New Sports Group Limited
新體育集團有限公司

(formerly known as SinoCom Software Group Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 299)

ANNUAL REPORT 2015

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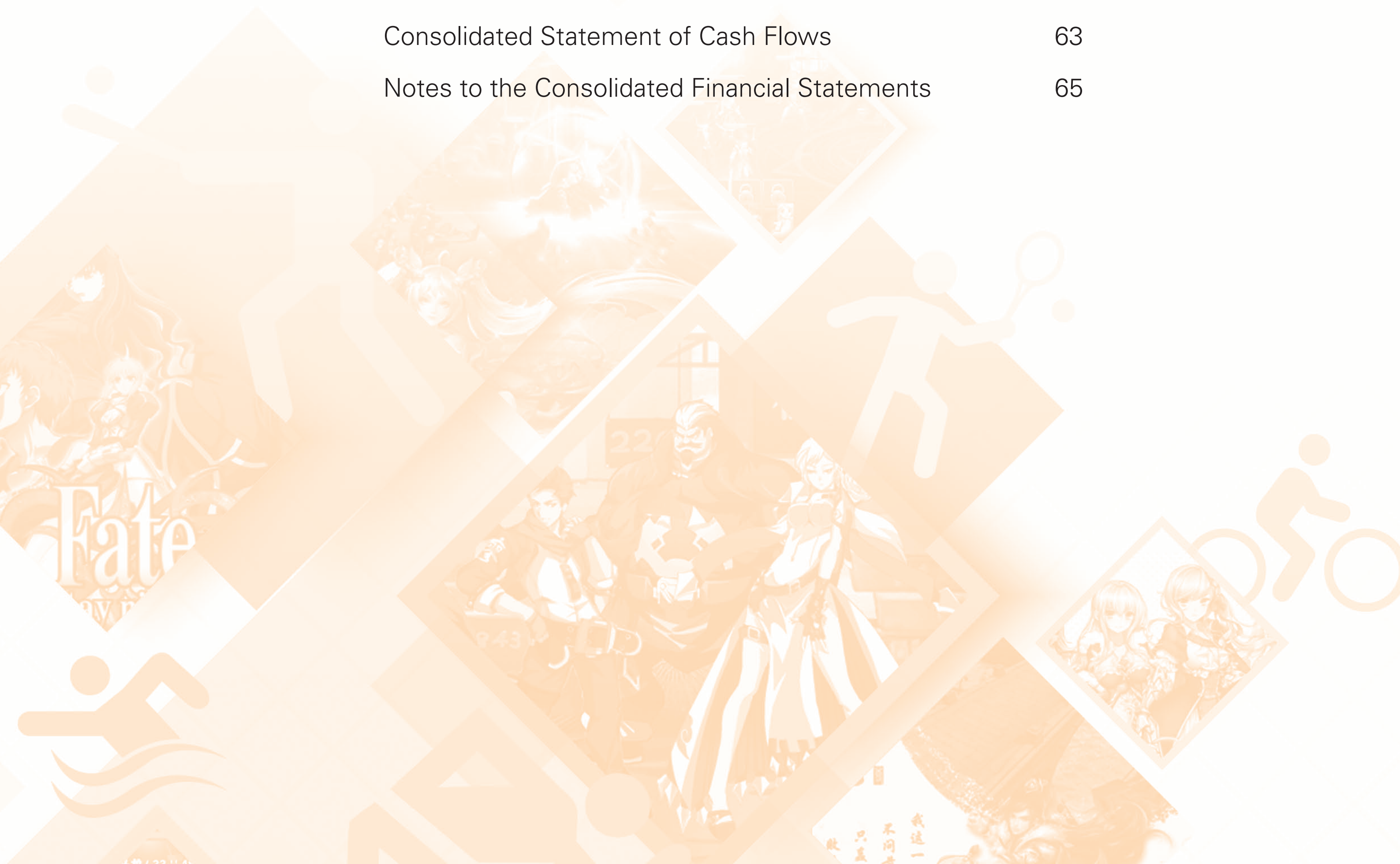


CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhang Xiaodong *(Chairman & Chief Executive Officer)* (appointed on 1 April 2016)
Lau Wan Po (appointed on 1 April 2016)
Wang Zhiqiang (resigned on 1 April 2016)
Zuo Jian Zhong (resigned on 1 April 2016)
Tang Yau Sing (resigned on 1 April 2016)
Zhang Zhige (resigned on 1 April 2016)
Liu Wei (resigned on 1 April 2016)

Non-Executive Director

Xia Lingjie (appointed on 1 April 2016)

Independent Non-Executive Directors

Chui Man Lung, Everett
Wu Hong
Han Chu

COMPANY SECRETARY

Foo Man Yee, Carina

CHIEF FINANCIAL OFFICER

Tang Yau Sing

AUDIT COMMITTEE

Chui Man Lung, Everett*
Wu Hong
Han Chu

NOMINATION COMMITTEE

Han Chu*
Chui Man Lung, Everett
Wu Hong

SALARY REVIEW COMMITTEE

Wu Hong*
Zhang Xiaodong (appointed on 1 April 2016)
Zuo Jian Zhong (resigned on 1 April 2016)
Chui Man Lung, Everett
Han Chu

AUTHORISED REPRESENTATIVE

Zhang Xiaodong (appointed on 1 April 2016)
Tang Yau Sing (resigned on 1 April 2016)
Foo Man Yee, Carina

AUDITOR

RSM Hong Kong
Certified Public Accountants

* *Chairman*

SOLICITORS

Baker & McKenzie
Jingtian & Gongcheng

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2001, 20/F., Lippo Centre
Tower 2, No. 89 Queensway
Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited
68 Fort Street, P. O. Box 705
George Town, Grand Cayman
Cayman Islands

REGISTERED OFFICE

Cricket Square Hutchins Drive
P.O. Box 2681, Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

Bank of East Asia Limited
Bank of China
China Merchant Bank Co., Ltd.
Hong Kong and Shanghai Banking Corporation

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

299

WEBSITE

http://www.newsportsgp.com

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December

CONSOLIDATED RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**502,980**	582,892	481,115	589,806	684,942
(LOSS)/PROFIT BEFORE TAX	**(51,093)**	(45,989)	(81,189)	15,675	223,562
INCOME TAX EXPENSE	**(15,228)**	(10,921)	(2,886)	(21,563)	(36,925)
(LOSS)/PROFIT FOR THE YEAR	**(66,321)**	(56,910)	(84,075)	(5,888)	186,637
(LOSS)/PROFIT ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(76,401)**	(56,799)	(83,518)	(6,663)	186,358
NON-CONTROLLING INTERESTS	**10,080**	(111)	(557)	775	279
	(66,321)	(56,910)	(84,075)	(5,888)	186,637
(LOSS)/EARNINGS PER SHARE					
Basic (cents)	**(5.75)**	(5.03)	(7.48)	(0.60)	16.73
Diluted (cents)	**(5.75)**	(5.03)	(7.48)	(0.60)	16.72

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,603,257**	799,406	699,758	863,908	902,745
TOTAL LIABILITIES	**(589,707)**	(155,942)	(134,886)	(152,124)	(146,362)
	1,013,550	643,464	564,872	711,784	756,383
EQUITY ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**943,598**	637,364	560,909	707,402	752,729
NON-CONTROLLING INTERESTS	**69,952**	6,100	3,963	4,382	3,654
	1,013,550	643,464	564,872	711,784	756,383

CHAIRMAN'S STATEMENT

INDUSTRY AND MARKET OVERVIEW

In 2015, the mobile and web-based gaming market in China flourished and prospered. According to the China Gaming Industry Report published by the Game Publishing Working Committee under The China Audio-video and Digital Publishing Association, the annual revenue of the gaming industry in China in 2015 amounted to RMB140.7 billion, up 22.9% from that in 2014. Of the above amount, the mobile gaming revenue in China grew strongly to RMB51.46 billion, representing a significant increase of 87.2% over last year. The web-based gaming revenue in China also climbed steadily to RMB21.96 billion, representing an increase of 8.3% over last year. Mobile gaming has become the main driver for growth in the industry.

The number of game users in China in 2015 reached 534 million and continued to set new records. There were more than 300 million mobile game users and 300 million web-based game users respectively. In 2015, around 750 games were approved by the State Administration of Press, Publication, Radio, Film and Television, among which mobile and web-based games in total accounted for 82.5%. Benefited from the popularity of 4G technology as well as the upgrading of mobile devices' capability, gamers had a longer period of time spent online and a higher average daily number of times playing game. Competitive games (including sports games, among others) become increasingly popular, leading the gaming industry to change its development direction, from soft-mid-core gaming to mid-hard-core gaming. Midcore and hardcore mobile and web-based games with demanding operational requirements become more and more popular among gamers, suggesting that the gaming market has not reached saturation and there is huge future development potential.

In 2015, the sports industry in the People's Republic of China (the "PRC") developed rapidly. It is expected that in 2025 such market will be worth RMB5 trillion. To capture business opportunities, the traditional sports industry in the PRC has restructured and upgraded in recent years. Enterprises have been gradually adopting a development model which integrates Internet and Sports. Through developing an operational service platform for the integrated sports industry, development opportunities in the sports industry are captured. According to iiMedia Research, the number of online sports users in China reached 280 million in 2015 and will increase to 380 million in 2016. The flourishing sports industry also promotes the prosperity of a new financing channel. For some large sports events, funds are raised from the public through the crowdfunding approach, allowing events to be held or sports products to be developed. According to the 2015 Annual Report on the Crowdfunding Industry in the PRC issued by Ying Can Zi Xun, a research institution specializing in the internet finance industry, approximately RMB11,424 million was successfully raised in the crowdfunding industry in the PRC in 2015, representing an increase of approximately 429% over the last year. Given the substantial increase in market size, establishing a "Sports + Finance" platform will help the sports industry in moving forward continuously.

With respect to the outsourcing software development business for the Japanese market, a number of enterprises with mounting cost-reduction pressure are in a dilemma that is triggered by the Japanese yen's substantial depreciation. Enterprises targeting the Japanese market receive all of the income in Japanese Yan ("JPY") and pay for the operating costs in Renminbi ("RMB"). This makes reducing operating costs far more difficult and brings more and more currency risks.

Taking the above into consideration, the Group has downsized the outsourcing software development business for the Japanese market to mitigate the heightened risks posed by the JPY's depreciation, and pooled resources to expand the mobile and web-based gaming business.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Mobile and Web-based Gaming Business

Given the huge potential of the mobile gaming industry, the Group actively sought favorable opportunities to acquire game development businesses with good growth and development potential in last year. For the purpose of entering the gaming market, the Group acquired Heroic Coronet Limited ("Heroic Coronet") earlier in the year. The net profit before minority interest of Heroic Coronet is HK$28 million for the year ended 31 December 2015. 北京開心就好科技有限公司 (Beijing Kaixin Jiuhao Technology Company Limited) ("Kaixin Jiuhao"), an indirect subsidiary owned as to 65% by Heroic Coronet, is principally engaged in the design, development and operation of mobile and web-based games. The Group is therefore in possession of high-level independent R&D capability.

Mobile and web-based games under the sports category have been widely sought after by the gamers in recent years. The Group sought to obtain the exclusive license for the Chinese Football Association Super League by planned acquisitions. The Group successfully completed its acquisition of 100% equity interest of Kingworld Holdings Limited ("Kingworld Holdings") on 31 December 2015, at a consideration of HK$447 million. Through Star Creation Development Limited, a wholly-owned subsidiary of Kingworld Holdings, 九合無限(北京)體育科技有限公司 (Kingworld Wuxian (Beijing) Sports Technology Co., Ltd.), a wholly foreign-owned enterprise was established to enter into various control agreements with 九合天下(北京)科技有限公司 (Kingworld (Beijing) Technology Co., Ltd.) ("Kingworld Beijing").

On 4 June 2015, Kingworld Beijing successfully obtained the exclusive license to develop and operate the official wireless platform (including but not limited to Wechat) and the mobile applications for the Chinese Football Association Super League. This planned acquisition has provided the Group with unique development edges in respect of its development specialty area — mobile and web-based games under the sports category, which simultaneously help attract a large number of football fans and gamers and build the Company's own brand.

With mobile and web-based games tending to be hardcore and sophisticated ones, gamers are becoming increasingly loyal to one particular game. In order to deepen penetration in the gaming market and at the same time stay highly competitive, the Group will focus on developing midcore and hardcore sophisticated games which are innovative and can gain market traction. The Group will also strengthen its R&D efforts. Currently, a team responsible for game development has been established in the mainland to design and develop high quality midcore and hardcore games under the sports category using leading R&D technologies and innovative ideas. In 2015, R&D expenses accounted for 9.3% of the total expenses.

Meanwhile, by making optimal use of the exclusive license for the Chinese Football Association Super League, the Group will actively position and establish the game copyright (IP) licensing business, which is high value-added.

P2P Financial Intermediary Services

In order to capture the opportunities arising from the continuously growing "Sports + Finance" market, the Company successfully acquired Key Rich Corporation Limited on 31 December 2015, at a consideration of HK$158,000,000. Key Rich Corporation Limited, through Shanghai Xuanyue Business Consulting Co. Ltd, its wholly foreign owned enterprise, has formed a variable interest entity structure with Chongqing Quanben Investment Consulting Co., Ltd. ("Chongqing Quanben"). Through "88dai", a peer-to-peer (P2P) internet financing lending platform operated by Chongqing Quanben, the Group provides P2P financial intermediary services. The Group will cooperate with the "88dai" platform to establish a strong sports financing platform.

Outsourcing Software Development Business

The outsourcing software development business for the Japanese market faced dire circumstances following the JPY's ongoing depreciation that prompts a sustained rally in development costs denominated in RMB. During the period, the gross profit of the outsourcing software development services for the Japanese market amounted to approximately HK$28,654,000, representing a decrease of 48.5% when compared to approximately HK$55,671,000 in 2014. The gross profit margin decreased from 10.1% in 2014 to 7.3% in 2015.

In response to the increased operating risks associated with the outsourcing software development business for the Japanese market, the Company, through SinoCom Holdings (BVI) Limited ("SinoCom Holdings"), completed the disposal of its entire issued share interests in SinoCom Development Holdings Limited ("SinoCom BVI") to Nomura Research Institute, Ltd. ("NRI") on 28 October 2015 for a consideration of HK$98,000,000. As such, the information technology outsourcing business of SinoCom Holdings was sold to NRI.

On the same day, SinoCom Holdings completed the disposal of its entire issued share interests in SinoCom Japan Corporation to NRI for a consideration of HK$92,000,000. The Group's expected gains arising from the two disposals amounted to approximately HK$76,400,000.

Given that the above transactions have been completed, the Group will downsize the outsourcing software development business, and pool resources for the mobile and web-based gaming business, especially sports-related mobile entertainment.

OUTLOOK

Mobile and web-based games have a short life cycle. However, with smartphones being more and more widely used, midcore and hardcore games having more demanding operational requirements are highly popular among gamers with a high level of spending power, loyalty and acceptability. In particular, it is expected that games under the sports category can draw long-term support from gamers and will therefore have an extended life cycle. In order to capitalize on this huge market of mobile and web-based games under the sports category, the Group has successfully acquired Kingworld Holdings. Kingworld Beijing has been granted an exclusive license by the Chinese Football Association Super League to develop and operate the soccer-related wireless platform and games. The Group also intends to make optimal use of this exclusive license to develop the game copyright (IP) licensing business in order to increase its income streams.

