29,765)
Income tax paid		**(156)**	(3,326)
NET CASH USED IN OPERATING ACTIVITIES		**(78,579)**	(33,091)
INVESTING ACTIVITIES			
Decrease in pledged deposits		**—**	112,113
Proceeds from disposal of subsidiaries	36	**34,722**	7,633
Proceeds from disposal of intangible assets		**1,719**	—
Proceeds from disposal of property, plant and equipment		**201**	13,808
Interest received		**11**	127
Purchase of fixed assets		**(1,172)**	(105)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**35,481**	133,576

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	**2014** **HK$'000**	2013 HK$'000
FINANCING ACTIVITIES			
Increase in loan from a shareholder		**50,000**	—
New other loans raised		**30,000**	—
Repayment of other loans		**(29,206)**	(20,766)
Interest paid		**(3,631)**	(33,458)
Net proceeds from right issues		**—**	513,815
New bank borrowing		**—**	4,000
Repayment of bank loans		**—**	(413,893)
Redemption of convertible notes		**—**	(167,720)
Repayment of loans from a shareholder		**—**	(12,697)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		**47,163**	(130,719)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,065**	(30,234)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**4,994**	35,830
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(270)**	(602)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER represented by bank balances and cash		**8,789**	4,994

1. GENERAL

SMI Culture Group Holdings Limited (the "Company") is incorporated in Cayman Islands as an exempted company and continued in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information Section of the annual report.

The principal activities of the Group are the provision of cross-media services including investment in the production and distribution of films and television ("TV") programmes and related services.

The consolidated financial statements are presented in Hong Kong Dollars, which is also the functional currency of the Company.

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

The Group has applied the following amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC*) — Int 21	Levies

* IFRIC represents the International Financial Reporting Standards Interpretations Committee.

Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets

The Group has applied the amendments to HKAS 36 "Recoverable amount disclosures for non-financial assets" for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS "13 Fair value measurements".

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Except as described above, the adoption of other amendments to HKFRSs and an interpretation has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 1	Disclosure initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 July 2014.
5 Effective for annual periods beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 Financial instruments

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

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

HKFRS 9 Financial instruments *(continued)*

Key requirements of HKFRS 9 are described as follows:

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

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial statements. However, it is not practical to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detail review.

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

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- 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 (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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

Amendments to HKAS 16 and HKAS 38 Clarification of acceptable methods of depreciation and amortisation

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

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

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

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

Amendments to HKAS 16 and HKAS 38 Clarification of acceptable methods of depreciation and amortisation *(continued)*

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

Amendments to HKAS 27 Equity method in separate financial statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 "Financial instruments (or HKAS 39 Financial instruments: Recognition and measurement" for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 "Investments in associates and joint ventures".

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 "Consolidated financial statements" and to HKFRS 1 "First-time adoption of Hong Kong financial reporting standards".

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

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

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

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

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

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

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGU that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

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

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

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 over those policies.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

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

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

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale *(continued)*

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of scripts, synopsis and editing/publishing rights

Revenue from the sale of these items is recognised when the items are delivered and the titles of those items have passed to the customers, as evidenced by the signing of the contract with the customers.

Television advertising income

Revenue from sales of television advertising ("TV advertising") air-times is recognised when the advertisements are broadcasted.

Licensing income from purchased licence rights

Purchased licence rights relate to the broadcasting rights of TV series, documentaries and similar products. Revenue from the licensing of broadcasting rights is recognised when the following criteria are met: (i) an agreement has been signed with a customer, (ii) master tapes have been delivered and (iii) it is probable that future economic benefits will flow to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Film investment income

Film investment income represents the Group's share of box office sales from films exhibited in movie theaters, after the payment by the movie theaters of taxes and other governmental charges and deductions by movie theaters. The Group's share of profit is determined in accordance with the profit sharing ratio set out in the respective film investment agreements.

Revenue from film investment is recognised when (i) the films are exhibited in movie theaters, (ii) the amount of revenue can be measured reliably and (iii) the collectability of the entitled proceeds is reasonably assured.

Interest income

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. For license rights, in periods where revenue is generated from the license rights, amortization is recognised at rate calculated to write off the costs in proportion to the expected revenue from the licensing of the rights. In the periods where no revenue is generated from the license right, amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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 are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cost of inventories comprises the purchase cost of the different works from separate acquisitions.

The costs of inventories are recognised as an expense in cost of sales once the title of the inventory has been passed.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

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

Film rights investment

Film rights investment represent films invested by the Group.

Film rights investment are stated at cost less any identified impairment loss. The costs of film rights are amortised as an expense in cost of sales based on the proportion of actual income earned from a film during the year to the total estimated income from the exhibition of the film attributable to the Group, according to the profit sharing ratio specified in the film investment agreements.

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

Leasing

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

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

- On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

- Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

Payments to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Labour Law in the People's Republic of China ("PRC") municipal government retirement scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 28. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

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

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

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

Taxation

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

Current tax

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into available-for-sale investment and loans and receivables.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Available-for-sale investment

Available-for-sale investment are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale investment (continued)

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation;

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even they were assessed not to be impaired individually are. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

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

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

Financial liabilities and equity

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

Financial liabilities

Financial liabilities of the Group include loan from a shareholder, other loans and trade and other payables, which are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Convertible notes

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

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

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

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Estimated useful lives of intangible assets

The directors of the Company estimate the useful lives of intangible asset in order to determine the amount of amortisation expenses to be recorded in accordance with the accounting policy set out in Note 3. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, as well as market obsolescence arising from changes in market demands. The directors of the Company also perform annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account market changes, prospective utilisation, market popularity and public acceptance of the assets concerned.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the goodwill is fully impaired (2013: HK$21,076,000 with no accumulated impairment loss).

Impairment of trade receivables

When there is objective evidence of impairment loss, the directors of the Company take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivables is approximately HK$45,461,000 (31 December 2013: HK$27,244,000). There was no impairment loss for both 2013 and 2014.

Impairment of inventories

The directors of the Company estimate the net realisable value of inventories based on estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale according to the accounting policy set out in note 3. In addition, the directors of the Company carry out a review on inventories at each balance sheet date and provision is made when net realisable value of inventories is estimated to be less than their carrying amount. As at 31 December 2014, the carrying amount of inventories is HK$273,706,000 net of provision of HK$266,671,000 (2013: HK460,995,000 net of the provision of HK$88,031,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Amortisation of film rights

The Group is required to estimate the projected revenue of the film rights based on their economic lives in order to ascertain the amount of amortisation charges for each reporting period. The appropriateness of the amortisation estimate requires the use of judgment and assumptions with reference to the prevailing and future market conditions to estimate total projected revenue over their economic lives. Changes in these estimates and assumptions could have a material effect on the amortisation expenses. The carrying amount of the film rights as at 31 December 2014 is HK$43,243,000 (2013: Nil). Details are set out in note 18.