In addition, leveraging on the strong capabilities of Heroic Coronet and Kingworld Holdings in designing, developing and distributing mobile and web-based games, the game software development team will expedite R&D activities and launch more sophisticated games which are innovative and high-quality. The Group is well-poised to establish its reputation in and bring innovation to the gaming market in China, going from strength to strength.

CHAIRMAN'S STATEMENT

With the internet economy soon entering a high-growth period in various consumer markets, the Group is gradually developing an "Internet + Sports" smart sports vertical production chain and seeking favorable opportunities to launch a service based on the development and operation of sports internet products jointly with the leading participants in the sports industry (including Football, Basketball and Baseball leagues in the PRC). Such service integrates new models including web portals, the Wechat platform and video re-broadcasting. By acquiring Kingworld Holdings and leveraging on the self-developed cloud communication technologies of Kingworld Beijing, the Group established an instant messaging platform. This platform has made space for the whole community to participate in online sports interaction and attracted sports fans of different age groups. This platform serves as an effective communication tool which will promote the development of "Internet + Sports" in the future.

In addition, the Group will cooperate with the "88 dai" platform to build a strong sports financing platform through the acquisition of Key Rich Corporation Limited. Using products in relation to the Chinese Football Super League as a starting point, the Group intends to intensely develop and operate the sports crowdfunding platform.

After years of rapid expansion, the mobile and web-based gaming market has reached a quality-driven stage in which only the fittest survive. To maintain its corporate competitiveness, the Group will actively source new clients and have its human resources shared. The Group also plans to enhance its ability to achieve growth in overall profit through business mergers and acquisitions, paving the way for its future dominance in the gaming market. The board of directors of the Company (the "Board") firmly believes that, under the leadership of the management and always upholding the "customer first" philosophy, the Group can certainly seize market opportunities ahead of others, fuel its determination in spite of challenges and continue to succeed.

APPRECIATION

Without the support of as well as the opportunities jointly created by its staff and partners through the ups and downs, it is not possible for the businesses of the Group to have gone from strength to strength. On behalf of the Board of Directors, we hereby would like to express our heartfelt gratitude to all staff of the Company for their efforts over the last year and to each shareholder and business partner for its/his/her trust in and support to the Group.

By Order of the Board
New Sports Group Limited

Wang Zhiqiang	**Zuo Jian Zhong**
Co-Chairman	*Co-Chairman*

Hong Kong, 24 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

The Group's consolidated turnover for the year ended 31 December 2015 was approximately HK$502,980,000, decreased by HK$79,912,000 or 13.7% when compared to approximately HK$582,892,000 for 2014. The decrease in consolidated turnover was mainly attributable to the disposal of the entire issued share interests in SinoCom BVI to NRI on 28 October 2015. The mobile gaming business contributed approximately HK$101,272,000 to the turnover for 2015, accounting for approximately 20.1% of the total turnover for the year. Turnover derived from the outsourcing software development business in Japan decreased from approximately HK$551,277,000 for 2014 to approximately HK$394,414,000 for 2015, representing a decrease of 28.5%. Turnover derived from outsourcing software development services in the PRC and Japan accounted for approximately 1.5% and 78.4% of the total turnover for 2015 respectively. The turnover contributed by the single largest customer accounted for approximately 52.2% and 62.5% of the total turnover for 2015 and 2014 respectively.

The Group recorded a gross profit of approximately HK$73,311,000 for the year ended 31 December 2015, representing an increase of 32.8% when compared to approximately HK$55,220,000 for 2014.The gross profit of the provision of online game services was approximately HK$45,944,000, which was mainly contributed by the online game operation.

The outsourcing software development business recorded a gross profit of approximately HK$27,367,000 for 2015, representing a significant decrease of HK$27,853,000 when compared to that for 2014. The significant decrease in gross profit was mainly attributable to the decrease in gross profit of software development in Japan by HK$27,017,000 as a result of decrease in turnover derived from the outsourcing software development business in Japan.

The Group's gross profit margin for the year ended 31 December 2015 was approximately 14.6%, increased from approximately 9.5% for 2014. Due to the increase in administrative expenses by HK$39,524,000, increase in research and development expenses by HK$13,577,000, increase in fair value loss on contingent consideration by HK$51,750,000 and interest on convertible bonds by HK$19,590,000, which are partly offset by the gain on disposal of subsidiaries of HK$76,400,000 in 2015, the Group recorded a net loss of approximately HK$66,321,000 in 2015, representing an increase in loss of HK$9,411,000 or 16.5% when compared to the net loss of approximately HK$56,910,000 recorded in 2014. The net loss mainly included the amortisation of other intangible assets of HK$52,928,000 (2014: Nil) and the fair value loss on contingent consideration of HK51,750,000. (2014: Nil).

Administrative expenses of the Group for the year ended 31 December 2015 increased to approximately HK$132,209,000, representing an increase of approximately 42.6% when compared to approximately HK$92,685,000 for 2014. The increase in administrative expenses is attributable to the increase in share-based payments to consultants by HK$31,548,000 (2014: Nil).

Operating loss decreased from approximately HK$45,648,000 for 2014 to approximately HK$31,503,000 for 2015, representing a decrease in loss of 31.0%.

The Group's income tax expense for the year ended 31 December 2015 was approximately HK$15,228,000 whereas that for 2014 was approximately HK$10,921,000, representing an increase of HK$4,307,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Net loss attributable to owners of the Company was approximately HK$76,401,000 whereas that for 2014 was approximately HK$56,799,000.

The following table is prepared by extracting certain information from the consolidated financial statements to illustrate the impact of certain significant non-cash items to the financial results of the Company during the year ended 31 December 2015:

	2015	2014
	HK$'000	HK$'000
Loss for the year	**(66,321)**	(56,910)
Significant non-cash items		
Amortisation of other intangible assets resulted from the acquisition of Kaixin Jiuhao on 30 January 2015[1]	**52,928**	–
Fair value loss on contingent consideration[2]	**51,750**	–
Share-based payments to consultants resulted from the grant of share options	**31,548**	–
Share-based payments to directors resulted from the grant of share options	**27,383**	–
Profit/(loss) for the year before major non-cash items	**97,288**	(56,910)

(1) Other intangible assets acquired were amortised over the estimated useful lives of 1-5 years.

(2) Loss on contingent consideration represents the increase in fair value of the shares to be issued for the acquisition of Kaixin Jiuhao pursuant to the Share Purchase Agreement signed on 10 December 2014.

Significant loss incurred for the year ended 31 December 2015 by the Company was mainly attributable to certain significant non-cash items including (1) the amortisation of other intangible assets and fair value loss on contingent consideration that resulted from the acquisition of Kaixin Jiuhao; and (2) share-based payment expenses recognized during the period in relation to the share options granted to the directors and consultants. The total value of the above non-cash items amounted to HK$163,609,000 were generated from the valuations and recognized in accordance with relevant HKAS. If these effects are excluded, the profit of the Company is HK$97,288,000 for the year ended 31 December 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Since inception, the Group has mainly funded its operations through equity funding and operating cash flow. The Group managed to maintain this strong cash generating capability for the year ended 31 December 2015, with the net proceeds from the issue of convertible bonds and new shares amounting to HK$291,770,000 and HK$170,339,000 respectively. As at 31 December 2015, the Company maintained a high level of cash and bank balances and term deposits with initial terms of over three months of approximately HK$419,212,000 and obtained a bank borrowing of approximately HK$21,485,000 as at year ended date.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CAPITAL

(a) Pursuant to an ordinary resolution passed on 15 September 2015, each ordinary share of HK$0.025 each in the issued and unissued share capital of the Company were subdivided into ten ordinary shares of HK$0.0025 each in the issued and unissued share capital of the Company.

(b) During the year, 9,480,000 ordinary shares of HK$0.025 each were issued before share subdivision in relation to share options exercised under the 2004 share option scheme of the Company at the exercise price of HK$1.3875 and HK$1.36 respectively for a total cash consideration of HK$13,010,000. The exercise of the subscription consideration received over the nominal values issued, which amounted to HK$12,773,000, was credited to the share premium account.

(c) On 30 October 2015, the Company issued a total of 40,000,000 conversion shares to bondholder at the conversion price of HK$0.25 per conversion share after the share subdivision.

(d) On 11 November 2015, the Company entered into a placing agreement in respect of the placement of 670,000,000 ordinary shares of HK$0.0025 each to an independent investor at a price of HK$0.236 per share. The placement was completed on 19 November 2015 and the premium on the issue of shares, amounting to approximately HK$155,654,000, net of share issue expenses of HK$791,000, was credited to the Company's share premium account. The Company issued and allotted 670,000,000 new shares on 19 November 2015.

(e) On 31 December 2015, completion of the acquisition of Kingworld Holdings took place, and pursuant to the sale and purchase agreement, the Company issued 650,000,000 consideration shares of HK$0.0025 each to the vendor of Kingworld Holdings as a settlement of the consideration for the acquisition of Kingworld Holdings. The fair value of 650,000,000 new shares was HK$146,900,000, based on the bid price (HK$0.226 per consideration share) at 31 December 2015.

FUNDING PURPOSE

By raising additional capital through issuance of new convertible bonds and new shares, the proceed of the additional fund is used for general working capital and further development of mobile gaming and sports-related mobile applications businesses.

SHARE OPTIONS

(a) 2004 Share Option Scheme (the "Old Share Option Scheme")

The Old Share Option Scheme was adopted on 2 April 2004 and terminated with effect from 26 March 2014. However, the outstanding options granted under the Old Share Option Scheme remain to be exercisable in accordance with its terms. As at 31 December 2015, all the outstanding share options under the Old Share Option Scheme are either lapsed or fully exercised by the grantees (31 December 2014: 10,080,000, representing 0.77% of the total number of issued shares of the Company as at that date). No share option was outstanding under the Old Share Option Scheme.

(b) 2014 Share Option Scheme (the "New Share Option Scheme")

The New Share Option Scheme was adopted on 26 March 2014. As at 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding was 622,000,000 after share subdivision, representing 4.26% of the total number of issued shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2015, the Group had no pledged asset.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 182 full time staff as at 31 December 2015 (2014: 1,517), representing a decrease of 88.0%. The decrease in head counts was mainly attributable to the disposal of the entire issued share interests in SinoCom BVI to NRI on 28 October 2015. Most of our staff were engineers stationed in China. Their remuneration, promotion and salary review were assessed based on their respective job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group maintained social insurance schemes for retirement, unemployment, work injury and hospitalisation for all of its employees in China and a housing provident fund system has also been implemented for its employees in China. Employees in Japan have been enrolled under the pension fund scheme and the health care plan as required by Japanese law.

FOREIGN EXCHANGE AND CURRENCY RISKS

Since most of the Group's revenue was generated from the provision of outsourcing software development services in Japan, and was denominated in JPY while expenses were settled in RMB, any depreciation of JPY against RMB would reduce the Group's income denominated in HKD and have an adverse impact on the profitability of the Group. The management is of the view that there is no effective hedging tool suitable to reduce this exchange rate exposure.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2015 **HK$'000**	2014 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**1,000**	–
Acquisition of Heroic Coronet	**–**	60,000
Acquisition of Kingworld Holdings	**–**	315,000
Acquisition of Hangzhou Zhiwan Network Co., Ltd	**–**	103,000
	1,000	478,000

In respect of the acquisition of Heroic Coronet, HK$60,000,000 of the consideration will be settled by the Company's shares ("Consideration Shares"). The Company will issue the Consideration Shares under a specific mandate to be obtained at an extraordinary general meeting to be convened by the Company to consider and approve the specific mandate. The Consideration Shares shall, upon issuance, rank pari passu in all respects with the shares in issue.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

***Wang Zhiqiang**

Mr. Wang Zhiqiang, aged 52, is an executive Director of the Company and the Co-chairman of the Board. He resigned as the chief executive officer of the Group on 27 May 2015. He has been a member of the senior management since the establishment of SinoCom Computer System (Beijing) Co., Ltd. (中訊計算機系統（北京）有限公司) since August 1995. Mr. Wang is responsible for the formulation of corporate strategies, and oversees financial and human resources management of the Group. He also holds directorship in certain subsidiaries of the Company. Mr. Wang has over thirty years' experience in the information technology industry. He graduated from the Northern Jiaotong University (北方交通大學) in 1984 and obtained a bachelor's degree in computer studies. Before founding the Group in 1995, he worked in Beijing Oracle Software Systems Co., Ltd. from 1990 to 1994 during which period he was engaged as sales representative, senior sales representative and business manager and was responsible for the sales and marketing of its products.

***Zuo Jian Zhong**

Mr. Zuo Jian Zhong, aged 47, was appointed as an executive Director of the Company on 18 July 2012. He was appointed as the Co-chairman of the Company on 1 March 2013. He also holds directorship in certain subsidiaries of the Company. He graduated from University of Science and Technology Beijing in 1992. Mr. Zuo is a director of Hua Shen Trading (International) Limited and Petrochemical Engineering Limited in Hong Kong, a director of Lian Di Petrochemical technology Limited in the People's Republic of China, and a director and the chief executive officer of Lian Di Clean Technology Limited, a company whose shares are quoted on OTC Pink Sheet in the United States of America and approximately 54.55% of the entire issued share capital of which is owned by SJI Inc., a company whose shares are listed on the Tokyo Stock Exchange JASDAQ (Standard).

***Tang Yau Sing**

Mr. Tang Yau Sing, aged 53, was appointed as an executive Director of the Company on 17 December 2014. He has been the Chief Financial Officer of the Company since 15 November 2013 and the director of certain subsidiary companies of the Group. Mr. Tang has over 20 years' experience in business consulting, accounting and corporate finance. He is mainly responsible for the finance and accounting management of the Group. Mr. Tang has been the company secretary and authorized representative of Changgang Dunxin Enterprise Company Limited (Stock Code 2229) since 29 February 2016. He has been the company secretary and authorized representative of China Environmental Technology Holdings Limited (Stock Code 646) since 26 May 2014. He has been the founder and director of GCA Advisors Limited since June 2011.

Mr. Tang was the chairman and executive director of Greens Holdings Ltd (Stock Code 1318) for the period from January 2015 to November 2015. Mr. Tang was the independent non-executive director and chairman of audit committee of China North East Petroleum Holdings Limited (previously listed on NYSE American Stock Exchange) for the period from August 2010 to December 2014. Mr. Tang was the chief financial officer and controller of China Agritech, Inc. (previously listed on NASDAQ) for the period from October 2008 to January 2012. Mr. Tang received his Bachelor of Social Science (Honour) degree from the University of Hong Kong in 1986. He is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants in Hong Kong. He is also a member of the Institute of Chartered Accountants in England and Wales, the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

***Zhang Zhige**

Mr. Zhang Zhige, aged 41, was appointed as an executive Director of the Company on 1 April 2015. He graduated from Guilin University of Electronic and Technology and majored in industrial design. Mr. Zhang joined the internet software and online advertisement industry since 2001, and has 14 years' experience in operation and management. In 2007, he became the Chief Financial Officer ("CFO") of ChinaNet Online Holdings, Inc. ("ChinaNet Online") and has eight (8) years working experience serving in the relevant financing field. He also led the listings of ChinaNet Online on NASDAQ (NASDAQ: CNET).