Impairment of intangible assets

The directors of the Company estimate the recoverable amount of intangible assets based on the fair value less costs to sell. In addition, the Group carried out a review on intangible assets at each balance sheet date and provision is made when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an assets is impaired involves the directors of the Company estimate of future cash flow generated by intangible assets, discount rate used in discounting the projected cash flow and customer profile. Whilst the impairment reviews and calculation are based on assumptions that are consistent with the business plan, projected future cash flow is affected by a wide range of factors which are beyond the control of the Group. As at 31 December 2014, the carrying value of intangible assets is HK$155,763,000 net of impairment recognised in the current year of HK$252,071,000 (2013: HK$455,124,000 net of impairment recognised in 2013 of HK$371,333,000).

Impairment of amount due from an associate

Management regularly reviews the recoverability of the amount due from an associate. Appropriate impairment for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable.

In determining whether impairment of the amount due from an associate is required, the directors of the Company takes into consideration the aged status and likelihood of collection. Impairment is only made for the amount due from an associate that is unlikely to be collected. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of the amount due from an associate has been fully impaired (2013: carrying amount of the amount due from an associate amounted to HK$5,245,000 with no impairment).

5. REVENUE AND SEGMENT INFORMATION

The Group's operating segments, determined based on the information reported to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year ended 31 December 2013, management determined that the Group as a whole constitutes a single operating and reportable segment as the Group was only engaged in media related services.

During the year ended 31 December 2014, the management of the Group started the film investment and distribution business and the CODM re-organised the internal reports for resources allocation and performance assessment purposes into three operating divisions, which are stated as follows:

- Television program related business — sales of editing/publishing rights, scripts and synopses as well as licensing of purchased license rights over films and television drama series
- Television and other advertising — sales of television advertising air-times in PRC
- Film investment and distribution — distribution of and investment in film rights

The segment analysis for the year ended 31 December 2013 has accordingly been re-presented to conform with current year presentation.

(a) Segment revenue and results

An analysis of the Group's revenue and results by operating and reportable segment is as follows:

For the year ended 31 December 2014

	Television program related business HK$'000	Television and other advertising HK$'000	Films investment and distribution HK$'000	Total HK$'000
Revenue	**9,935**	**87,320**	**27,507**	**124,762**
Segment (loss)/profit	**(476,026)**	**(88,649)**	**4,940**	**(559,735)**
Unallocated other income				**8,404**
Finance costs				**(4,820)**
Unallocated expenses				**(11,418)**
Loss before taxation				**(567,569)**

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

For the year ended 31 December 2014 (continued)

Note: As set out in note 38, subsequent to the end of the reporting period, the Group announced to wind up a subsidiary engaged in the operation of television and other advertising business in PRC. Following the completion of such wind up, the operating segment of television and other advertising will be discontinued.

For the year ended 31 December 2013 (re-presented)

	Television program related business HK$'000	Television and other advertising HK$'000	Films investment and distribution HK$'000	Total HK$'000
Revenue	8,951	182,451	—	191,402
Segment loss	(556,936)	(26,607)	—	(583,543)
Finance costs				(73,677)
Unallocated expenses				(15,950)
Loss before taxation				(673,170)

All of the segment revenue reported above are from external customers.

Segment loss represents the loss incurred by each segment without allocation of unallocated other income (which mainly represents gain on disposal of a subsidiary) and unallocated expenses (which mainly include central administration costs, director's emoluments, loss on disposal of subsidiary and share of result of an associate) and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating segment is as follows:

As at 31 December 2014

	Television program related business HK$'000	Television and other advertising HK$'000	Film investment and distribution HK$'000	Total HK$'000
Assets				
Segment assets	447,466	30,899	63,628	541,993
Other assets				10,910
Consolidated assets				552,903
Liabilities				
Segment liabilities	(114,767)	(45,209)	(5,644)	(165,620)
Other liabilities				(99,133)
Consolidated liabilities				(264,753)

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

As at 31 December 2013 (re-presented)

	Television program related business HK$'000	Television and other advertising HK$'000	Film investment and distribution HK$'000	Total HK$'000
Assets				
Segment assets	1,010,309	104,503	—	1,114,812
Other assets				21,318
Consolidated assets				1,136,130
Liabilities				
Segment liabilities	(138,918)	(85,274)	—	(224,192)
Other liabilities				(60,260)
Consolidated liabilities				(284,452)

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

- all assets are allocated to operating and reportable segments other than certain property, plant and equipment, certain deposits and prepayments and certain bank balances and cash.
- all liabilities are allocated to operating and reportable segments other than loan from a shareholder, other loans, certain accruals and other payables.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

(c) Other segment information

Amounts included in the measure of segment results and segment assets:

For the year ended 31 December 2014

	Television program related business HK$'000	Television and other advertising HK$'000	Films investment and distribution HK$'000	Unallocated HK$'000	Total HK$'000
Addition to property, plant and equipment	**114**	**219**	**—**	**839**	**1,172**
Depreciation for property, plant and equipment	**114**	**443**	**—**	**111**	**668**
Impairment loss recognised in respect of:					
— intangible assets	**227,658**	**24,413**	**—**	**—**	**252,071**
— goodwill	**—**	**21,076**	**—**	**—**	**21,076**
— available-for-sale investment	**—**	**15,954**	**—**	**—**	**15,954**
— other receivables	**—**	**11,114**	**—**	**—**	**11,114**
— amount due from an associate	**6,953**	—	**—**	**—**	**6,953**
Amortisation of intangible assets	**44,258**	**1,458**	**—**	**—**	**45,716**
Allowance for inventories	**178,640**	**—**	**—**	**—**	**178,640**

For the year ended 31 December 2013 (re-presented)

	Television program related business HK$'000	Television and other advertising HK$'000	Films investment and distribution HK$'000	Unallocated HK$'000	Total HK$'000
Addition to property, plant and equipment	60	12	—	33	105
Depreciation for property, plant and equipment	3,034	423	—	700	4,157
Impairment loss recognised in respect of intangible assets	371,333	—	—	—	371,333
Amortisation of intangible assets	52,224	1,457	—	—	53,681
Allowance for inventories	88,031	—	—	—	88,031

5. REVENUE AND SEGMENT INFORMATION *(continued)*

(d) Geographical information

The Group's current operations are mainly located in Hong Kong and PRC. Information about the Group's revenue from external customers is presented based on the locations of the operation. Information about the Group's non-current assets by geographical location of the assets are also detailed below:

	Revenue from external customers		Non-current assets	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Hong Kong	**37,442**	8,951	**156,614**	445,451
PRC	**87,320**	182,451	**230**	47,605
	124,762	191,402	**156,844**	493,056

(e) Revenue from major products and services:

	2014 HK$'000	2013 HK$'000
Film investment income	**27,507**	—
Television advertising income	**87,320**	182,451
Sales of editing rights	**9,935**	500
Licensing income from purchased license rights	**—**	8,451
	124,762	191,402

(f) Information about major customers

The aggregate revenue attributed to the Group's five largest customers accounted for approximated 54% (2013: 70%) of the Group's total revenue and the largest customer accounted for approximately 32% (2013: 37%) of the Group's total revenue for the financial year ended 31 December 2014.