Mr. Zhang is familiar with the national policies and regulations relating to finance and taxation, with outstanding experience in financial management, and is experienced in budgeting, cost analysis, cost accounting, auditing, taxation and financing practices. He is a veteran in accounting, financing and managing investor relationship. He also has solid understanding of the financing and merger and acquisition issues, accounting standards and taxation policies regarding domestically-traded A shares, overseas-traded Hong Kong shares and the US share markets, and is well equipped with legal expertise.

From September 2006 to January 2015, Mr. Zhang was a director of Fujian Rongji Software Co., Ltd.* (福建榕基軟件股份有限公司) (002474.SZ), responsible for financing, listing and management of investor relationship. From August 2006 to March 2015, he was the CFO & one of the founders of ChinaNet Online. ChinaNet Online was successfully listed on NASDAQ on March 2010. He oversees strategic investment, investor relationship, finance management, operation and the establishment of sound internal control. From 2002 to 2006, he was the Chief Operation Officer of Beijing HSHZ Information System Engineering Co. Limited* (華深慧正公司). From 1997 to 2001, he was the General Manager and Chief Representative of Konka Group Beijing Branch* (康佳集團北京公司), responsible for daily operation and management.

***Liu Wei**

Mr. Liu Wei, aged 35, was appointed as an executive Director of the Company on 1 April 2015. Mr. Liu studied at the School of Optical and Electronic Information, Huazhong University of Science and Technology from 1997 to 2001. He is currently the General Manager and founder of Beijing Kaixin Jiuhao Technology Company Limited (北京開心就好科技有限公司). From 2011 to 2013, Mr. Liu was the founder and General Manager of Beijing Wanzhe Zhixin Technology Company Limited* (北京玩者之心科技有限公司). Prior to that, he was the General Manager of Beijing Sanxiren Technology Company Limited* (北京三楱人科技有限公司) from 2007 to 2011. From 2004 to 2007, he was the Chief Designer and Product Manager of Fangzhou Studio, Guangzhou NetEase, Inc. From 2001 to 2004, he was the Design Manager of Xishanju Studio, Zhuhai Kingsoft Office Software Co. Ltd* (珠海金山軟件股份有限公司).

* They all resigned as Executive Directors on 1 April 2016.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chui Man Lung Everett

Mr. Chui Man Lung Everett, aged 51, was appointed as an independent non-executive Director of the Company on 10 September 2013. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and member of the Institute of Chartered Accountants in England and Wales. Mr. Chui qualified as a Professional Accountant with KPMG, Hong Kong in 1990 and left KPMG in 1993. Before his departure, he was in charge of audits of banks, fashion retailers and manufacturers listed on the Main Board of the Stock Exchange and initial public offering ("IPO") audit for a major national corporation, and also participated in the restructuring of two banking groups. Since then, Mr. Chui has been working on various IPOs and pre-IPO projects for various industries in China and Hong Kong before joining as the chief financial officer and company secretary of Yau Lee Holdings Limited (a company listed on the Main Board of the Stock Exchange).

Since 2008, Mr. Chui has been a founding partner of Cen-1 Partners Limited, a firm which provides professional advisory services on company restructuring, merger & acquisition, pre-IPO and fund raising exercises to its clients. Its portfolio of clients includes listed companies and private companies operating in China, Hong Kong, South East Asia and Europe. Mr. Chui was an independent non-executive director of Cosmopolitan International Holdings Limited (a company listed on the Main Board of the Stock Exchange) from 2002 to 2003, an independent non-executive director and chairman of the audit committee of Duoyuan Printing, Inc. (a company listed on the New York Stock Exchange) from October 2010 to March 2013, and is currently an independent non-executive director and chairman of the audit committee and nomination committee and member of the remuneration committee of Taung Gold International Limited (a company listed on the Main Board of the Stock Exchange), an independent non-executive director, chairman of the audit committee, remuneration committee and nomination committee of Sky Forever Supply Chain Management Group Limited (a company listed on GEM board of the Stock Exchange) and an independent non-executive director and chairman of the audit committee of Mingyuan Medicare Development Company Limited (a company listed on the Main Board of Stock Exchange). Mr. Chui holds a Bachelor of Social Sciences (Hons) Degree in Business Economics & Accounting awarded by the University of Southampton in the United Kingdom.

Han Chu

Mr. Han Chu, aged 42, was appointed as an independent non-executive Director of the Company on 17 December 2014. He holds a bachelor's degree in Management Studies from Nanjing University and a master's degree in Economics from Peking University. Currently, Mr. Han is a director and deputy general manager of 華泰瑞聯基金管理有限公司. He served as an executive director in the investment banking division of 華泰聯合證券有限責任公司. Mr. Han has over ten years of experience in investment management and advisory.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Wu Hong

Mr. Wu Hong, aged 56, was appointed as an independent non-executive Director of the Company on 10 September 2013. He currently serves as vice president of Dagang Holdings Group Limited (大港控股集團有限公司). Mr. Wu served as a technological advisor of Peking University Resources Group (北京大學資源集團) from 2004 to 2008. During the same period, he was also the general manager of Xinjiang Peking University Science Park Company Limited (新疆北大科技園有限公司). Prior to this, Mr. Wu served as the general manager of the Japanese branch of U.S. based Netpilot LLC during 2002 to 2004. From 1994 to 2002, Mr. Wu was the division chief assistant, division chief, and department head assistant at Toyota Caelum Inc., a subsidiary of Toyota Motor Corporation. From 1988 to 1991, he served as an investment financial consultant of the Import Department of China Machinery Engineering Import and Export Corporation. Prior to this, Mr. Wu was an assistant researcher at the Research Institute of Automation Technology at the Chinese Academy of Sciences (中國科學院自動化技術研究所) from 1986 to 1988. Mr. Wu graduated from Peking University with a Bachelor Degree in 1983 and a Master's Degree in 1986, both in computer software engineering.

THE BIOGRAPHICAL DETAILS OF DIRECTORS AFTER THE REPORTING PERIOD

Executive Directors

Zhang Xiaodong

Mr. Zhang, aged 42, was appointed as an executive Director of the Company on 1 April 2016. He has over 20 years' experience in strategic investment, corporate finance, budgeting analysis and capital management.

He is a shareholder of Shenzhen Super Energy Technology Co., Ltd. (formerly known as Shenzhen Super Energy International Supply Chain Management Co., Ltd. prior to transformation into a joint stock company) and a non-executive director of Shenzhen Super Energy Technology Co., Ltd. He held various positions with a wide range of sizeable companies. In particular, from September 2009 to December 2013, he acted as a vice president of Shenzhen Baoneng Investment Group Co., Ltd. and a general manager of Baoneng Commercial Co., Ltd.

From May 2005 to August 2009, he was a vice general manager of Shenzhen Galaxy Real Estate Development Co., Ltd; and from April 1998 to April 2005 he was an assistant to chairman of the board of directors of Shenzhen Meidi Real Estate Development Limited. He graduated from the Department of Industrial Economics, Shaanxi Institute of Finance and Economics with a bachelor's degree in 1993.

Lau Wan Po

Mr. Lau, aged 40, was appointed as an executive Director of the Company on 1 April 2016. He has over 16 years of experience in the investment banking industry focusing in the areas of initial public offering, merger and acquisition, corporate restructuring and other financial advisory services to listed companies in Hong Kong.

Mr. Lau has been the chairman of Qian Hai Securities Limited since December 2015. He acted as the managing director of Haitong International Capital Limited and Hai Tong Capital (HK) Limited from January 2010 to November 2015. He was an executive director and head of investment banking division of CMB International Capital Holdings Corporation Limited from August 2008 to January 2010. He graduated from the City University of Hong Kong with a bachelor's degree in science and earned a master's degree in finance from Curtin University of Technology.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Non-Executive Director

Xia Lingjie

Ms. Xia Lingjie, aged 28, was appointed as a Non-executive Director of the Company on 1 April 2016. She received a bachelor's degree in broadcasting, television and news from Wuhan University and a bachelor's degree in psychology from Central China Normal University. She graduated from Wuhan University with a master's degree in communication in 2011 and earned a master's degree in Global Journalism from University of Sheffield, UK in 2012.

She joined Shenzhen Wangdian Media Co., Ltd. as an assistant to general manager in January 2014. From 2013 to 2014, she was a director of business operation of Shenzhen Guosheng Culture and Media Co., Ltd. From 2012 to 2013, she was a trainee reporter in London Branch of China News Service.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 21 of the consolidated financial statements. Details and respective analysis of the main business segments of the Group during the year ended 31 December 2015 are set out in note 9 to the consolidated financial statements.

CHANGE OF COMPANY NAME

The change of English name of the Company from "SinoCom Software Group Limited" to "New Sports Group Limited", and adoption of "新體育集團有限公司" to replace "中訊軟件集團股份有限公司" as Chinese name of the Company (the "Change of Company Name") was approved by the shareholders of the Company at the extraordinary general meeting held on 15 September 2015. The Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in Cayman Islands on 18 September 2015 and the Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 16 October 2015. The stock short names of the Company for trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were changed from "SINOCOM SOFT" to "NEW SPORTS" in English and from "中訊軟件" to "新體育" in Chinese on 2 November 2015. The stock code of the Company remains unchanged as "299".

The Board considers that the new name can more accurately reflect the business focus of the Group and also give the investors and the shareholders of the Company a more defined corporate image and identity.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59.

No interim dividend was declared (2014: Nil) and the Directors do not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: Nil).

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 4 to 7 and Management Discussion and Analysis on pages 8 to 11 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in note 5 to the consolidated financial statements.

An analysis of the Group's performance during the year using key financial performance indicators is provided on pages 8 and 9 of this Annual Report.

Discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided on pages 55 and 56 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year ended 31 December 2015 are set out in note 18 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 3. This summary does not form part of the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2015 are set out in note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2015, the contributed surplus and share premium accounts are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Movements in the distributable reserves of the Company during the year ended 31 December 2015 are set out in note 35(b) to the consolidated financial statements.

DONATION

No charitable donation was made by the Group during the year 2015 (2014: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 77% of the total sales for the year and sales to the largest customer included therein amounted to 52%. Subcontracting fees charged by the Group's five largest suppliers accounted for 31% of the total subcontracting fees for the year and subcontracting fees charged by the largest supplier included therein amounted to 10%.

Save as disclosed, none of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Wang Zhiqiang
Mr. Zuo Jian Zhong
Mr. Tang Yau Sing
Mr. Zhang Zhige (appointed on 1 April 2015)
Mr. Liu Wei (appointed on 1 April 2015)

Non-Executive Director

Mr. Kotoi Hirofumi (resigned on 25 May 2015)

Independent Non-Executive Directors

Mr. Chui Man Lung, Everett
Mr. Wu Hong
Mr. Han Chu

Pursuant to Article 87 of the Company's Articles of Association, Mr. Wang Zhiqiang (resigned on 1 April 2016), Mr. Chui Man Lung, Everett and Mr. Wu Hong will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") and as at the date of this report still considers that all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2015, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director, other officer and auditor shall be entitled to be indemnified out of assets of the Company against all losses or liabilities incurred or sustained by him as a Director, Auditors or other officer of the Company about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors and officers of the Group.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by Salary Review Committee on the basis of their merit, qualifications and competence.

The emolument of the Directors are decided by Salary Review Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 37 to the consolidated financial statements.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the year ended 31 December 2015 are set out in notes 13 and 14 to the consolidated financial statements respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN ORDINARY SHARES OF THE COMPANY (THE "SHARES"), UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to 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 (b) to be recorded in the register required to be kept under section 352 of the SFO or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(a) Interests and short positions in Shares and underlying Shares in the Company

		Number of shares/underlying shares held in the Company				
Name of Director	Capacity in which interests are held	Interests in shares	Equity derivatives (Share Options)	Total interests	Approximate percentage of issued share capital of the Company[2]	Note
Wang Zhiqiang	Corporate Interests	500,000,000	–	500,000,000 (L)	3.42%	1
Zuo Jian Zhong	Beneficial Owner	–	50,000,000	50,000,000 (L)	0.34%	
Tang Yau Sing	Beneficial Owner	1,000,000	50,000,000	51,000,000 (L)	0.35%	
Zhang Zhige	Beneficial Owner	–	50,000,000	50,000,000 (L)	0.34%	
Liu Wei	Beneficial Owner	–	50,000,000	50,000,000 (L)	0.34%	
Chui Man Lung, Everett	Beneficial Owner	–	11,000,000	11,000,000 (L)	0.07%	
Han Chu	Beneficial Owner	–	11,000,000	11,000,000 (L)	0.07%	
Wu Hong	Beneficial Owner	8,300,000	11,000,000	19,300,000 (L)	0.13%	

Notes:

1. These shares are beneficially owned by China Way International Limited ("China Way"). By virtue of his 49% shareholding interests in China Way, Mr. Wang Zhiqiang is deemed or taken to be interested in the 500,000,000 shares of the Company owned by China Way for the purpose of SFO.

2. As at 31 December 2015, the total issued share capital of the Company amounted to 14,613,151,280 shares.

Abbreviations: "L" stands for long position

(b) Interests in shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity/ Nature of interest	No. of ordinary shares	Percentage of shareholding/ registered capital as at 31.12.2015	Note
China Way	Wang Zhiqiang	Corporate interest	49 ordinary Shares of US$1.00 each	49%	
Beijing Kaixin Jiuhao Technology Company Limited ("Kaixin Jiuhao")	Liu Wei	Beneficial owner	RMB770,000, being 35% of the registered capital	35%	1

Note 1: Kaixin Jiuhao is a company established in the PRC with limited liability. The registered capital of Kaixin Jiuhao is RMB2,200,000, which is held as to 35% by Mr. Liu Wei and as to 65% by All Rise Technology Limited.

Save as disclosed above, as at 31 December 2015, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to 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 (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Old Share Option Scheme

The old share option scheme was adopted on 2 April 2004 (the "Old Share Option Scheme") and unless otherwise cancelled or amended, will remain in force for 10 years. The Old Share Option Scheme was terminated with effect from the conclusion of the annual general meeting held on 26 March 2014. No further options could thereafter be offered under the Old Share Option Scheme but the provision of the Old Share Option Scheme would remain in force and effect. Options granted under Old Share Option Scheme prior to its termination shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Old Share Option Scheme.

All share options granted under the Old Share Option Scheme had been exercised by the grantees and/or lapsed as at the date of this report. The exercise prices range from HK$1.36 to HK$1.3875 (exercise prices range from HK$0.136 to HK$0.13875 after the share subdivision with effect from 16 September 2015). No share option was outstanding under the Old Share Option Scheme.

Details of the movements of the share options outstanding under the Old Share Option Scheme are set out in note 37 of the consolidated financial statements.

New Share Option Scheme

On 26 March 2014, the Company adopted a new share option scheme and the major terms of the New Share Option Scheme were summarized as follows:

(a) Purpose of the New Share Option Scheme

The Company adopted the New Share Option Scheme on 26 March 2014. The purpose of the New Share Option Scheme is to enable the Board to provide incentives and awards the eligible persons for their contribution or potential contribution to the Group.