Revenue from customers of corresponding years contributing over 10% of the total sales of the Group are as follows:

	2014 HK$'000	2013 HK$'000
Customer A — (Television and other advertising)	**N/A**	82,254
Customer B — (Television and other advertising)	**39,888**	32,375
Customer C — (Television and other advertising)	**13,806**	N/A

6. FINANCE COSTS

	2014 **HK$'000**	2013 HK$'000
Interest on:		
Bank loan and other borrowing		
— wholly repayable within five years	**2,535**	22,276
— not wholly repayable within five years	**—**	226
Loan from a shareholder	**2,285**	—
Effective interest expense on convertible note	**—**	40,219
Other interest expense	**—**	10,956
	4,820	73,677

7. TAXATION

	2014 **HK$'000**	2013 HK$'000
The tax charge comprises:		
Current tax:		
PRC Corporate Income Tax ("CIT")	**2,069**	1,571
Under provision in prior year		
PRC CIT	**85**	—
Deferred taxation — current year (note 25)	**(6,468)**	(400)
Total income tax (income) expense recognised in profit or loss	**(4,314)**	1,171

CIT at 25% has been provided for by a subsidiary in the consolidated financial statements for both the years ended 31 December 2013 and 2014.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7. TAXATION *(continued)*

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

	2014 **HK$'000**	2013 HK$'000
Loss before tax	**(567,569)**	(673,170)
Tax at domestic income tax rate (note)	**(98,123)**	(112,711)
Tax effect of expenses not deductible for tax purpose	**82,756**	136,466
Tax effect of income not taxable for tax purpose	**(6,317)**	(33,713)
Under provision in respect of prior year	**85**	—
Tax effect of tax losses not recognised	**17,285**	11,129
Tax (credit) charge for the year	**(4,314)**	1,171

Note: The domestic income tax rate applicable to each jurisdiction has been applied to the results of the Group's entities operating in the corresponding jurisdictions.

8. LOSS FOR THE YEAR

	2014 **HK$'000**	2013 HK$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments (Note 9)	**4,393**	2,969
Other staff costs	**8,321**	6,560
Retirement benefits scheme contribution (excluding directors)	**625**	1,134
	13,339	10,663
Auditors' remuneration	**3,396**	4,860
Depreciation for property, plant and equipment	**668**	4,157
Amortisation of intangible assets (included in cost of sales)	**45,716**	53,681
Cost of TV advertising air-times expensed (included in cost of sales)	**74,640**	157,200
Cost of film rights expensed (included in cost of sales)	**20,948**	—
Cost of editing rights expensed (included in cost of sales)	**8,649**	400
Loss on disposal of subsidiaries	**—**	9,123
and after crediting (included in other income):		
Interest income	**11**	127
Gain on disposal of a subsidiary	**8,404**	—
Gain on disposal of intangible assets	**145**	—

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Detail of emoluments paid or payable to the directors are set out as follows:

2014

Name of director	Date of appointment/resignation	Fees HK$'000	Salary HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive directors:					
Yuan Xin		—	826	—	826
Chan Chi To, Antony		—	1,200	17	1,217
Hao Bin	Appointed on 7 June 2014	—	800	—	800
Kong Dalu	Appointed on 7 June 2014	—	136	—	136
Chen Hai	Resigned on 16 May 2014	—	—	—	—
Non-executive directors:					
Liu Junbo		52	—	—	52
Chi Chenxi		202	—	—	202
Hu Gin Ing		200	—	—	200
Guo Hong	Resigned on 15 March 2014	—	—	—	—
Independent non-executive directors:					
Du Jiang		240	—	—	240
Lin Xian Bo		240	—	—	240
Jiang Jin Sheng		240	—	—	240
Wu Chien Chiang		240	—	—	240
		1,414	2,962	17	4,393

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

2013

Name of director	Date of appointment/resignation	Fees HK$'000	Salary HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive directors:					
Wang Fei	Appointed on 18 August 2013 and resigned on 23 October 2013	—	174	—	174
Yuan Xin	Appointed on 19 August 2013	—	355	—	355
Chan Chi To, Antony	Appointed on 27 August 2013	—	400	5	405
Chen Hai	Appointed on 23 October 2013	—	115	—	115
Non-executive directors:					
Guo Hong	Redesignated from executive director on 28 August 2013	—	166	—	166
Zaldivar Peter Alphonse	Resigned on 7 May 2013	40	—	—	40
Chi Chenxi	Appointed on 27 August 2013	83	—	—	83
Hu Gin Ing	Appointed on 27 August 2013	83	—	—	83
Leung Anita Fung Yee Maria	Resigned on 1 September 2013	80	—	—	80
Lai Tse Wah	Redesignated from executive director on 6 September 2013 and resigned on 11 November 2013	43	668	6	717
Lin Junbo		120	—	—	120
Independent non-executive directors:					
Du Jiang	Appointed on 27 August 2013	83	—	—	83
Lin Xian Bo	Appointed on 27 August 2013	83	—	—	83
Jiang Jin Sheng	Appointed on 11 September 2013	74	—	—	74
Wu Chien Chiang	Appointed on 11 September 2013	74	—	—	74
Szeto Wai Lng, Virginia	Resigned on 1 September 2013	120	—	—	120
Fung Ho Leung, Arthur	Resigned on 6 September 2013	122	—	—	122
Yeung Chung Hay, Patrick	Appointed on 18 January 2013 and resigned on 27 August 2013	75	—	—	75
		1,080	1,878	11	2,969

No directors waived any emoluments for the years ended 31 December 2013 and 2014.

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors of the Company whose emoluments are in note 9 above. The emoluments of the remaining three (2013: three) highest paid individuals were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**3,257**	1,248
Contribution to retirement benefits scheme	**118**	108
	3,375	1,356

The emoluments were within the following bands:

	Number of employees	
	2014	2013
Nil–HK$1,000,000	**—**	3
HK$1,000,001–HK$1,500,000	**3**	—

11. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting periods.

12. LOSS PER SHARE

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

	2014 **HK$'000**	2013 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(560,689)**	(675,376)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**562,558,000**	338,783,000

Diluted loss per share does not assume the exercise of the Company's options because the exercise price of the options was higher than the average market price of shares for both years.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and other fixed assets HK$'000	Production equipment HK$'000	Props and costumes HK$'000	Total HK$'000
COST						
As at 1 January 2013	83,509	28,354	17,589	2,972	11,577	144,001
Additions	—	60	45	—	—	105
Disposals	(13,412)	(4,011)	(1,165)	—	—	(18,588)
Disposal of subsidiaries	(35,779)	(23,824)	(13,591)	(2,972)	(11,572)	(87,738)
Reclassification to assets classified as held for sales	(34,318)	—	—	—	—	(34,318)
Exchange adjustment	—	13	45	—	2	60
As at 31 December 2013	—	592	2,923	—	7	3,522
Additions	—	46	1,126	—	—	1,172
Disposals	—	(181)	(805)	—	—	(986)
Exchange adjustment	—	(4)	(5)	—	—	(9)
As at 31 December 2014	—	453	3,239	—	7	3,699
DEPRECIATION						
As at 1 January 2013	6,600	24,278	13,538	2,738	11,577	58,731
Provided for the year	1,447	1,459	1,244	3	4	4,157
Eliminated on disposals	(1,144)	(2,549)	(903)	—	—	(4,596)
Eliminated on disposal of subsidiaries	(4,333)	(22,873)	(11,637)	(2,741)	(11,572)	(53,156)
Reclassification to assets classified as held for sale	(2,570)	—	—	—	—	(2,570)
Exchange adjustment	—	13	43	—	(2)	54
As at 31 December 2013	—	328	2,285	—	7	2,620
Provided for the year	—	163	505	—	—	668
Eliminated on disposals	—	(61)	(604)	—	—	(665)
Exchange adjustment	—	(2)	(3)	—	—	(5)
As at 31 December 2014	—	428	2,183	—	7	2,618
CARRYING VALUES						
As at 31 December 2014	—	25	1,056	—	—	1,081
As at 31 December 2013	—	264	638	—	—	902

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

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Land and building	2%
Leasehold improvements	6 years or over the term of the lease, whichever is shorter
Motor vehicle	10%–20%
Furniture, fixtures and equipment	15%–33%

14. GOODWILL

	HK$'000
COST	
As at 1 January 2013 and 31 December 2013	21,076
Impairment loss	(21,076)
As at 31 December 2014	—

For the impairment testing, the entire carrying amount of goodwill has been allocated to the CGU which constitutes the television and other advertising operating segment. As the segment is loss making and after the reporting date the Group will discontinue the CGU through winding up of the subsidiary, which carried out the television and other advertising business, a full impairment loss of HK$21,076,000 was recognised in the profit or loss during the year.

15. INTANGIBLE ASSETS

	Purchased licence rights HK$'000	Television programs in progress HK$'000	Purchased advertising rights HK$'000	Customer contract costs HK$'000	Others HK$'000	Total HK$'000
COST						
As at 1 January 2013	1,238,988	112,142	50,220	67,150	14,157	1,482,657
Additions	8,571	—	—	—	—	8,571
Disposal of subsidiaries	—	—	(11,937)	(12,496)	(7,983)	(32,416)
Exchange difference	—	—	—	—	8	8
As at 31 December 2013	1,247,559	112,142	38,283	54,654	6,182	1,458,820
Disposal	(17,432)	—	—	—	—	(17,432)
Written off	—	(112,142)	(38,283)	(54,654)	(6,182)	(211,261)
As at 31 December 2014	1,230,127	—	—	—	—	1,230,127
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS						
As at 1 January 2013	394,958	112,142	50,220	39,822	13,517	610,659
Provided for the year	52,015	—	—	1,457	209	53,681
Impairment loss	371,333	—	—	—	—	371,333
Elimination on disposal of subsidiaries	—	—	(11,937)	(12,496)	(7,544)	(31,977)
As at 31 December 2013	818,306	112,142	38,283	28,783	6,182	1,003,696
Provided for the year	44,258	—	—	1,458	—	45,716
Impairment loss	227,658	—	—	24,413	—	252,071
Elimination on disposal	(15,858)	—	—	—	—	(15,858)
Written off	—	(112,142)	(38,283)	(54,654)	(6,182)	(211,261)
As at 31 December 2014	1,074,364	—	—	—	—	1,074,364
CARRYING VALUES						
As at 31 December 2014	155,763	—	—	—	—	155,763
As at 31 December 2013	429,253	—	—	25,871	—	455,124

Licence rights represent purchased broadcasting rights over films, TV series, documentaries, etc. These rights have finite useful lives and are expected to generate economic benefits in the long term through leasing out arrangements, whereby the Group would licence out these broadcasting rights to TV stations and other broadcasting and media channels for broadcasting in particular location for a finite period.

Cost incurred to acquire contractual relationships in advertising business with customers is capitalised if it is probable that future economic benefit will flow from the customers to the Group and such costs can be measured reliably.

15. INTANGIBLE ASSETS *(continued)*

The following useful lives are used in the calculation of amortisation:

Purchased license rights	10 years–15 years
Customer contract costs	5 years–10 years

The amortisation charge for the year is included in cost of sales in the consolidated statement of profit or loss and other comprehensive income.

During the year ended 31 December 2014, due to continuously unsatisfactory result of the television program licensing and advertising businesses, the Group has fully impaired the customer contract costs and the directors of the Company have also reviewed the recoverable amount of the purchased licence rights with reference to their fair values less cost of disposal at 31 December 2014 and 2013. The fair values have been arrived at with reference to the valuation carried out on 31 December 2014 and 2013 by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected with the Group and a member of Hong Kong Institute of Surveyors with appropriate qualifications and recent experiences in the valuation of similar assets.

The fair value was estimated for each individual film or work based on a discounted cash flows analysis based on assumptions about future net cash flows from the assets over the next 10 years and at a discount rate of 19.29 % (2013:20.05 %). Other assumptions for the future cash flow estimation included forecast income and gross margin from the assets are determined with reference to current assessment of the marketability of the assets as well as the general market condition for the media industry.

Having regard to the results of the valuation, an impairment loss of HK$252,071,000 (2013: HK$ 371,333,000) was recognised during the year.

16. AVAILABLE-FOR-SALE INVESTMENT

	2014 **HK$'000**	2013 HK$'000
Unlisted investments		
— Equity securities- at cost	**—**	15,954

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group holds 8% (2013: 8%) of the ordinary share capital of New Grand Outdoor Media Holdings Limited, a company engaged in provision of outdoor advertisement service.

During the year ended 31 December 2014, the directors of the Company reviewed the recoverability of the available-for-sale equity securities and made an impairment provision of HK$15,954,000 (2013: HK$15,954,000) accordingly.

17. INVENTORIES

	2014 HK$'000	2013 HK$'000
Carrying amount of the inventories	**540,377**	549,026
Provision of inventories written down	**(266,671)**	(88,031)
	273,706	460,995

Inventories represent the cost of scripts, synopses, publication rights, publishing rights and editing rights purchased by the Group, which are held by the Group for re-sale in the ordinary course of business.

The directors of the Company have reviewed the net realisable value of inventories with reference to a valuation carried out on 31 December 2014 and 2013 by an independent qualified professional valuer, Ascent Partners Valuation Service Limited. The valuation was performed on an individual basis for each script, synopsis and editing/publishing rights, taking into account market information on estimated selling prices adjusted for factors such as authorship, length of the works, historical trends on marketability of the works etc…

An impairment loss of HK$178,640,000 was recognised for the year ended 31 December 2014 (2013: HK$88,031,000) due to the continuous unsatisfactory results from the sales of these works.

18. FILM RIGHTS INVESTMENT

	HK$'000
As at 1 January 2013 and 31 December 2013	—
Additions	64,191
Recognised as an expense included in cost of sales	(20,948)
As at 31 December 2014	**43,243**

The costs of film rights are recognised as an expense in cost of sales based on the proportion of actual income earned from a film during the year to the total estimated income from exhibition of the film attributable to the Group, according to the profit sharing ratio specified in the film investment agreements.

19. TRADE AND OTHER RECEIVABLES

	2014 **HK$'000**	2013 HK$'000
Trade receivables	**45,461**	27,244
Deferred sale proceeds on disposal of subsidiaries	**8,569**	3,121
Deposits, prepayments and other receivables	**16,291**	109,709
	70,321	140,074

The Group allows an average credit period of 90-180 days to its trade customers for TV advertising and contract sales of editing rights.