(b) Participants of the New Share Option Scheme

Pursuant to the New Share Option Scheme, the Company may at its absolute discretion grant options to any employee, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or its subsidiaries (including any director, whether executive or non-executive and whether independent or not, of the Company or its subsidiaries) who is in full-time or part-time employment with the Company or its subsidiaries at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group.

(c) Total number of shares available for issue under the New Share Option Scheme

The total number of shares may be granted under the New Share Option Scheme is 493,835,120 shares after share subdivision.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of shares of the Company in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue, unless approved by the shareholders of the Company in the manner as stipulated in the New Share Option Scheme.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the New Share Option Scheme.

(f) The subscription price per share

The subscription price per share in respect of an option granted under the New Share Option Scheme is such price as determined by the Board of the Company at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the options; and
- the nominal value of a share of the Company on the date of offer.

(g) Payment on acceptance of option

A non-refundable sum of HK$10.00 or other amount as determined by the Board of the Company by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option.

(h) Duration of the New Share Option Scheme

The New Share Option Scheme will remain in force for a period of 10 years from its adoption date (i.e. 26 March 2014). The New Share Option Scheme will terminate or expire (as the case may be) on the earlier (i) the approval of the shareholders in a general meeting, and (ii) at the close of business on the day immediately preceding the tenth anniversary of the adoption date (Scheme Period).

After the Scheme Period, the Company cannot grant new options but for so long as there are options granted but not yet exercised, outstanding vested or unvested options, the New Share Option Scheme will remain in full force and effect of such outstanding vested or unvested options or otherwise as may be required in accordance with the New Share Option Scheme.

As at the date of this report, a total of 622,000,000 share options after share subdivision had been granted by the Company under the New Share Option Scheme.

The following table sets out the movements in the Company's share options under the New Share Option Scheme during the reporting period:

Directors	Exercise period of share options	Exercise price after share division	Number of outstanding share options as at 1/1/2015	Granted as at 31/12/2015	Exercised as at 31/12/2015	Cancelled as at 31/12/2015	Lapsed as at 31/12/2015	Number of outstanding share options as at 31/12/2015	Market Value per Share Immediately preceding the grant date of share options after share division
Share Options granted on 27 May 2015									
Zuo Jian Zhong	30/10/2015–26/05/2025	HK$0.314	–	5,000,000	–	–	–	5,000,000	HK$0.325
Tang Yau Sing	30/10/2015–26/05/2025	HK$0.314	–	5,000,000	–	–	–	5,000,000	HK$0.325
Zhang Zhige	30/10/2015–26/05/2025	HK$0.314	–	5,000,000	–	–	–	5,000,000	HK$0.325
Liu Wei	30/10/2015–26/05/2025	HK$0.314	–	5,000,000	–	–	–	5,000,000	HK$0.325
Chui Man Lung, Everett	30/10/2015–26/05/2025	HK$0.314	–	1,100,000	–	–	–	1,100,000	HK$0.325
Han Chu	30/10/2015–26/05/2025	HK$0.314	–	1,100,000	–	–	–	1,100,000	HK$0.325
Wu Hong	30/10/2015–26/05/2025	HK$0.314	–	1,100,000	–	–	–	1,100,000	HK$0.325
Sub-Total			–	23,300,000	–	–	–	23,300,000	–
Contributors	30/10/2015–26/05/2025	HK$0.314	–	38,900,000	–	–	–	38,900,000	HK$0.325
Total			–	62,200,000	–	–	–	62,200,000	–

Notes:

1. The vesting period of the New Share Option Scheme is that first 50% of the share options shall be exercisable by the Grantee during the period from 30 October 2015 to 26 May 2025 (both days inclusive) and the remaining 50% of the share options shall be exercisable by the Grantee during the period from 30 April 2016 to 26 May 2025 (both days inclusive).

2. The exercise price was adjusted for share subdivision and became effective on 16 September 2015 (the original exercise price is HK$3.14).

3. The market price was adjusted for share subdivision (the original market price is HK$3.25).

Save as disclosed above, during the period under review, no options under the New Share Option Scheme were exercised, cancelled or lapsed.

EQUITY-LINKED AGREEMENTS

Other than the New Share Option Scheme as disclosed above and the relevant agreements as disclosed in the section headed "ISSUE OF SECURITIES", no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, so far as is known to the Directors, the following, not being a Director or the chief executive of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Long positions in the Shares and Underlying Shares

Name	Capacity	Number of Ordinary Shares	Approximate percentage of issued share capital of the Company[4]	Notes
Benefit Power Inc.	Beneficial Owner	1,009,900,000 (L)	6.91%	1
Zou Daoji	Corporate Interest	1,009,900,000 (L)	6.91%	1
Power View Group Limited	Beneficial Owner	2,500,000,000 (L)	17.10%	2
Feng Yuming	Corporate Interest	2,500,000,000 (L)	17.10%	2

Notes:

1. Benefit Power Inc. is wholly owned by Zou Daoji. Accordingly, Zou Daoji is deemed to be interested in the shares of the Company by virtue of SFO.

2. Power View Group Limited is a company wholly owned by Mr. Feng Yuming. Accordingly, Mr. Feng Yuming is deemed to be interested in the shares of the Company by virtue of SFO.

4. As at 31 December 2015, the issued share capital of the Company is 14,613,151,280 shares.

5. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms (the "DI Forms") when certain criteria are fulfilled and the full details of the requirements are available on the Stock Exchange's official website. When a shareholder's shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial shareholders' latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial shareholders' interests are prepared based on the information in the relevant DI Forms received by the Company as of 31 December 2015. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on the DI Forms.

   Abbreviations: "L" stands for long position

Save as disclosed above, as at 31 December 2015, the Directors and the chief executives of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register kept by the Company under section 336 of the SFO.

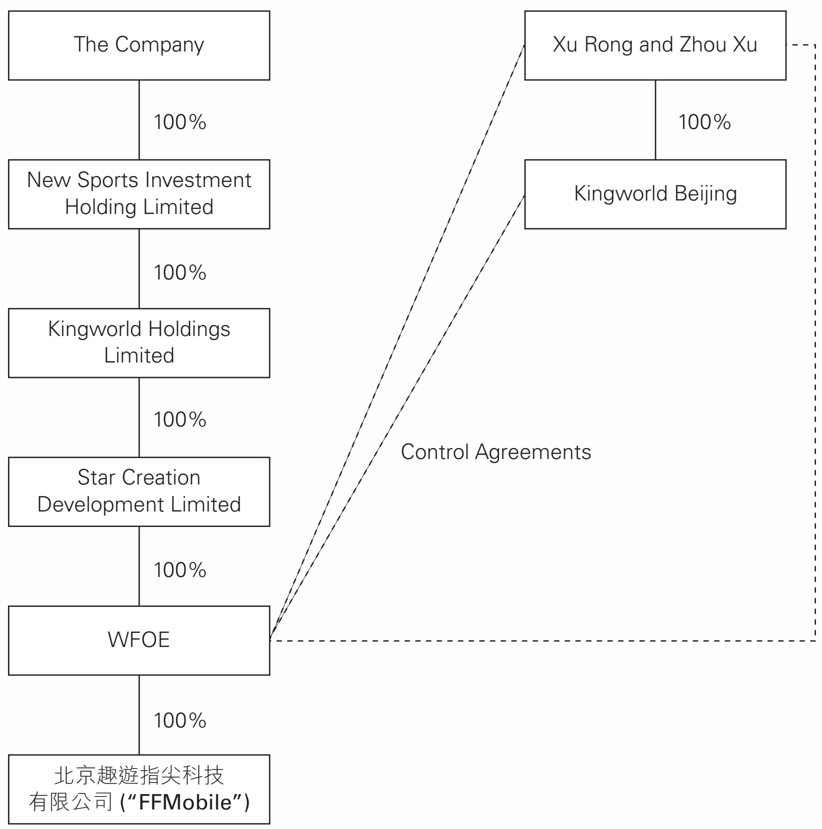
RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken during the year under review are disclosed in Notes 38(d) and 42 to the financial statements. Save as disclosed below, these related party transactions either (i) do not constitute connected or continuing connected transactions or (ii) fall under the definition of a connected or continuing connected transaction, but are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTROL AGREEMENTS

With reference to the Company's circular dated 4 December 2015, 九合無限(北京)體育科技有限公司 (the "WFOE"), being a wholly owned subsidiary of the Company, entered into a series of control agreements (the "Control Agreements") as set out in the sub-section headed "Details of the Control Agreements" in relation to the operation of the business regarding internet information services, network culture business operation and internet publication. Taking into account of the advice of the PRC legal adviser, the Board is of the view that the entering into the Control Agreements could enable the Group to effectively gain control over the finance and economic interest and benefits of Kingworld (Beijing) Technology Co., Ltd. ("Kingworld Beijing").

The following diagram shows the simplified structure chart of the Control Agreements as at 31 December 2015:



Notes:

"————————" denotes legal or beneficial ownership

"- - - - - - - - - - -" denotes contractual relationship

Particulars of Kingworld Beijing and its registered owners of equity interests in Kingworld Beijing

Kingworld Beijing is a company established under the laws of the PRC. As at 31 December 2015, the registered business scope of Kingworld Beijing includes such businesses as internet information services, network culture business operation and internet publication, and correspondingly, Kingworld Beijing holds the Internet Content Provider License (中華人民共和國增值電信業務經營許證), the Network Culture Business Permit (網絡文化經營許可證) and the Internet Publication License (互聯網出版許可證) for conducting such businesses. As at 31 December 2015, the entire equity interest in Kingworld Beijing is owned as to 60% by Zhou Xu and 40% by Xu Rong.

Reasons for entering into Control Agreements

The primary purpose for the Group to enter into Control Agreements is to enable the Group to engage the principal business of Kingworld Beijing, such as (1) the internet information services, (2) the network culture business operation and (3) publication, sales, development of and investment in internet and mobile interaction entertainment products.

Pursuant to the Regulation on Telecommunications of the PRC (《中華人民共和國電信條例》), internet information service is categorized as value-added telecommunications business, and according to the Catalogue of Industries for Guiding Foreign Investment (2015 Revision) (《外商投資產業指導目錄(2015年修訂)》) (the "2015 Catalogue"), the foreign ownership in the PRC companies operating such business (excluding e-commerce) cannot exceed 50%. In addition, the 2015 Catalogue further provides that the foreign investors are completely prohibited to conduct the network culture business operation and the internet publication business. Therefore, the Company's PRC legal adviser is of the view that the WFOE, as a foreign-owned company, is not allowed to hold the entire equity interests of Kingworld Beijing under the PRC laws. Therefore, the registered holder(s) of equity interest in Kingworld Beijing as at 31 December 2015 were Zhou Xu and Xu Rong, who are PRC individuals. For details of the PRC laws relating to the principal business of Kingworld Beijing, please refer to the circular of the Company dated 4 December 2015.

As advised by the Company's PRC legal adviser, the Control Agreements comply with the PRC laws, rules and regulations applicable to the business of the WFOE and Kingworld Beijing (including the 2015 Catalogue), do not contravene the articles of association of the WFOE and Kingworld Beijing respectively, and would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC contract law. The Control Agreements are valid and enforceable against the parties to the Control Agreements. The Company's PRC legal adviser also confirms that all necessary actions or steps have been taken to enable it to reach its legal conclusions. Up to 31 December 2015, as advised by the PRC legal adviser, the WFOE should not encounter any interference or encumbrance from any governing bodies in operating its business through Kingworld Beijing under the Control Agreements.

Requirements related to Control Agreements (other than relevant foreign ownership restrictions) as at 31 December 2015

In addition to the relevant foreign ownership restrictions, the operation of the business regarding internet information services, network culture business operation and internet publication is required to hold a variety of permits and licenses, which, among others, include:

Internet Content Provider License (the 'ICP License') (《中華人民共和國增值電信業務經營許可證》). Under current PRC laws and regulations, including the Telecommunications Regulations and the Internet Measures, a commercial operator of internet content provision services must obtain a value-added telecommunications business-operating license for Internet content provision from the appropriate telecommunications authorities in order to carry on any commercial Internet content provision operations in the PRC. All online game publishing platforms in the PRC are required to obtain such licenses.

Network Culture Business Permit (《網絡文化經營許可證》). With respect to the online game industry in the PRC, since online games fall within the definition of 'Internet culture products' under the Provisional Regulations for the Administration of Online Culture (《互聯網文化管理暫行規定》), which were issued by the Ministry of Culture (the "MOC") and took effect on April 1, 2011 (the "Online Culture Regulations") and replaced the Provisional Regulations for the Administration of Online Culture which had been in effect since 2003, a commercial operator of online games must obtain an Network Culture Business Permit in addition to the ICP License, from the appropriate culture administrative authorities for its operation of online games. All online game publishing platforms in the PRC are required to obtain such licenses.

Internet Publication License (《互聯網出版許可證》). General Administration of Press and Publication of the PRC (the "GAPP") and the Ministry of Industry and Information and Technology (the "MIIT") jointly impose a license requirement for any company that intends to engage in Internet publication. Internet publication is defined as any act by an Internet content provider to select, edit and process content or programs and to make such content or programs publicly available on the Internet. According to the Tentative Measure for Internet Publication administration(《互聯網出版管理暫行規定》), which were jointly promulgated by the GAPP and the MIIT and took effect in 2002 and other relevant regulations, the publication of online games is deemed an internet publication activity. Therefore, an internet content provider, such as an online game developer, needs to obtain an internet publication license in order to engage in Internet publication for online games.

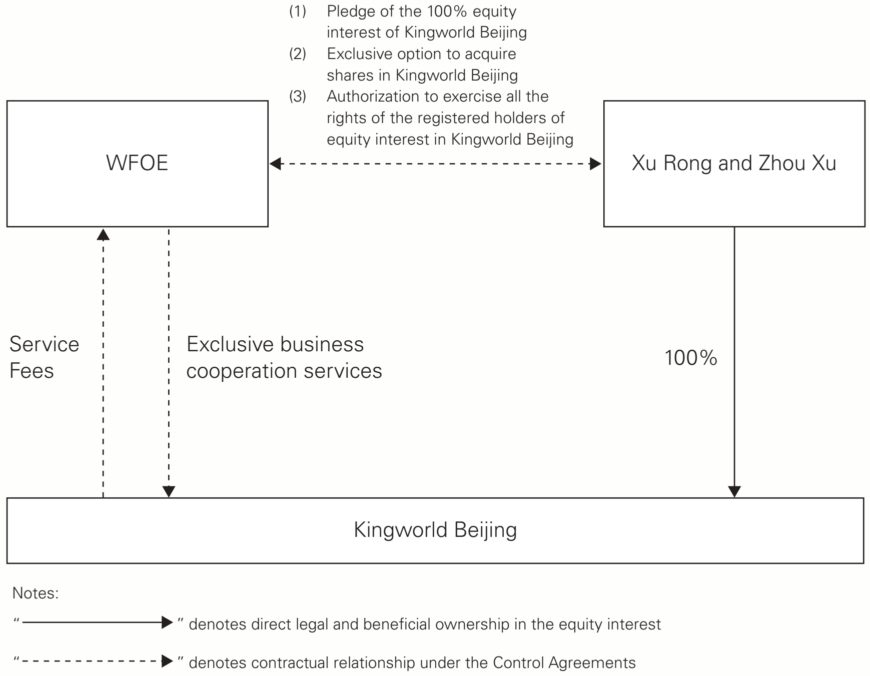
Furthermore, the Notice on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the 'Three Provisions' jointly promulgated by the MOC, the State Administration of Radio Film and Television ("SARFT"), and the GAPP (《中央編辦對文化部、廣電總局、新聞出版總署'三定'規定中有關動漫、網路遊戲和文化市場綜合執法的部分條文的解釋》) ("the Interpretation"), which was issued by the State Commission Office for Public Sector Reform (a division of the State Council) and became effective on September 7, 2009, provides that the GAPP will have responsibility for the examination and approval over the publication of online games before they are uploaded on the Internet and that, after such upload, online games will be administered by the MOC. Further, the Interpretation emphasizes that the MOC is the sole regulatory authority for the online games' operation, and that even if an online game is launched on the Internet without prior approval of the GAPP, the MOC (instead of the GAPP) has the direct authority for investigation and enforcement.