Trade customers from the licensing income are allowed a credit period of 180 days from the date of signing the contracts.

Trade receivables from film investment income are usually received within 90 days after the related films have been withdrawn from circuit.

The following is an aged analysis of trade receivables presented based on the invoice date or contact date, as appropriate, at the end of the reporting period.

	2014 **HK$'000**	2013 HK$'000
0–30 days	**23,729**	15,684
31–60 days	**18,412**	11,560
91–180 days	**3,320**	—
	45,461	27,244

None of these receivable are past due nor impaired. These receivables relate to a number of independent customers that have a good track record with the Group.

During the year ended 31 December 2014, the directors of the Company carried out an impairment assessment on the recoverability of other receivables and recognised an impairment loss of HK$11,114,000 on the deposits made for investment in certain business projects which the Group no longer intended to pursue.

20. INTERESTS IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE

Details of the Group's interests in an associate are as follows:

	2014 HK$'000	2013 HK$'000
Cost of investments in an associate — unlisted	**4,909**	4,909
Share of post-acquisition loss and other comprehensive expenses, net of dividends received	**(4,909)**	(4,909)
	—	—

Details of each of the Group's material associate at the end of the reporting period are as follow:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
Beijing Guoguang Huaxia Media Broadcasting Company Limited	Incorporated	PRC	PRC	Ordinary	45%	45%	Purchase and holding of distribution rights

As at 31 December 2013, the amount due from an associate amounting to HK$5,245,000 is unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2014, the directors of the Company carried out an impairment assessment on the amount due from an associate due to the continuous losses incurred by the associate and its net liabilities position and recognised an impairment loss of HK$6,953,000 (2013:nil).

21. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.35% to 4.88% (2013: 0.42% to 6.77%) per annum.

22. TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**7,353**	8,646
Accruals	**21,724**	34,422
Other payables	**84,625**	136,496
	113,702	179,564

During the year ended 31 December 2014, the Group repaid an amount of HK$58,765,000 received in advance for film production which was included in other payables as at 31 December 2013.

23. LOAN FROM A SHAREHOLDER

As at 31 December 2014, the loan from a shareholder with significant influence over the Company amounting to HK$50,000,000 (2013: nil) is unsecured, interest-bearing at 10% per annum and repayable on demand.

24. OTHER LOANS

As at 31 December 2014, other loans borrowed by the Group are all repayable on demand of which HK$30,000,000 (2013: nil) is unsecured and bears interest at fixed rate of 24% per annum, while the remaining amount of the other loans amounting to HK$12,865,000 (2013: HK$13,026,000) is unsecured and bears interest at Hong Kong prime rate plus 3% per annum with the effective interest rate of 8% per annum for both 2013 and 2014.

As at 31 December 2013, a loan amounting to HK$29,206,000 was unsecured, subject to a fixed interest of 8% per annum and repayable on demand. The loan was fully repaid during 2014.

25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior year.

	Fair value adjustments on customer contracts HK$'000
At 1 January 2013	6,868
Credit to profit or loss	(400)
At 31 December 2013	6,468
Credit to profit or loss (Note)	(6,468)
At 31 December 2014	—

Note: The customer contracts were fully impaired in the current year, resulting in a corresponding reversal of the related deferred tax liabilities.

At the end of the reporting period, the Group has unutilised tax losses of approximately HK$270,074,000 (2013: HK$165,316,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profits stream. Such tax losses can be carried forward indefinitely.

26. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY			
	Liability	**Equity component of convertible notes**	**Warrant reserve**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2013	124,501	54,371	5,392	184,264
Effective interest for the year	40,219	—	—	40,219
Redemption of convertible notes	(164,720)	(54,371)	—	(219,091)
As at 31 December 2013 and 31 December 2014	—	—	5,392	5,392

During the year ended 30 September 2009, the Company entered into subscription agreements with Smart Peace Development Limited ("Smart Peace"), a wholly owned subsidiary of CCB International Asset Management Limited, and Star Group International Investment Limited ("Star Group"), both being independent third parties, pursuant to which the Company agreed to issue up to $100,000,000 unlisted convertible notes (the "Notes to Smart Peace") and unlisted warrants with exercise monies not more than $100,000,000 to Smart Peace, and to issue up to $50,000,000 unlisted convertible notes (the "Notes to Star Group") (collectively, the "2009 Notes") and unlisted warrants with exercise monies not more than $25,000,000 to Star Group.

On 15 May 2009 and 7 August 2009, two tranches of the Notes to Smart Peace with principal amounts of $50,000,000 each ("Tranche 1 Smart Peace Note" and "Tranche 2 Smart Peace Note") were issued to Smart Peace. The Notes to Smart Peace bear interest at a rate of 5% per annum and handling fee of 3.5% per annum, payable semi-annually in arrear with the first payment of interest and handling fee to be made on the date falling six months from the date of issue of such convertible notes.

On 18 November 2009 and 19 March 2010, two tranches of the Notes to Star Group with principal amounts of $25,000,000 each ("Tranche I Star Group Note" and "Tranche 2 Star Group Note") were issued to Star Group. The Notes to Star Group bear interest at a rate of 6-month Hong Kong Interbank Offered Rate ("HIBOR") per annum and handling fee of 3.5% per annum, payable monthly in arrear.

The 2009 Notes will be redeemed at 100% of the principal amount plus any accrued and unpaid interest and handling fee, together with a redemption premium calculated at 6-month HIBOR plus 2.5% per annum of the principal amount on the maturity date, being the end of the fifth year from the date of issue. The 2009 Notes holders can, after the expiry of the first anniversary of the date of issue of the respective 2009 Notes, require the Company to redeem in whole or in part of the 2009 Notes plus any accrued and unpaid interest and handling fee, together with a redemption premium at 1.5% per annum, 6-month HIBOR plus 2% per annum, and 6-month HIBOR plus 2.5% per annum during the second, third and fourth year up to the maturity date since the issue date of the 2009 Notes, respectively.

26. CONVERTIBLE NOTES *(continued)*

The 2009 Notes are convertible into the Company's ordinary shares at any time from the day falling on the 180th day after the date of issue up to the fifth business day prior to the maturity date at a conversion price of $1.7014 per share (subject to reset and adjustment). On 31 December 2010, in accordance with the respective terms and conditions of the 2009 Notes, the conversion price of the 2009 Notes was reset to $1.3778 per share.

On 5 February 2013, the Company entered into a deed of undertaking with Smart Peace and Star Group, which requested the Company to redeem HK$25,000,000 and HK$12,500,000 respectively of the principal amounts of the convertible notes, together with any redemption premium and interests, to be paid on 3 April 2013. The actual redemption was completed during the year ended 31 December 2013.

As a result of the rights issue of the Company which was completed in August 2013, the conversion price of 2009 Notes was adjusted to HK$63.78, and the subscription prices of First Media Warrants and warrants of 2009 Notes were adjusted to HK$61.44 and HK$95.35 respectively.

During the year ended 31 December 2013, the Company received redemption notices on 10 July 2013 from Smart Peace and Star Group to redeem in full the remaining principals of HK$75,000,000 and HK$37,500,000 on 15 August 2013 and 9 August 2013 respectively. The actual redemption was completed during the year ended 31 December 2013. The redemption amount comprised of the outstanding principal amount of HK$112,500,000 and redemption premium and accrued interest of HK$20,556,000.

The convertible notes contain two components: liability and equity elements. The equity element is presented in equity heading 'convertible notes equity reserve'. The effective interest rate of the liability component on initial recognition is 5% and 6-month Hong Kong Interbank Offered Rate ("HIBOR") per annum for Smart Peace and Star Group convertible notes respectively.

27. SHARE CAPITAL

	Number of shares '000	**Share capital** HK$'000
Authorised:		
Ordinary shares of US$0.1 each	1,000,000	780,000
Issued and fully paid:		
As at 1 January 2013	4,687,981	365,662
Capital reorganisation (note a)	(4,219,183)	(329,096)
Issue of new shares upon rights issues (note b)	937,596	402,229
Share consolidation (note c)	(843,836)	—
As at 31 December 2013 and 2014	562,558	438,795

27. SHARE CAPITAL *(continued)*

(a) On 26 February 2013, the number of the Company's ordinary shares decreased by 4,219,182,674 to 468,798,074 as a result of a capital reorganization which comprised: (i) share consolidation whereby every ten issued and unissued shares of par value of US$0.01 each was consolidated into one consolidated share of par value of US$0.1 each; and (ii) reduction of issued share capital of the Company by the cancellation of US$0.09 on each of the then issued consolidated shares such that the nominal value of each issued consolidated share was reduced from US$0.1 to US$0.01.

(b) On 27 March 2013, the Company completed a rights issue pursuant to which 468,798,074 shares of US$0.01 each were issued in the proportion of one rights share for every one ordinary share at a subscription price of $0.35 per rights share. These newly issued shares rank pari passu in all respects with the existing ordinary shares. As a result of the rights issue, total consideration, net of related expenses, of $158,587,000 was received. In addition, $36,566,000 was credited to share capital and $122,021,000 was credited to the share premium account.

On 7 August 2013, the Company completed a rights issue pursuant to which 468,798,070 shares of US$0.1 each were issued in the proportion of five rights share for every one ordinary share at a subscription price of $0.78 per rights share. These newly issued shares rank pari passu in all respects with the existing ordinary shares. As a result of the rights issue, total consideration, net of related expenses, of $355,228,000 was received. In addition, $365,663,000 was credited to share capital and $10,435,000 was debited to the share premium account.

(c) On 9 July 2013, the number of the Company's ordinary shares decreased by 843,836,533 to 93,759,615 as a result of a share consolidation whereby every ten issued and unissued shares of par value of US$0.01 each was consolidated into one consolidated share of par value of US$0.1 each.

28. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme which was adopted on 13 June 2004 ("the Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any full time or part time employees and directors, consultants and advisers of the Group, to take up options at HK$1 each to subscribe for ordinary shares of the Company. The Scheme shall be effective for a period of ten years ending on 13 June 2014. Each option gives the holder the right to subscribe for one ordinary share in the Company.

During the years ended 31 December 2014 and 2013, there was no share option granted or exercised.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

The following tables disclose movements of the Company's share options held by the Directors and eligible participants during the years ended 31 December 2014 and 2013:

For the year ended 31 December 2014

Date of grant	Vesting date	Exercise price per share HK$	Outstanding at 1 January 2014	Cancelled during the year (note i)	Outstanding at 31 December 2014
Directors					
15 March 2007	14 March 2010	55.1534	208,467	(208,467)	—
21 December 2009	21 December 2012	43.8576	18,585	(18,585)	—
21 December 2009	21 December 2012	43.8576	18,585	(18,585)	—
			245,637	(245,637)	—
Exercisable at the end of the year					—
Weighted average exercise price (HK$)			53.44	53.44	—

For the year ended 31 December 2013

Date of grant	Adjusted/original exercise price HK$	Outstanding at 1 January 2013	Effect of rights issues	Lapse during the year (note ii)	Outstanding at 31 December 2013
Directors					
6 March 2007	55.1534/2.05	1,423,680	(1,402,835)	(20,845)	—
15 March 2007	55.1534/2.05	14,236,842	(14,028,375)	—	208,467
21 December 2009	43.8576/1.63	3,807,690	(2,501,291)	(1,287,814)	18,585
21 December 2009	43.8576/1.63	2,538,460	(1,250,645)	(1,269,230)	18,585
		22,006,672	(19,183,146)	(2,577,889)	245,637
Exercisable at the end of the year					245,637
Weighted average exercise price (HK$)		0.76	22.19	1.39	53.44

Notes:

i) The share options were cancelled during the year in terms of an agreement entered into between the Group and the grantees.

ii) These share options lapsed upon the grantees leaving employment of the Group.

29. PLEDGE OF ASSETS

No assets of the Group have been pledged as security for any borrowings as at 31 December 2013 and 2014.

30. OPERATING LEASES

The Group as lessee

	2014 **HK$'000**	2013 HK$'000
Minimum lease payments recognised under operating leases for premises during the year	**1,450**	3,082

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**634**	1,500
In the second to fifth years inclusive	**561**	—
	1,195	1,500

Operating lease payments represent rentals paid or payable by the Group for certain of its office premises and office equipment. Leases are negotiated for lease term of one to two years (31 December 2013: three years).

31. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme ("the HK MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The HK MPF scheme are defined contribution retirement scheme administered by independent trustees. Under the HK MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000, effective on 1 June 2014 (previously is HK$20,000) for the HK MPF Scheme. Contributions to the scheme vest immediately.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total cost charged to consolidated statement of profit or loss and other comprehensive income approximately of HK$642,000 (2013: HK$1,145,000) represents contributions payable to the HK MPF Scheme by the Group in respect of the year ended 31 December 2014.

32. FINANCIAL INFORMATION OF THE COMPANY

The information about the statement of financial position of the Company at the end of reporting period is as follows:

	Notes	**2014 HK$'000**	2013 HK$'000
Non-current assets			
Investment in subsidiaries	(a)	**390**	390
Current assets			
Amount due from subsidiaries		**83,474**	7,208
Amount due from associates		**—**	1,301
Prepayments, deposits and other receivables		**12,031**	18,263
Bank balances and cash		**4,530**	1,754
		100,425	28,916
Current liabilities			
Loan from a shareholder		**(50,000)**	—
Other loans		**(30,000)**	—
Accrual and other payables		**(19,137)**	(13,796)
		(99,137)	(13,796)
Net assets		**1,288**	15,120
Capital and reserves			
Share capital	27	**438,795**	438,795
Reserves	(b)	**(437,507)**	(423,675)
		1,288	15,120

Notes:

(a) The interest in a subsidiary represents the unlisted share measured at cost less impairment loss recognised.