The Notice Regarding the Consistent Implementation of the "Regulation Stipulations on Three Provisions" of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games (《關於貫徹落實國務院〈'三定'規定〉和中央編辦有關解釋，進一步加強網路遊戲前置審批和進口網絡遊戲審批管理的通知》), promulgated by the GAPP, together with the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications, on September 28, 2009 (the "GAPP Notice"), provides in its Article 4, that foreign investors are not permitted to invest or engage in online game operations in China through wholly-owned subsidiaries, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other joint venture companies, establishing contractual arrangements or providing technical support. However, the Company is unaware that any implementation rule or interpretation on Article 4 of the GAPP Notice has been issued by the GAPP or any other PRC regulatory authority.

Additionally, as the Company is aware, in practice, the State Administration of Press, Publication, Radio, Film and Television (the "SAPPRFT") or its Beijing branch has never, individually or collectively with other PRC regulatory authorities, imposed any administrative proceedings or penalties on any online game company pursuant to the Article 4 of the GAPP Notice and Beijing Department of Culture is deemed as the sole regulatory authority to regulate the online gaming industry in Beijing, as to whether the contractual arrangements violate the relevant PRC laws and regulations on foreign investment in online gaming industry.

Details of the Control Agreements

The following simplified diagram illustrates the flow of economic benefits from the Kingworld Beijing to the WFOE stipulated under the Control Agreements:



The details of the Control Agreements are summarised as follows:

(1) Exclusive Business Cooperation Agreement (獨家業務合作協議)

Date: 4 December 2015

Parties:

(i) WFOE

(ii) Kingworld Beijing

(iii) Xu Rong

(iv) Zhou Xu

Term: The Exclusive Business Cooperation Agreement has become effective on the date of its signing. The term of the Exclusive Business Cooperation Agreement shall be ten (10) years and can only be terminated if, among others:

(i) upon the date of expiration; and

(ii) upon serving a 30-day notice by the WFOE.

After the execution of the Exclusive Business Cooperation Agreement, the parties shall review the Exclusive Business Cooperation Agreement every three (3) months to determine whether to amend or supplement the provisions in the said agreement based on the actual circumstances at that time.

Subject: Pursuant to the Exclusive Business Cooperation Agreement, the WFOE is engaged by Kingworld Beijing as the latter's exclusive service provider to provide Kingworld Beijing with technical support, management consulting services and other commercial services, which fall within the business scope of Kingworld Beijing as may be determined from time to time by the WFOE. The business scope of Kingworld Beijing include internet data service, publication of internet online games etc.

In consideration of the services provided by WFOE, Kingworld Beijing shall pay monthly to the WFOE service fees equal to 100% of the net profits of Kingworld Beijing or the amount agreed by WFOE.

(2) Exclusive Option Agreement (獨家購買權合同)

Date: 4 December 2015

Parties:
(i) WFOE
(ii) Kingworld Beijing
(iii) Xu Rong
(iv) Zhou Xu

Term: The Exclusive Option Agreement has become effective on the date of its signing, and shall remain effective for a term of ten (10) years, and may be renewed at the WFOE's election.

(i) Pursuant to the Exclusive Option Agreement, the registered holders of the equity interest in Kingworld Beijing agreed to irrevocably grant the WFOE an irrevocable and exclusive right to purchase, or to designate one or more person(s) to purchase, insofar as permitted under applicable PRC laws and regulations, the respective equity interests in Kingworld Beijing from the registered holders of equity interest once or at multiple times at any time in part or in whole at the discretion of the WFOE.

(ii) The registered holders of the equity interest in Kingworld Beijing shall, upon request from the WFOE at any time, immediately and unconditionally transfer their equity interest (in whole or in part through one or more transactions) in Kingworld Beijing to such representative(s) as nominated by the WFOE.

(iii) The registered holders of the equity interest in Kingworld Beijing undertake that, among other things, they will not:

(a) authorize any sale, transfer, pledge, disposal or creation of any encumbrances over their legal or beneficial interests in Kingworld Beijing, save in respect of the pledge of equity interest to the WFOE in accordance with the terms of the Equity Interest Pledge Agreement; or

(b) approve or authorize Kingworld Beijing for any merger, amalgamation, acquisition or make any investments.

(iv) The Exclusive Option Agreement also sets out detailed provisions that prohibit Kingworld Beijing to act without the prior written approval from the WFOE.

(3) Loan Agreement (貸款協議)

Date 4 December 2015

Parties (i) WFOE

(ii) Xu Rong

(iii) Zhou Xu

Term The term of the Loan Agreement is ten (10) years commencing on the date on which Xu Rong and Zhou Xu receive payment of the loan amount under the Loan Agreement, and may be extended upon the written agreement of the parties through negotiations. During the term or extended term of the Loan Agreement, the WFOE may accelerate the loan repayment if any of the following events occurs:

(i) any of Xu Rong or Zhou Xu dies or becomes disabled;

(ii) any of Xu Rong or Zhou Xu commits a crime or is involved in a crime;

(iii) any of Xu Rong or Zhou Xu has incurred any individual indebtedness over RMB500,000 without prior consent of the WFOE;

(iv) the WFOE or its designated party has successfully acquired the entire equity interest in the Kingworld Beijing; and

(v) other reasons as determined by the WFOE.

Subject (i) Under the Loan Agreement, the WFOE grants the holders of equity interest of Kingworld Beijing a loan in the amount of RMB15,966,030.

(ii) The interest rate shall be equal to the annual lending guidance rate published by the People's Bank of China from time to time.

(iii) The loan may, upon the request of the WFOE, be repaid by means of transferring the registered holders' equity interests in Kingworld Beijing to the WFOE or any of its designated party(ies), in proportion to the amount of the loan to be repaid by such registered holder(s).

(4) Equity Interest Pledge Agreement (股權質押合同)

Date	4 December 2015
Parties	(i) WFOE (ii) Kingworld Beijing (iii) Xu Rong (iv) Zhou Xu
Term	The pledge under the Equity Interest Pledge Agreement shall become effective on the date on which the pledge of the equity interest has been registered with relevant administration for industry and commerce (the "AIC"). The said pledge shall be continuously valid until all payments due under the Exclusive Business Cooperation Agreement have been paid by Kingworld Beijing and all payments due under the Loan Agreement have been paid by both Xu Rong and Zhou Xu.
Subject	Pursuant to the Equity Interest Pledge Agreement, the registered holders of equity interest in Kingworld Beijing agreed to pledge the entire equity interest of Kingworld Beijing to the WFOE, as security for the payment obligations of Kingworld Beijing under the Exclusive Business Cooperation Agreement and of the registered holders of equity interest in Kingworld Beijing under the Loan Agreement. Under the Equity Interest Pledge Agreement, except with prior written consent of the WFOE or pursuant to the terms of the Exclusive Option Agreement, the registered holders of equity interest in Kingworld Beijing are prohibited from transferring any of their equity interest in Kingworld Beijing, or creating or allowing any creation of any other pledge over the equity interest in Kingworld Beijing.

(5) Power of Attorney (授權委託書)

Date	4 December 2015
Parties	A Power of Attorney signed by each of the person below in favour of the WFOE: (i) Xu Rong (ii) Zhou Xu
Term	This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as Xu Rong and Zhou Xu respectively remain as the registered holders of equity interest in Kingworld Beijing.
Subject	Pursuant to the Power of Attorney, WFOE and any of its authorised directors, successors or liquidators is authorized to act on behalf of Xu Rong and Zhou Xu as their exclusive agent and attorney with respect to all matters concerning their equity interests in Kingworld Beijing, including without limitation to: (1) propose, convene and attend equity interest holders' meetings of Kingworld Beijing; (2) exercise all the equity interest holders' rights and voting rights Xu Rong and Zhou Xu are entitled to as registered holders of equity interest in Kingworld Beijing under the laws of the PRC and articles of association of Kingworld Beijing, including but not limited to the sale or transfer or pledge or disposition of their equity interest in part or in whole; (3) designate and appoint on behalf of Xu Rong and Zhou Xu the legal representative (chairperson), directors, executive directors, supervisors, the chief executive officer and other senior management members of Kingworld Beijing; (4) sign minutes and file documents with the relevant companies registry(ies); (5) exercise voting rights on the winding up of Kingworld Beijing on behalf of the registered holders of equity interest in Kingworld Beijing; and (6) participate in and be entitled to the distribution of the remaining assets of Kingworld Beijing upon the winding up of Kingworld Beijing on behalf of the registered holders of equity interest in Kingworld Beijing.

(6) Spouse Consent Letter (配偶同意函)

Date 4 December 2015

Parties A Spouse Consent Letter to be signed by each of the persons below:

(i) The spouse of Xu Rong

(ii) The spouse of Zhou Xu

Subject Pursuant to each of the Spouse Consent Letter, the spouse of each of Xu Rong and Zhou Xu, respectively, among other things, agrees, among others, to (i) waive his/her claim over the ownership of the equity interest in Kingworld Beijing held by his/her spouse, (ii) take all necessary action to ensure the due execution of the Control Agreements, and (iii) provide joint and several liabilities by his/her spouse to WFOE in relation to his/her obligations under the Control Agreements.

Significance and financial contribution of Kingworld Beijing to the Group

Kingworld Beijing is significant to the Group as it holds the relevant licenses to provide sports-related internet content publication services which one of the principal business of the Group. As at 31 December 2015, the total asset and the net asset value of Kingworld Beijing amounts to approximately HK$84,079,000 and HK$32,067,000 respectively.

The risks associated with Control Agreements and the actions taken by the Company to mitigate the risks

For details of the risks associated with the Control Agreements, please refer to the section headed "RISK FACTORS IN RELATION TO THE CONTROL AGREEMENTS" as disclosed in the circular of the Company dated 4 December 2015.

The Company takes the following actions to mitigate the risks:

The Control Agreements contain certain provisions in order to exercise effective control over and to safeguard the assets of Kingworld Beijing, including but not limited to that, without the prior written consent of the WFOE, the registered holders of equity interest in Kingworld Beijing shall not at any time sell, transfer, pledge, or otherwise dispose or create any encumbrances over the legal or beneficial interests of Kingworld Beijing, Kingworld Beijing shall conduct its business in ordinary and usual course to preserve the asset value of Kingworld Beijing and shall not engage in any action (or inaction) which may have any adverse effect on the business, operations and asset value of Kingworld Beijing, and etc. Besides, Kingworld Beijing's directors, legal representative, general manager, chief financial officer and other executives may be appointed under the WFOE's recommendations and such senior management will have the physical possession of all Kingworld Beijing's common seals, company chops and books and records.

Having considered that the existing senior management team possesses relevant experience and industry knowledge in the business operation of Kingworld Beijing and Kingworld Beijing has successfully achieved a rapid growth under the leadership of current senior management, it is the current intention of the WFOE to retain the existing senior management team of Kingworld Beijing. The existing senior management team of Kingworld Beijing will terminate the current service contracts with Kingworld Beijing and enter into new service contracts with the WFOE. The WFOE will then recommend Kingworld Beijing to re-appoint the relevant senior management. As a result, the senior management of Kingworld Beijing will effectively be under the control and instruction of the WFOE.

Economic risks the WFOE bears as the primary beneficiary of Kingworld Beijing, financial support to Kingworld Beijing and potential exposure of the Target Company to losses.

As the primary beneficiary of Kingworld Beijing, the WFOE bears economic risks which may arise from difficulties in the operation of Kingworld Beijing's business. The WFOE will share both profit and loss of Kingworld Beijing. Under the Control Agreements, the WFOE shall provide financial support in the event of financial difficulty of Kingworld Beijing. On the other hand, the WFOE shall have the sole and absolute discretion to decide and resolve whether to continue the business and operations of Kingworld Beijing, and Kingworld Beijing must unconditionally agree to such decision as determined by the WFOE.

Material Change

Save as disclosed above, as at 31 December 2015, there has not been any material change in the Control Agreements and/or the circumstances under which they were entered into, since the date of each of the Control Agreements.

Unwinding of the Control Agreements

Up to 31 December 2015, there has not been any unwinding of the Control Agreements, nor has there been any failure to unwind the Control Agreements when the restrictions that led to the entering into the Control Agreements are removed.

SHARE CAPITAL

Details of movements of the share capital of the Company and its subsidiaries during the year ended 31 December 2015 are set out in note 34 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "ISSUE OF SECURITIES", "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN ORDINARY SHARES OF THE COMPANY (THE "SHARES"), UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEMES", at no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors or the chief executives of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in the sections headed "ISSUE OF SECURITIES" and "RELATED PARTY TRANSACTIONS", no contract of significance, to which the Company, any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2015, nor had there been any contract of significance entered into between the Group, or any of its subsidiaries during the year ended 31 December 2015.

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

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

COMPETING INTERESTS

As at 31 December 2015, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

CHANGE IN INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this Report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report. The Directors' updated information is set out below:

Mr. Chui Man Lung, Everett ("Mr. Chui"), Independent Non-Executive Director

1. Mr. Chui was appointed as an independent non-executive director and chairman of audit committee of Mingyuan Medicare Development Company Limited, a company listed on Main Board of Hong Kong Stock Exchange (Stock Code: 233) on 23 September 2015; and

2. Mr. Chui was appointed as chairman of the remuneration committee and nomination committee of Sky Forever Supply Chain Management Group Limited, a company listed on GEM Board of Hong Kong Stock Exchange (Stock Code: 8047) on 28 July 2015;

PRE-EMPTIVE RIGHTS

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

ISSUE OF SECURITIES

(a) Placing agreement dated 11 November 2015 in relation to the placing of 670,000,000 shares

As disclosed in the announcements of the Company dated 11, 12 and 13 November 2015, on 11 November 2015, the Company entered into a placing agreement in relation to the placing of 670,000,000 Shares of HK$0.0025 each at a price of HK$0.236 per share to Integrated Asset Management (Asia) Limited, which is to the best of the knowledge, information and belief of the then Directors having made all reasonable enquiries, an independent third party of the Company and its connected persons. The premium on the issue of shares amounting to approximately HK$155,654,000, net of share issue expenses of HK$791,000, was credited to the Company share premium account. The placement was completed on 19 November 2015 and the Company issued and allotted 670,000,000 new Shares on 19 November 2015.

The then Directors are of the view that the said placing of shares can (i) further strengthen the financial position of the Group, and (ii) raise further capital for future acquisition opportunity. In addition, the said placing can broaden the Company's shareholder base and strengthen its capital base.

Details of above placing agreement are set out in note 34(d) to the consolidated financial statements.

(b) Placing agreement dated 5 June 2015 (as amended and supplemented by a supplemental agreement dated 11 June 2015) in relation to the placing of bonds in the amount of HK$200,000,000

As disclosed in the announcements of the Company dated 5, 11, 22 June 2015 and 13 August 2015, on 5 June 2015, the Company entered into a placing agreement (as amended and supplemented by a supplemental agreement dated 11 June 2015) in relation to the placing of bonds with a principal amount of HK$200,000,000 at a price equal to 100% of its principal amount to Zhongrong International Trust Co. Ltd. (中融國際信托有限公司), which is, to the best of the knowledge, information and belief of the then Directors having made all reasonable enquiries, an independent third party of the Company and its connected persons. The placement was completed on 22 June 2015 and the said bond in the aggregate principal amount of HK$200,000,000 have been issued to Zhongrong International Trust Co. Ltd. The said bonds will mature on the second anniversary from the date of issue. The interest rate of the said bonds is, in respect of the first one-year period commencing from and including the issue date to and including the last day of such period, 5% per annum, and in respect of the second one-year period, 15% per annum.

Conversion rights were attached to the said bonds upon (1) the passing of the resolution by the Shareholders in the general meeting held on 13 August 2015 approving the grant of the specific mandate and (2) the Stock Exchange granting approval of the listing of and permission to deal in the Shares issuable upon exercise of the said bonds on 17 August 2015. The conversion price of the said bonds as at 31 December 2015 was HK$0.25 per share. The said Listing Approval was obtained on 17 August 2015.

During the year ended 31 December 2015, 40,000,000 shares were issued upon the exercise of conversion rights attached to the said bonds.

The then Directors consider raising funds by issuing the said bonds is justifiable taking into account the then favourable market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. The then Directors consider that the issue of the said bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

Details of above placing agreement are set out in note 32(a) to the consolidated financial statements.

(c) Placing agreement dated 27 October 2015 (as amended and supplemented by a supplemental agreement dated 30 October 2015 and a second supplemental agreement dated 5 November 2015) in relation to the placing of bonds in the amount of HK$100,000,000

As disclosed in the announcements of the Company dated 28 and 30 October 2015, and 5 and 12 November 2015, on 27 October 2015, the Company entered into a placing agreement (as amended and supplemented by a supplemental agreement dated 30 October 2015 and a second supplemental agreement dated 5 November 2015) in relation to the placing of convertible bonds with a principal amount of HK$100,000,000 at a price equal to 100% of its principal amount to not less than sic placees, each of which is, to the best of the knowledge, information and belief of the then Directors having made all reasonable enquiries, an independent third party of the Company and its connected persons. The placement was completed on 12 November 2015 and the said convertible bonds in the aggregate principal amount of HK$100,000,000 have been issued to six placees. The said convertible bonds will mature on the first anniversary from the date of issue. The interest rate of the said bonds is 5% per annum. The conversion price of the said convertible bonds as at 31 December 2015 was HK$0.25 per share.

Completion of the placing pursuant to the said placing agreement is conditional upon the Stock Exchange granting approval for the issue of the said convertible bonds and (subject to conditions as set out in the listing approval) the approval of listing of and permission to deal in all the Shares to be issued upon exercise of the conversion rights and which has not been withdrawn or revoked. The said Listing Approval was obtained on 11 November 2015.

The then Directors were of the view that the said placing can (i) further strengthen the financial position of the Group, (ii) raise further capital for future acquisition opportunity; and (iii) provide general working capital for the Group.

Details of above placing agreement are set out in note 32(b) to the consolidated financial statements.

(d) Subdivision of Shares effective on 16 September 2015

As disclosed in the announcements of the Company dated 18 August 2015 and 15 September 2015, pursuant to an ordinary resolution passed by the Shareholders on 15 September 2015, each ordinary share of HK$0.025 each in the issued and unissued share capital of the Company were subdivided into ten Shares of HK$0.0025 each in the issued and unissued share capital of the Company.

Details of above share subdivision are set out in note 34(a) to the consolidated financial statements.

(e) Shares issued pursuant to the Old Share Option Scheme

During the year, 9,480,000 Shares of HK$0.025 each were issued before share subdivision in relation to share options exercised by the grantees under the Old Share Option Scheme of the Company at the exercise price of HK$1.3875 and HK$1.36 respectively for a total cash consideration of HK$13,010,000. The exercise of the subscription consideration received over the nominal values issued, which amounted to HK$12,773,000, was credited to the share premium account.

(f) Discloseable transaction in relation to the acquisition of the entire issued share capital in Heroic Coronet Limited involving the issue of consideration Shares under specific mandate

As disclosed in the announcements of the Company dated 10, 16 and 19 December 2014, 8 and 30 January 2015, on 10 December 2014, SinoCom Investment Holding Limited (now known as New Sports Investment Holding Limited), being a wholly-owned subsidiary of the Company, Prime Castle Holdings Limited (which was owned as to 100% by Mr. Liu Wei), Mr. Liu Wei and Heroic Coronet Limited entered into a share purchase agreement under which SinoCom Investment Holding Limited has purchased and Prime Castle Holdings Limited has sold the entire issued share capital of Heroic Coronet Limited on 30 January 2015 at a consideration of HK$260,000,000.

To the best of the knowledge, information and belief of the then Directors as at the date of the said share purchase agreement, and having made all reasonable enquiries, each of Prime Castle Holdings Limited, Heroic Coronet Limited and Mr. Liu Wei was a third party independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of the said share purchase agreement. As disclosed in the announcement of the Company dated 23 March 2015, Mr. Liu Wei was appointed as a Director with effect from 1 April 2015.

With an aim to further develop and expand the business scope of the Group, and taking into account the potentials of the mobile gaming industry, the then Directors were of the view that the terms of the said share purchase agreement were fair and reasonable and the transaction contemplated thereunder was in the interests of the Company and the Shareholders as a whole.

Details of the said share purchase agreement are set out in note 38(a) to the financial statements.

(g) Discloseable transaction in relation to the acquisition of the entire issued share capital in Kingworld Holdings Limited involving the issue of consideration Shares under specific mandate

As disclosed in the announcements of the Company dated 30 July 2015, 30 November 2015 and 31 December 2015, on 28 July 2015, SinoCom Investment Holding Limited (now known as New Sports Investment Holding Limited), being a wholly-owned subsidiary of the Company, the Company, Century Edge International Limited, Kingworld Holdings Limited, Xu Rong and Zhou Xu entered into a share purchase agreement under which SinoCom Investment Holding Limited has purchased and Century Edge International Limited has sold the entire issued share capital of Kingworld Holdings Limited on 31 December 2015 at a consideration of HK$450,000,000.

To the best of the knowledge, information and belief of the then Directors, and having made all reasonable enquiries, each of Century Edge International Limited, Kingworld Holdings Limited, Xu Rong and Zhou Xu was a third party independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of the said share purchase agreement.

The consideration for the said sale share is HK$450,000,000, of which HK$135,000,000 was paid in cash on 29 December 2014; HK$165,000,000 was paid in cash on 28 July 2015 and the remaining consideration of HK$149,500,000 was settled by way of issue of 650,000,000 Shares at HK$0.23 each after share subdivision by the Company to Century Edge International Limited on 31 December 2015.

650,000,000 Shares were issued as settlement of the remaining consideration for the acquisition of Kingworld Holdings Limited upon (1) the passing of the resolution by the Shareholders in the general meeting held on 22 December 2015 approving the grant of the specific mandate and (2) the Stock Exchange granting approval of the listing of and permission to deal in the 650,000,000 Shares on 23 December 2015.

With an aim to further develop and expand the business scope of the Group and taking into account the potentials of the exclusive official mobile application for Chinese Football Association Super League, the then Directors are of the view that the terms of the said share Purchase Agreement are fair and reasonable and the acquisition contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

Details of the said share purchase agreement are set out in note 38(b) to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group are set out in note 28 to the consolidated financial statements.

SUBSIDIARIES

Particulars regarding principal subsidiaries are set out in note 21 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Change of Board Composition

At as the date of publication of the annual report, details of the change of board composition and biographical details of the new Directors are set out on pages 54 and 15 to 16 of this report.

Reference were made to the appointment of Mr. Zhang Xiaodong, Mr. Lau Wan Po as Executive Directors and Ms. Xia Lingjie as Non-executive Director of the Company on 1 April 2016, they will all retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting pursuant to Article 86(3) of the Company's Articles of Association.

REPORT OF THE DIRECTORS

Acquisition of Heroic Coronet Limited ("Heroic Coronet")

Reference was made to the acquisition of Heroic Coronet on 30 January 2015, the remaining consideration of HK$60,000,000 was settled by way of issue of 750,000,000 Shares at HK$0.08 each by the Company to Prime Castle Holdings Limited , which was wholly owned by Mr. Liu Wei.

750,000,000 Shares were issued as settlement of the remaining consideration for the acquisition of Heroic Coronet Limited upon (1) the passing of the resolution by the Shareholders in the general meeting held on 31 March 2016 approving the grant of the specific mandate and (2) the Stock Exchange granting approval of the listing of and permission to deal in the 750,000,000 Shares on 18 March 2016. 750,000,000 Shares was issued to Prime Castle Holdings Limited on 31 March 2016.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. The current audit committee comprises Mr. Chui Man Lung, Everett (chairman), Mr. Wu Hong and Mr. Han Chu, all of whom are independent non-executive Directors.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, and to review the Company's annual report and half-yearly reports and to provide advices and comments thereon to the Board.

The audit committee has reviewed the Group's annual results for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group.

CORPORATE GOVERNANCE

The Company is committed to adopt corporate governance practices. The Company's corporate governance practices are set out in the Corporate Governance Report on pages 44 to 54 of this annual report.

AUDITOR

At the Company's last annual general meeting, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015 our auditor changed the name under which it practices to RSM Hong Kong and accordingly has signed its report under its new name.

RSM Hong Kong will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of RSM Hong Kong as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Zuo Jian Zhong
Co-Chairman

Hong Kong
24 March 2016

CORPORATE GOVERNANCE REPORT

The Company emphasizes on corporate governance and is committed to maintaining high standard of corporate governance which is reviewed and strengthened from time to time.

CORPORATE GOVERNANCE PRACTICES

During the year under review (i.e. from 1 January 2015 to 31 December 2015) ("Reporting Period"), the Company has applied and complied with most of the applicable provisions as set out Corporate Governance Code contained in Appendix 14 (the "CG Code") of Listing Rules, except the deviation disclosed herein.

	Code Provision	Deviation	Considered Reason for deviation
A.2.1	the role of chairman and chief executive should be separate.	Mr. Zuo Jian Zhong was the co-chairman and undertook the duty of the chief executive officer ("CEO") since 27 May 2015.	Mr. Wang Zhiqiang remained as the co-chairman of the Company. The Board considered that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board considered that there is a sufficient balance and division of responsibilities and authority.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct for securities transactions and dealing (the "Code of Conduct") by Directors on terms no less exacting than the required standard set out in Model Code. The Company has made specific enquiry with all Directors, all the Directors have confirmed that they have complied with the required standards set out in the Model Code and the Code of Conduct during the Reporting Period.

BOARD OF DIRECTORS

During the Reporting Period, the Board consists of five executive Directors namely, Mr. Wang Zhiqiang (co-chairman), Mr. Zuo Jian Zhong (co-chairman), Mr. Tang Yau Sing, Mr. Zhang Zhige and Mr. Liu Wei and three independent non-executive Directors namely Mr. Chui Man Lung, Everett, Mr. Han Chu and Mr. Wu Hong. None of the Directors has any family relationship with any of other Directors.

The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interest of the Company and that the current board size as adequate for its present operations. Detailed biographies outlining each director's range of specialist experience and suitability for the successful long-term management of the Group can be found in the Section of "Directors and Senior Management Profiles".

During the Reporting Period, the Chairman met with the independent non-executive Directors without the executive Directors present.

Board Diversity

In compliance with the requirement set out in code provision A.5.6 of the CG Code, the Company adopted a board diversity policy (the "Board Diversity Policy") on 1 April 2014 which set out its approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Chairman and Chief Executive Officer

The Code provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

Mr. Wang Zhiqiang resigned as the CEO on 27 May 2015. Mr. Zuo Jian Zhong currently assumes the roles of both Chairman and CEO on 27 May 2015. The Company considers that the chairman is responsible for the operation of the Board and the CEO is responsible for managing the operations of the Group, and the responsibilities are clearly set out in writing and approved by the Board. Mr. Zuo Jian Zhong has undertaken the duties of both Chairman and CEO, which deviated from the provisions set out in the CG Code. Given the Group's current stage of development, the Board considers that vesting the roles of chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

Role and function of the Board and the management

The principal functions of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Group; to supervise the management of the business and affairs with the objective of enhancing the Company and shareholders' value with the proper delegation of the power to the management for its day-to-day operation of the Company, implementation of the budgets and strategic plans and development of the organization of the Company for implementing the Board's decision. The composition and functions of each Board committee and their major roles and functions are described below. The final decision still rests with the Board unless otherwise provided for in the terms of reference of the relevant committees.

Non-executive Directors

All non-executive Directors including independent non-executive Directors are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association at each annual general meeting.

Independent non-executive Directors are responsible to scrutinize the Company's performance in achieving agreed corporate goals and objectives; and ensuring that the exercise of the board authority is within the powers conferred to the Board under is Articles of Association, applicable laws, rules and regulations.

CORPORATE GOVERNANCE REPORT

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Directors consider that all the independent non-executive Directors remain independent.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Pursuant to Articles 87(1) and 87(2) of the Company's Articles of Association, one-third of the Directors for the time being shall retire by rotation at each annual general meeting of the Company at least once every three years. All retiring Director shall be eligible for re-election.

Article 86(3) of the Company's Articles of Association provides that (1) any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment, or (2) any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Every director, including non-executive directors and independent non-executive directors were appointed for a term of three years and would be subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company. Their appointments would be reviewed by Nomination Committee when they were due for re-election.

BOARD MEETINGS

The Board holds at least four meetings a year. The Board convenes meetings on a regular basis and on an ad hoc basis, as required by business needs. All Directors are invited to attend the Board meetings in person or by telephone conference.

Sufficient notices for regular board meetings and reasonable notices for non-regular board meetings were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings. Board papers will be given to the Board before the date of the Board meeting by the Company Secretary.

If a substantial shareholder or a Director has a conflict of interest in a matter, the matter will be dealt by a physical Board meeting rather than a written resolution.

During the Reporting Period, the Board held a total of 13 Board meetings.

Details of Directors' attendance record in the year of 2015 are as follows:

Directors	No. of meetings attended/ No. of meetings held
Executive Directors	
Wang Zhiqiang	11/13
Zuo Jian Zhong	10/13
Tang Yau Sing	13/13
Zhang Zhige (appointed on 1 April 2015)	11/12
Liu Wei (appointed on 1 April 2015)	11/12
Non-Executive Director	
Kotoi Hirofumi (resigned on 25 May 2015)	1/1
Independent Non-Executive Directors	
Chui Man Lung, Everett	8/13
Han Chu	11/13
Wu Hong	12/13

Company Secretary

During the Reporting Period, the Company Secretary was responsible for advising the Board on compliance and corporate governance matters. The Company Secretary also prepared detailed minutes of each meeting. The minutes would be sent to the members of the Board for comments as soon as practicable after conclusion of the meetings. The Company Secretary reports to the Chairman. All Directors also have access to the advice and services of the Company Secretary to ensure that all applicable laws, rules and regulations are followed.