32. FINANCIAL INFORMATION OF THE COMPANY *(continued)*

Notes: *(continued)*

(b) Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000 (note)	Equity component of convertible notes HK$'000	Warrant reserve HK$'000	Retained earnings/ accumulated losses HK$'000	Total HK$'000
As at 1 January 2013	981,343	95	14,759	59,382	54,371	5,392	(761,494)	353,848
Loss for the year	—	—	—	—	—	—	(1,215,205)	(1,215,205)
Issue of new shares upon right issues	111,586	—	—	—	—	—	—	111,586
Early redemption of convertible notes	—	—	—	—	(54,371)	—	51,371	(3,000)
Capital reorganisation	—	—	—	—	—	—	329,096	329,096
As at 31 December 2013	1,092,929	95	14,759	59,382	—	5,392	(1,596,232)	(423,675)
loss for the year	—	—	—	—	—	—	(13,832)	(13,832)
As at 31 December 2014	**1,092,929**	**95**	**14,759**	**59,382**	**—**	**5,392**	**(1,610,064)**	**(437,507)**

Note: Contributed surplus represents the excess of aggregate of the net asset value of subsidiaries acquired by the Company over the nominal value of the shares issued by the Company pursuant to the reorganization on 30 September 2004.

33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

34. FINANCIAL INSTRUMENTS

34a. Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**73,000**	49,870
Available-for-sale investments	**—**	15,954
Financial liabilities		
Amortised cost	**184,845**	187,374

34. FINANCIAL INSTRUMENTS *(continued)*

34b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade and other receivables, bank balances and cash and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate borrowings from a shareholder and external lender (see note 23 and 24 for details of these borrowings).

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and other loans (note 21 and 24). The Group's cash flow interest rate risk is mainly resulted from the fluctuation of market interest rate.

The Group's fair value interest rate risk relates primarily to the loan from a shareholder and other loans. The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may consider to enter any hedging activities if the need arises.

The sensitivity analysis below have been determined based on the exposure to interest rates on bank balances and other loans. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher and all other variables were held constant, the Group's loss for the year ended 31 December 2014 would increase by approximately HK$6,000 (2013: nil). Management does not expect a significant decrease of interest rate.

In management's opinion, the sensitivity analysis is unrepresentative of inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

34. FINANCIAL INSTRUMENTS *(continued)*

34b. Financial risk management objectives and policies *(continued)*

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than concentration of credit risk on liquid funds which are deposited with several banks with good reputation, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 31 December 2014 and 2013, the Group had no external borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

34. FINANCIAL INSTRUMENTS *(continued)*

34b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Weighted average interest rate	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	%	HK$'000	HK$'000	HK$'000
2014				
Accrual and other payables	**—**	**91,980**	**91,980**	**91,980**
Other loan with fixed rate	**24**	**30,000**	**37,200**	**37,200**
Other loan with variable rate	**8**	**12,865**	**13,894**	**13,894**
Loan from a shareholder	**10**	**50,000**	**55,000**	**55,000**
		184,845	**198,074**	**198,074**
2013				
Accrual and other payables	—	145,142	145,142	145,142
Other loan with fixed rate	8	29,206	31,542	31,542
Other loan with variable rate	8	13,029	14,068	14,068
		187,377	190,752	190,752

34c. Fair values

The directors consider that the carrying amounts of other financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values due to short maturity.

35. RELATED PARTY TRANSACTIONS

Apart from the amount due from an associate and loan from a shareholder disclosed in notes 23 and 24 to the consolidated statement of financial position, the Group has entered into the following related parties transactions:

(A) Compensation of key management personnel

The remuneration of directors and other members of key management compensation during the year was as follows:

	2014 HK$'000	2013 HK$'000
Short-term employee benefits (Note 8)	**4,506**	2,969
Post-employment benefits	**130**	11
	4,636	2,980

The remuneration of directors and other members of key management is determined by the remuneration committee having regards to the performance of individuals and market trends.

(B) Transactions

(i) Connected parties

Name of company	**Nature of transactions**	**2014 HK$'000**	2013 HK$'000
SMI Holdings Group Limited (Note) ("SMI Holdings")	Purchase of films	**40,876**	—
— a shareholder with significant influence over the Company	Loan	**50,000**	—
	Loan interest	**2,285**	—

Note: Such transaction constituted a connected transaction under the Listing Rule.

(ii) Related parties

On 1 January 2013, a rental agreement was entered into between a subsidiary of the Group and Winco at an annual rental of RMB1,014,000 from 1 January 2013 to 31 December 2015. Winco is a wholly foreign owned enterprise established in the PRC and controlled by Dr Leung Anita Fung Yee Maria, a director of the Company until 1 September 2013. She was also a shareholder of the Company with significant influence up to 18 July 2013. Rental expenses paid to Winco amounted to $423,000 for the year ended 31 December 2013.

35. RELATED PARTY TRANSACTIONS *(continued)*

(B) Transactions *(continued)*

(ii) Related parties (continued)

On 5 March 2013, the Group entered into a leasing agreement with Hanny Group Management Limited ("Hanny") to lease a property located at Kwun Tong, Hong Kong, at an annual rental of $600,000 from 22 September 2012 to 17 July 2014. Hanny is a fellow subsidiary of Loyal Concept Limited, which is a substantial shareholder with significant influence over the Company. Rental expenses paid and payable to Hanny amounted to $600,000 for the year ended 31 December 2013.

36. DISPOSAL OF SUBSIDIARIES

On 31 December 2013, the Group entered into an agreement to dispose of two wholly owned subsidiaries to an independent third party for an aggregate consideration of HK$4,170,000. As at 31 December 2013, the Group's interest in these subsidiaries have not been transferred, as the transaction was not yet completed. Therefore the net assets were classified as held for sale. The disposal was completed during the year ended 31 December 2014, a net gain on disposal of these subsidiaries of HK$8,404,000 was recognised.

During the year ended 31 December 2013, the Group disposed of its entire equity interests in certain subsidiaries to independent third parties at an aggregate consideration of HK$25,101,000 and recognised a net loss on disposal of subsidiaries of HK$9,123,000.

The aggregate net assets of the above subsidiaries at their respective dates of disposal are as follows:

Fair value of consideration

	2014 **HK$'000**	2013 HK$'000
Consideration received in cash and cash equivalent	**31,601**	21,980
Deferred sales proceeds (note 19)	**8,569**	3,121
	40,170	25,101

	2014 **HK$'000**	2013 HK$'000
Fixed assets	**31,748**	34,582
Intangible assets	**—**	439
Other assets	**—**	380
Accounts and other receivables	**18**	192,710
Cash and cash equivalents	**—**	15,748
Bank loans	**—**	(1,401)
Accruals and other payables		(226,845)
Tax payable	**—**	(9,573)
Disposal of net assets	**31,766**	6,040

36. DISPOSAL OF SUBSIDIARIES *(continued)*

Gain (loss) on disposal of subsidiaries

	2014 HK$'000	2013 HK$'000
Fair value of consideration	**40,170**	25,101
Net assets disposed of	**(31,766)**	(6,040)
Non-controlling interests derecognised	**—**	2,079
Transfer of general reserve to profit or loss upon disposal of subsidiaries	**—**	666
Transfer of capital reserve to profit or loss upon disposal of subsidiaries	**—**	(8,519)
Reclassification of exchange differences to profit or loss upon disposal of subsidiaries	**—**	(22,410)
Gain (loss) on disposal of subsidiaries	**8,404**	(9,123)

Net cash inflow on disposal of subsidiaries

	2014 HK$'000	2013 HK$'000
Consideration received	**31,601**	21,980
Bank loans disposed of	**—**	1,401
Cash and cash equivalents disposed of	**—**	(15,748)
	31,601	7,633

37. PENDING LITIGATION

An action was commenced by a business partner against a subsidiary of the Group in December 2013 in Beijing People's Court in respect of an alleged settlement of sums payable to this business partner of approximately RMB 29,548,000 (equivalent to approximately HK$37,018,000), plus interest thereon.