The Company Secretary has confirmed that she has taken no less 15 hours of relevant professional training during the year 2015 as required by Listing Rule 3.29.

ACCESS TO INFORMATION

All Directors are kept informed of major changes of the Group's business from time to time. They have unrestricted access to the advices from the Company Secretary who are responsible to provide the Board papers and related materials.

Minutes of Board Meeting and Board Committee meetings are kept by the Company Secretary and are open for inspection by any Director. The Directors including independent non-executive Directors may seek for legal advices at the Company's expenses to discharge their duties.

DIRECTORS' AND OFFICERS' LIABILITY

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

A comprehensive, formal and tailored induction training will be given to every newly appointed Directors. Directors will be provided with materials relevant to the Company's business and director's duties and responsibilities. In addition, in order to allow the Directors to understand the latest development of regulatory and compliance issues, they are also provided with market news and regulatory updates. A summary of their records of continuous development training ("CPD") is as follows:

Directors	Types of CPD	Subject of CPD
Executive Directors		
Wang Zhiqiang	1,2	A,B
Zuo Jian Zhong	2	A,B
Tang Yau Sing	1,2	A,B
Zhang Zhige (appointed on 1 April 2015)	1,2	A,B
Liu Wei (appointed on 1 April 2015)	1,2	A,B
Non-Executive Directors		
Kotoi Hirofumi (resigned on 25 May 2015)	1,2	A,B
Independent Non-Executive Directors		
Chui Man Lung, Everett	1,2	A,B
Han Chu	2	A,B
Wu Hong	2	A,B

Note 1:

1. Attending in-house training or seminars
2. Reading newspapers, journals and updated legal and regulatory news

Note 2:

A. The Company's business
B. Laws, rules and regulations, accounting standards

BOARD COMMITTEES

The Board has established three committees with specific written terms of reference to oversee particular aspects of the Company's affairs.

Audit Committee

During the Reporting Period, Audit Committee consists of all independent non-executive Directors namely Mr. Chui Man Lung, Everett (the Chairman), Mr. Han Chu and Mr. Wu Hong.

The primary duties of the Audit Committee include, inter alia, to review and monitor financial reporting and the judgments contained therein; and to review financial and internal controls half-yearly and annually, accounting policies and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditor as well as their terms of appointment.

The Audit Committee reviewed and discussed with the management the accounting principles and practice adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial statements of the Group for the financial year ended 31 December 2015 have been reviewed by the current Audit Committee.

Attendance of the Audit Committee members during the relevant period is set out below:

Members	No. of meetings attended/ No. of meetings held
Chui Man Lung, Everett	2/2
Wu Hong	2/2
Han Chu	1/2

Nomination Committee

The Nomination Committee comprising all independent non-executive Directors Mr. Han Chu (appointed as Chairman on 27 May 2015), Mr. Chui Man Lung, Everett and Mr. Wu Hong. Mr. Wang Zhiqiang resigned as the Chairman and the member of Nomination Committee on 27 May 2015.

The major functions of the Nomination Committee are to review the structure and composition of the Board, to review and provide recommendations to the shareholders of the Company on individuals suitably qualified to become Board members and the terms of Director's service contract, and to assess the independence of the independent non-executive Directors and to review the Board Diversity Policy.

The Nomination Committee has been provided with sufficient resources to perform its duties and may seek independent professional advice at the Company's expenses, to perform its responsibilities if it considers necessary.

Attendance of the Nomination Committee members during the relevant period is set out below:

Members	No. of meetings attended/ No. of meetings held
Han Chu	1/1
Chui Man Lung, Everett	1/1
Wu Hong	1/1
Wang Zhiqiang (resigned on 27 May 2015)	1/1

Salary Review Committee

The Salary Review Committee of the Company comprising four members with a majority of independent non-executive Directors namely Mr. Wu Hong (the Chairman), Mr. Zuo Jian Zhong (appointed on 27 May 2015), Mr. Chui Man Lung, Everett and Mr. Han Chu. Mr. Wang Zhiquang resigned as the member of Salary Review Committee on 27 May 2015.

The primary objectives of Salary Review Committee is, inter alia, to formulate the remuneration policy based on the responsibilities, qualifications and working performance of senior management and directors; review and recommend the Board's annual remuneration policy. The major objective of the remuneration policy is to ensure that the Company is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Company.

During the Reporting Period, the Salary Review Committee held 2 meetings. It reviewed the remuneration package of Directors and considered the terms of appointment of the newly appointed Directors.

Attendance of the Salary Review Committee members during the relevant period is set out below:

Members	No. of meetings attended/ No. of meetings held
Wu Hong	2/2
Zuo Jian Zhong (appointed on 27 May 2015)	0/0
Chui Man Lung, Everett	2/2
Han Chu	2/2
Wang Zhiqiang (resigned on 27 May 2015)	2/2

Details of remuneration paid to Directors and senior management for the year are set out in note 14 to the consolidated financial statements.

CORPORATE GOVERNANCE FUNCTION

During the Reporting Period, the Board responsible for performing the corporate governance duties as follows:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendation to the Board;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance policies.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the Reporting Period. The Directors consider that the consolidated financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong. Having made appropriate enquiries, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The financial statements of the Company for the year ended 31 December 2015 have been reviewed by the current audit committee of the Company (the "Audit Committee") and audited by the external auditors, Messrs. RSM Hong Kong.

For the year ended 31 December 2015, the remuneration paid/payable to RSM Hong Kong, the auditors of the Company, is set out as follows:

Services	**Fee (HK$)**
Audit Fee	3,100,000
Non-audit Fees	979,000

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board delegated to the management the implementation of such systems of internal controls as well as the annual review of relevant financial, operational and compliance controls and risk management procedures.

Risk Management Committee was established on 31 December 2015 overseeing the relevant risk management systems and ensuring that they are compatible with the Group's strategy and risk appetite.

The Risk Management Committee comprising three Executive Directors namely Mr. Tang Yau Sing (Chairman), Mr. Zuo Jian Zhong and Mr. Zhang Zhige.

The Risk Management Committee has developed a framework for the management and control of risks in the Group. The Risk Management Committee ensures that any new and emerging risks are promptly identified, evaluated and appropriate actions are taken by the management. This requires the active and frequent participation by the process owner of each function in identifying risks affecting its business and implementing measures to reduce such risks, as well as the active monitoring on the progress of the improvement in internal control procedures.

During the financial year and up to the date of this Annual Report, it determined the scope and reviewed the Company's risk management.

During the year under review, the Board, through the internal audit department, has performed internal control review on major operations of the Group. The Board, in conjunction with the Audit Committee, annually assessed and reviewed the effectiveness of the internal control systems and procedures and considered the adequacy of resources and financial reporting function. The Audit Committee has reviewed reports from the internal audit department with their findings and recommendations for improving the internal control system of the Group and is satisfied that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

SHAREHOLDERS' RIGHTS

Pursuant to Article 58 of the Company's Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself or themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. the requisition in writing should be sent to the Company's office at Unit 2001, 20/F., Lippo Centre, Tower 2, No. 89 Queensway, Admiralty, Hong Kong.

The same procedure also applies to any proposal to be tabled at shareholders' meetings for adoption. The Board will review shareholders' enquires on a regular basis. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the above address.

In case of shareholding enquires, shareholders should direct their enquiries to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, via its online holding enquiry at www.tricoris.com, or by email to is-enquiries@hk.tricorglobal.com or dial its hotline at (852) 2980 1333 or go in person at its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

During the Reporting Period, the Board has adopted the shareholders' communication policy, which is posted on the Company's website.

Designated senior management is responsible for communicating and enhancing relationships with the investors of the Company. Enquiries from investors are dealt with in a timely manner.

The Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

Details of the Directors' attendances at the 2015 general meetings are as follows:

Directors	**No. of general meetings attended/ No. of general meetings held**
Executive Directors	
Wang Zhiqiang	1/5
Zuo Jian Zhong	2/5
Tang Yau Sing	4/5
Zhang Zhige (appointed on 1 April 2015)	1/5
Liu Wei (appointed on 1 April 2015)	1/5
Non-Executive Director	
Kotoi Hirofumi (resigned on 25 May 2015)	0/0
Independent Non-Executive Directors	
Chui Man Lung, Everett	4/5
Wu Hong	1/5
Han Chu	1/5

CONSTITUTIONAL DOCUMENTS

The Company does not have any changes in the constitutional document during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

(a) Change of Executive Directors

Mr. Wang Zhiqiang, Mr. Zuo Jian Zhong, Mr. Tang Yau Sing, Mr. Zhang Zhige and Mr. Liu Wei resigned as executive directors of the Company on 1 April 2016.

Mr. Lau Wan Po and Mr. Zhang Xiaodong were appointed as executive directors of the Company on 1 April 2016.

(b) Appointment of Non-Executive Director

Ms. Xia Lingjie was appointed as a non-executive director of the Company on 1 April 2016.

(c) Change of Chairman and Chief Executive Officer

Mr. Wang Zhiqiang and Mr. Zuo Jian Zhong ceased as the co-chairman of the Company on 1 April 2016.

Mr. Zhang Xiaodong was appointed as the chairman and the chief executive officer of the Company on 1 April 2016.

(d) Change of Members of the Committees of the Board

Mr. Zuo Jian Zhong ceased as a member of the Salary Review Committee and the Risk Management Committee of the Company on 1 April 2016.

Mr. Zhang Xiaodong was appointed as a member of the Salary Review Committee on 1 April 2016.

Mr. Tang Yau Sing and Mr. Zhang Zhige ceased as the chairman and a member of the Risk Management Committee of the Company respectively on 1 April 2016.

Mr. Zhang Xiaodong was appointed as the Chairman of the Risk Management Committee of the Company on 1 April 2016.

Mr. Lau Wan Po and Ms. Xia Lingjie were appointed as members of Risk Management Committee of the Company on 1 April 2016.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Company and its subsidiaries ("Group") is committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live.

ENVIRONMENTAL PROTECTION

The Group has strictly endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental technologies to ensure its standards and ethics in respect of environmental protection.

Several measures have been implemented in order to mitigate emissions produced by the Group's offices, such as using more LED lamps, switching off the lights after office hours, etc.

Paper recycling policy is implemented in offices in Hong Kong and PRC. Staff members are encouraged to adopt energy saving practices, such as setting their computers to sleep mode when not in use, reducing the energy usage in air conditions and reducing paper consumption in internal communications by switching to the use of emails.

The Group has actively promoted material-saving and the extensive use of reused papers so as to protect the environment and improve air quality within the community.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed.

The Group complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") for, among other things, the disclosure of information and corporate and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

WORKPLACE QUALITY

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics.

The Group has established policy outlining terms and conditions of employment, expectations for employees' conduct and behavior as well as employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced.

CORPORATE SOCIAL RESPONSIBILITY REPORT

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals, so the Group commits to provide high quality services to customers and develop mutual trust with suppliers. During the year ended 31 December 2015, there were no material and significant dispute between the Group and its suppliers and/or customers.

HEALTH AND SAFETY

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of staff. In order to provide employees with health coverage, they are entitled to medical insurance benefits as well as other health awareness programs.

The Group's operations are covered by insurance policies to cover third party liability and employee compensation.

COMMUNITY INVOLVEMENT

The Group believes that by encouraging staff to participate in a wide range of charitable events, concern for the community will be raised and boosted, which would inspire more people to take part in serving the community.

INDEPENDENT AUDITOR'S REPORT

RSM

TO THE MEMBERS OF NEW SPORTS GROUP LIMITED
(FORMERLY KNOWN AS "SINOCOM SOFTWARE GROUP LIMITED")
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Sports Group Limited (formerly known as "SinoCom Software Group Limited") (the "Company") and its subsidiaries set out on pages 59 to 142, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

RSM Hong Kong
Certified Public Accountants
Hong Kong

24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	7	**502,980**	582,892
Cost of services		**(429,669)**	(527,672)
Gross profit		**73,311**	55,220
Administrative expenses		**(132,209)**	(92,685)
Research and development expenses		**(13,577)**	–
Fair value loss on contingent consideration	30	**(51,750)**	–
Other income, gains/(losses)	8	**92,722**	(8,183)
Loss from operations		**(31,503)**	(45,648)
Finance costs	10	**(19,590)**	–
Share of result of an associate	22	**–**	(341)
Loss before tax		**(51,093)**	(45,989)
Income tax expense	11	**(15,228)**	(10,921)
Loss for the year	12	**(66,321)**	(56,910)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translating foreign operations		**(45,124)**	(2,091)
Exchange differences reclassified to profit or loss on disposal of subsidiaries		**(3,873)**	(1,165)
Exchange differences reclassified to profit or loss on deregistration of an associate		**269**	–
Other comprehensive income for the year, net of tax		**(48,728)**	(3,256)
Total comprehensive income for the year		**(115,049)**	(60,166)
Loss for the year attributable to:			
Owners of the Company		**(76,401)**	(56,799)
Non-controlling interests		**10,080**	(111)
		(66,321)	(56,910)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(120,962)**	(60,045)
Non-controlling interests		**5,913**	(121)
		(115,049)	(60,166)
Loss per share			(restated)
— Basic	17	**HK0.575 cents**	HK0.503 cents
— Diluted	17	**HK0.575 cents**	HK0.503 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	18	**6,947**	13,433
Goodwill	19	**712,622**	7,308
Other intangible assets	20	**165,197**	–
Deposits paid for property, plant and equipment		**19,919**	–
Investment in an associate	22	**–**	2,730
Deposits paid for acquisitions of subsidiaries	23	**77,584**	385,000
Other deposits	24	**720**	1,610
Deferred tax assets	33	**–**	2,215
		982,989	412,296
Current assets			
Trade and other receivables	25	**184,928**	74,661
Investment receivables	26	**–**	102,459
Amount due from a director	42	**15,127**	–
Amount due from a related company	42	**–**	11,422
Current tax assets		**1,001**	1,742
Term deposits with initial terms of over three months	27	**–**	20,184
Bank balances and cash	27	**419,212**	176,642
		620,268	387,110
Current liabilities			
Borrowings	28	**21,485**	–
Convertible bonds	32	**258,576**	–
Trade and other payables	29	**91,066**	132,351
Contingent consideration	30	**169,500**	–
Deferred revenue	31	**5,478**	–
Current tax liabilities		**27,558**	22,811
		573,663	155,162
Net current assets		**46,605**	231,948
Total assets less current liabilities		**1,029,594**	644,244
Non-current liabilities			
Deferred revenue	31	**1,181**	–
Deferred tax liabilities	33	**14,863**	780
		16,044	780
NET ASSETS		**1,013,550**	643,464

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	**2015** HK$'000	2014 HK$'000
Capital and reserves			
Share capital	34	**36,533**	32,896
Reserves	36(a)	**907,065**	604,468
Equity attributable to owners of the Company		**943,598**	637,364
Non-controlling interests		**69,952**	6,100
TOTAL EQUITY		**1,013,550**	643,464