The directors have confirmed that no settlement had been reached by the parties and no judgement on the quantum of damages had been made against the Group in respect of the legal action. The Group has sought legal advice from its legal counsel on the merits of the claim. As of the date of approval of these consolidated financial statements, the eventual outcome of the legal action is still uncertain.

The directors are of the view that the quantum of the ultimate cost and damages (if any) to be incurred by the Group will not have a material adverse impact on the Group's consolidated financial position as a provision for the potential settlement had been made.

38. EVENTS AFTER THE REPORTING PERIOD

On 16 March 2015, the Company entered into a placing agreement with the placing agent, Emperor Securities Limited, on a best effort basis, to place a maximum of 112,500,000 shares to not less than six placees at a price of HK$0.64 per share. The net proceeds from the subscription will be approximately HK$70,000,000 which is intended to be used for repayment of liabilities and general working capital of the Group. Details of the transaction are disclosed in announcements of the Company dated 16 March 2015. The share placing was completed on 24 March 2015.

On 20 March 2015, the Company initiated the process to wind up Guangzhou Qin Chuang Enterprise Management Company Limited ("Qin Chuang"), which is an indirect non wholly-owned subsidiary of the Company. Following the completion of the wind-up, Qin Chuang will cease to be a subsidiary of the Company.

Qin Chuang was a consultancy service provider principally engaged in the television advertising agency business in the PRC. Following the completion of such wind up, the television and other advertising business will be discontinued.

On 26 March 2015, a loan agreement was entered into between the Company and SMI Holdings Group Limited ("SMI Holdings"), a substantive shareholder with significant influence, in relation to the provision of a facility of up to HK$250,000,000 by SMI Holdings during the available period from 26 March 2015 to 26 March 2018.

The interest on the outstanding amount of the loan drawn under the facility shall accrue at the rate of 10% per annum. Interest should be payable monthly in arrears unless otherwise agreed between SMI Holdings and the Company.

(Expressed in Hong Kong dollars unless otherwise indicated)

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2014 and 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation	Issued and paid up capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			Direct		Indirect		Direct		Indirect		
			2014 %	2013 %	**2014 %**	2013 %	**2014 %**	2013 %	**2014 %**	2013 %	
Quick Gain Enterprises Limited	British Virgin Islands	Ordinary USD1	**100**	100	**—**	—	**100**	100	**—**	—	Holding company
Qin Jia Yuan Media Creation Limited	British Virgin Islands	Ordinary USD1	**—**	—	**100**	100	**—**	—	**100**	100	Holding of adaptation rights
Qin Jia Yuan Creation Company Limited	British Virgin Islands	Ordinary USD10	**—**	—	**100**	100	**—**	—	**100**	100	Holding of scripts and Synopses
Hangwai Enterprises Limited	British Virgin Islands	Ordinary USD1	**—**	—	**100**	100	**—**	—	**100**	100	Holding of distribution rights
Hang Hung Yip Investment Limited	British Virgin Islands	Ordinary USD1	**—**	—	**100**	100	**—**	—	**100**	100	Holding of distribution rights
Vast Top Investments Limited	British Virgin Islands	Ordinary USD1	**—**	—	**100**	100	**—**	—	**100**	100	Holding of adaptation rights
Great Mean Enterprises Limited	British Virgin Islands	Ordinary USD1	**—**	—	**100**	100	**—**	—	**100**	100	Holding of adaptation rights
SMI Culture Workshop Company Limited	Hong Kong	Ordinary HK$1	**—**	—	**100**	100	**—**	—	**100**	100	Movie investment
Sharp Cheer Enterprises Limited	British Virgin Islands	Ordinary USD1	**—**	—	**100**	100	**—**	—	**100**	100	Holding of distribution rights
Green Team Culture Asset Limited	British Virgin Islands	Ordinary USD10,000	**—**	—	**100**	100	**—**	—	**100**	100	Holding of publication and adaptation rights
SMI Movie Company Limited	Hong Kong	Ordinary HK$1	**—**	—	**100**	100	**—**	—	**100**	100	Movie and TV program investment
必可視(北京)國際廣告傳媒有限公司	PRC	Ordinary HK$12,000,000	**—**	—	**100**	100	**—**	—	**100**	100	Provision of TV advertising services
廣州勤創企業管理有限公司	PRC	Ordinary RMB$100,000	**—**	—	**55**	55	**—**	—	**55**	55	Provision of consultancy services
北京華夏勤加緣文化傳播有限公司	PRC	Ordinary RMB10,000,000	**—**	—	**100**	100	**—**	—	**100**	100	Provision of TV program and production related service
廣州創領傳媒廣告有限公司	PRC	Ordinary RMB$1,000,000	**—**	—	**55**	55	**—**	—	**55**	55	Provision of TV advertising services

The above table listed the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Financial Summary

(Expressed in Hong Kong dollars)

	Year ended 30 September 2009 HK$'000	Year ended 30 September 2010 HK$'000	Year ended 30 September 2011 HK$'000	Fifteen months ended 31 December 2012 HK$'000	Year ended 31 December 2013 HK$'000	**Year ended 31 December 2014 HK$'000**
INCOME STATEMENT						
Turnover	226,129	424,610	742,234	478,842	191,402	**124,762**
Profit (loss) before taxation	(389,307)	82,631	60,159	(576,397)	(673,170)	**(567,569)**
Income tax	(1,154)	(2,603)	(5,691)	(49,831)	(1,171)	**4,314**
Profit (loss) after taxation	(390,461)	80,028	54,468	(626,228)	(674,341)	**(563,255)**
Attributable to:						
Equity shareholders of the Company	(390,374)	80,472	53,748	(626,058)	(675,376)	**(560,689)**
Non-controlling interests	(87)	(444)	720	1,830	1,035	**(2,566)**

	As at 30 September 2009 HK$'000	As at 30 September 2010 HK$'000	As at 30 September 2011 HK$'000	As at 31 December 2012 HK$'000	As at 31 December 2013 HK$'000	**As at 31 December 2014 HK$'000**
BALANCE SHEET						
Total assets	1,547,602	2,166,220	2,465,450	2,026,821	1,136,130	**552,903**
Total liabilities	(653,836)	(1,060,607)	(1,122,840)	(1,039,213)	(284,452)	**(264,753)**
Net assets	893,766	1,105,613	1,342,610	987,608	851,678	**288,150**
Total equity attributable to equity shareholders of the Company	893,064	1,104,719	1,340,407	984,166	849,280	**288,318**
Non-controlling interests	702	894	2,203	3,442	2,398	**(168)**
Total equity	893,766	1,105,613	1,342,610	987,608	851,678	**288,150**