Approved by the Board of Directors on 24 March 2016 and are signed on its behalf by:

Zuo Jian Zhong
Director

Tang Yau Sing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company													
	Share capital	Share premium	Share redemption reserve	Capital reserve	Other reserve	General reserve fund	Convertible bonds reserve	Shareholder's contribution	Translation reserve	Share options reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Note 36(b)(i))	(Note 36(b)(ii))	(Note 36(b)(iii))	(Note 36 (b)(iv))	(Note 36(b)(v))	(Note 36(b)(vi))	(Note 36(b)(vii))	(Note 36(b)(viii))	(Note 36(b)(ix))				
At 1 January 2014	27,896	111,189	2,269	10,657	5,078	28,639	–	4,118	113,667	8,426	248,970	560,909	3,963	564,872
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(3,246)	–	(56,799)	(60,045)	(121)	(60,166)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	2,258	2,258
Transfer of share options reserve upon lapse of share options	–	–	–	–	–	–	–	–	–	(2,007)	2,007	–	–	–
Issue of shares on placement (Note 34 (d))	5,000	131,500	–	–	–	–	–	–	–	–	–	136,500	–	136,500
Changes in equity for the year	5,000	131,500	–	–	–	–	–	–	(3,246)	(2,007)	(54,792)	76,455	2,137	78,592
Balance at 31 December 2014	32,896	242,689	2,269	10,657	5,078	28,639	–	4,118	110,421	6,419	194,178	637,364	6,100	643,464
At 1 January 2015	32,896	242,689	2,269	10,657	5,078	28,639	–	4,118	110,421	6,419	194,178	637,364	6,100	643,464
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(44,561)	–	(76,401)	(120,962)	5,913	(115,049)
Acquisition of subsidiaries (Note 38 (a))	–	–	–	–	–	–	–	–	–	–	–	–	64,835	64,835
Acquisition of non-controlling interests (Note 38 (d))	–	–	–	–	–	–	–	–	–	–	(1,758)	(1,758)	(6,896)	(8,654)
Disposal of a subsidiary	–	–	–	–	–	(812)	–	–	–	–	812	–	–	–
Equity component of convertible bonds (Note 32)	–	–	–	–	–	–	43,805	–	–	–	–	43,805	–	43,805
Share based payments	–	–	–	–	–	–	–	–	–	58,931	–	58,931	–	58,931
Issue of shares on exercise of share options (Note 34(b))	237	18,840	–	–	–	–	–	–	–	(6,067)	–	13,010	–	13,010
Transfer of share options reserve upon lapse of share options	–	–	–	–	–	–	–	–	–	(352)	352	–	–	–
Conversion of convertible bonds (Note 32)	100	10,202	–	–	–	–	(1,323)	–	–	–	–	8,979	–	8,979
Issue of shares on placement (Note 34 (d))	1,675	155,654	–	–	–	–	–	–	–	–	–	157,329	–	157,329
Issue of shares on acquisition of subsidiaries (Note 34 (e))	1,625	145,275	–	–	–	–	–	–	–	–	–	146,900	–	146,900
Changes in equity for the year	3,637	329,971	–	–	–	(812)	42,482	–	(44,561)	52,512	(76,995)	306,234	63,852	370,086
Balance at 31 December 2015	36,533	572,660	2,269	10,657	5,078	27,827	42,482	4,118	65,860	58,931	117,183	943,598	69,952	1,013,550

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(51,093)**	(45,989)
Adjustments for:			
Share of result of an associate	22	**–**	341
Loss on deregistration of an associate	22	**418**	–
Interest income		**(957)**	(8,029)
(Gain)/loss on disposal of subsidiaries	38(d)	**(76,400)**	2,055
Interest on convertible bonds	10	**19,590**	–
Amortisation of other intangible assets	20	**52,928**	–
Depreciation of property, plant and equipment	18	**7,050**	12,686
Loss on disposal of property, plant and equipment	12	**1,053**	246
Fair value loss on contingent consideration	30	**51,750**	–
Share-based payments	37	**58,931**	–
Loss on disposal of available-for-sale financial assets		**–**	1,362
Allowance for doubtful debts		**–**	326
Bad debts written off	8	**6,538**	–
Compensation for early termination of the lease on office premises	42	**–**	(10,086)
Exchange (gain)/loss unrealised		**(353)**	8,332
Operating profit/(loss) before working capital changes		**69,455**	(38,756)
(Increase)/decrease in trade and other receivables		**(70,563)**	20,875
Increase in deferred revenue		**(279)**	–
Decrease in amount due from a related company		**11,422**	–
(Decrease)/increase in trade and other payables		**(7,681)**	37,469
Cash generated from operations		**2,354**	19,588
Income tax paid		**(6,197)**	(13,188)
Interest received		**608**	1,246
Net cash (used in)/generated from operating activities		**(3,235)**	7,646

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of short term investments		**(136,341)**	(1,866,181)
Loan repaid from/(granted to) the Seller	25	**18,643**	(19,014)
Decrease of term deposits		**19,790**	4,889
Increase in amount due from a director		**(6,313)**	–
Purchases of property, plant and equipment		**(16,454)**	(9,369)
Acquisition of subsidiaries	38	**(318,871)**	–
Deposits paid for acquisition of property, plant and equipment		**(19,919)**	–
Deposits paid for acquisitions of subsidiaries		**(27,584)**	(385,000)
Proceeds from disposal of short term investments		**236,779**	1,763,722
Proceeds of deregistration of an associate	22	**2,581**	–
Interest received for short term investments		**349**	5,043
Proceeds from disposal of available-for-sale financial assets		**–**	13,451
Net cash inflow/(outflow) from disposal of subsidiaries	38(d)	**62,314**	(904)
Proceeds from disposal of property, plant and equipment		**128**	978
Net cash used in investing activities		**(184,898)**	(492,385)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of non-controlling interests		**(8,654)**	–
Proceeds from issue of convertible bonds	32	**291,770**	–
Proceeds from issue of shares on exercise of share options		**13,010**	–
Proceeds from issue of shares on placements		**157,329**	136,500
Net cash generated from financing activities		**453,455**	136,500
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**265,322**	(348,239)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**176,642**	535,174
Effect of foreign exchange rate changes		**(22,752)**	(10,293)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**419,212**	176,642
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**419,212**	176,642

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Unit 2001, 20/F., Lippo Centre, Tower 2, No. 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On 31 December 2015, the Group acquired the entire equity interest in Kingworld Holdings Limited ("Kingworld Holdings"). A series of contractual agreements (the "Kingworld Control Agreements") was entered into between a wholly-owned subsidiary incorporated in the People's Republic of China (the "PRC"), Kingworld Wuxian (Beijing) Sports Technology Co., Ltd. ("Kingworld Wuxian"), Kingworld (Beijing) Technology Co., Ltd. ("Kingworld Beijing"), Mr. Zhou Xu and Ms. Xu Rong who are the legal shareholders of Kingworld Beijing.

On 31 December 2015, the Group acquired the entire equity interest in Key Rich Corporation Limited ("Key Rich"). A series of contractual agreements (the "Key Rich Control Agreements") was entered into between a wholly-owned subsidiary incorporated in the PRC, Shanghai Xuanyue Business Consulting Co., Ltd. ("Shanghai Xuanyue"), Chongqing Quanben Investment Consulting Co., Ltd. ("Chongqing Quanben"), and Ms. Wang Hui who is the legal shareholder of Chongqing Quanben.

The Kingworld Control Agreements and Key Rich Control Agreements (collectively, "Control Agreements") enable the Group, through Kingworld Wuxian and Shanghai Xuanyue, to control over Kingworld Beijing and Chongqing Quanben (collectively, "Structured Subsidiaries") respectively with particulars as follows:

— exercise effective financial and operational control over the Structured Subsidiaries;

— exercise owners' voting rights of the Structured Subsidiaries;

— receive substantially all of the economic interest returns generated by the Structured Subsidiaries in consideration for the business supports, technical and consulting services provided by the Group;

— obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Structured Subsidiaries from the respective owners at a minimum purchase price permitted under the PRC laws and regulations, and all or part of the assets of the Structured Subsidiaries at the net book value of such assets or such minimum purchase price permitted under the PRC laws and regulations. The Group may exercise such options at any time until it has acquired all equity interests and/or all assets of the Structured Subsidiaries; and

— obtain pledges over the entire equity interests of the Structured Subsidiaries from their respective owners as collateral security for all of the Structured Subsidiaries' payments due to the Group under the Control Agreements.

1. GENERAL INFORMATION *(Continued)*

The Group does not have any equity interests in the Structured Subsidiaries. However, as a result of the Control Agreements, the Group has rights to variable returns from its involvement with the Structured Subsidiaries and has the ability to affect those returns through its power over the Structured Subsidiaries and is considered to control the Structured Subsidiaries. Consequently, the Company regards the Structured Subsidiaries as indirect subsidiaries for accounting purpose.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 21 to the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

(a) Application of new and revised HKFRSs

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS *(Continued)*

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. the contingent considerations that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's presentation and functional currency. The functional currency of the principal operating subsidiaries of the Group is Renminbi ("RMB"). The directors consider that choosing HK$ as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Office equipment	10%–$33^1/_3$%
Motor vehicles	20%–25%
Leasehold improvements	Over the lease term

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Other intangible assets

Internally-generated intangible assets — Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's game operation is recognised only if all of the following conditions are met:

— An asset is created that can be identified (such as software and new processes);

— It is probable that the asset created will generate future economic benefits;

— The development cost of the asset can be measured reliably;

— The technical feasibility of completing the intangible asset so that it will be available for use or sale;

— The intention to complete the intangible asset and use or sell it; and

— The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Intangible assets acquired separately — Exclusive rights for operation of sports apps, non-competition right and copyrights

Exclusive rights for operation of sports apps, non-competition right and copyrights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated at rates sufficient to write off their cost over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Exclusive rights for operation of sports apps	1–3 years
Non-competition right	5 years
Copyrights	3 years

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(i) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments 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 instruments, are measured at cost less impairment losses.

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

(o) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Provision of outsourcing software development services and technical support services

Revenue from provision of outsourcing software development services and technical support services are recognised when the services are provided in the normal course of business, net of discounts and sales related taxes.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(ii) Online game operation

The Group operates its online games through cooperation with various third-party game distribution platforms including online application stores, web-based and mobile game portals and derives its revenue from sales of in-game currency and items.

The Group's online games allow players to play for free. Players can purchase in-game virtual currency, which can be used to obtain in-game items and premium features, commonly known as virtual items, to enhance their game-playing experience.

Players purchase the Group's in-game currency through the platforms' own charging systems by remitting the payment directly to the platforms. After deducting the commission charged by the platforms, the platforms remit the rest of net proceeds to the Group. The portion of the proceeds received by the Group is calculated based on the standard price of in-game virtual currency sold and agreed share ratio in contracts with the platforms.

The Group is responsible for providing ongoing updates of new contents, technical support for the operation of the games. The platforms are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections from players.

Certain third-party platforms like mobile game portals offer various marketing discounts from time to time to players to encourage spending on these platforms. The actual prices paid by individual players may be lower than the standard prices of virtual currency. Such marketing discounts are neither available to be tracked reliably nor borne by the Group. As such, the Group is not able to make a reasonable estimate of the gross revenue (the actual amounts paid by the players). For revenue related to these platforms, it is measured at the fair value of the consideration received or receivable, which is the net amount from these third-party platforms.

The in-game items and premium features, which are purchased directly or by virtual currency, are considered value-added services and rendered over a pre-specified period or throughout the whole game life. Once the players purchase virtual currency, the proceeds are recorded in deferred revenue and recognised in revenue after the virtual currency is used to purchase in-game items or premium features which is either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life of paying players as appropriate. The Group monitors the operational statistics and usage patterns of the virtual items.

During the year, most of the Group's in-game items and premium features were consumable and consumed upon purchase immediately. As such, the Group's deferred revenue as of the period end stands for the balance of virtual currency not yet spent.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(iii) Licensing revenue

The Group receives royalty income from third-party licencees in exchange for the exclusive operation of the Group's self-developed games in certain regions and providing related technical support. The royalty fees include an upfront fee and, in certain cases, an additional fee during the contracted license period, which is determined based on an agreed amount when accumulated virtual currency purchased by the players with accounts registered with the third parties exceeds certain amounts. The upfront fee is recognised ratably over the contracted license period. The additional royalty fee is recognised upon the actual purchase by the players exceeds the agreed amount in contract.

(iv) Provision of outsourcing game development services

Revenue from provision of outsourcing game development services are recognised when the services are provided in the normal course of business, net of discounts and sales related taxes.

(v) Consulting services income

Revenue from consulting services is recognised as services are rendered.

(vi) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. 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 shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(t) 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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(u) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other 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 arising on investments in subsidiaries, 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(x) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control Agreements

The Group conducts its provision of online game services and Peer-to-Peer ("P2P") financial intermediary services through the Structured Subsidiaries. The Group does not have any equity interests in the Structured Subsidiaries. The directors of the Company assessed whether or not the Group has control over the Structured Subsidiaries based on whether the Group has the power over the Structured Subsidiaries, has right to variable returns from its involvement with the Structured Subsidiaries and has the ability to affect those returns through its power over the Structured Subsidiaries. After assessment, the directors of the Company concluded that the Group has control over the Structured Subsidiaries as a result of the Control Agreements and accordingly, the Group has consolidated the financial position and results of the Structured Subsidiaries in the consolidated financial statements for the year ended 31 December 2015.

Nevertheless, the Control Agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Structured Subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Structured Subsidiaries. The directors of the Company, based on the advice of their legal counsels, consider that the Control Agreements are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Key sources of estimation uncertainty

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

Income taxes

The Group is subject to income taxes in the PRC and Japan. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit 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 cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$712,622,000 after an impairment loss of HK$Nil was recognised during the year. Details of the impairment loss calculation are provided in note 19 to the consolidated financial statements.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2015, accumulated impairment loss for bad and doubtful debts amounted to HK$6,538,000 (2014: HK$Nil).

Fair value of contingent consideration

As disclosed in Note 38(a) to the consolidated financial statements, the fair value of the contingent consideration in relation to the acquisition of Heroic Coronet Limited ("Heroic Coronet") at the date of acquisition was determined using the Company's share price based on quoted market price and the profit forecast of the subsidiary. While the fair value of the contingent consideration at the end of the reporting period was determined using the Company's share price based on quoted market price and the management accounts of the subsidiary. Application of profit forecast or management accounts requires the Group to estimate whether the 2015 Net Profit (as defined in Note 38(a)) is expected to be or has been met.

As at 31 December 2015, the carrying amount of the contingent consideration in relation to the acquisition of Heroic Coronet is HK$169,500,000.

Fair value of Adjustment Amount

As disclosed in Note 38(b) to the consolidated financial statements, the fair value of the Adjustment Amount (as defined in Note 38(b)) in relation to the acquisition of Kingworld Holdings at the acquisition date, which is same as the end of the reporting period, was determined using the profit forecast of Kingworld Holdings and its subsidiaries. Application of this profit forecast requires the Group to estimate whether the 2016 Net Profit (as defined in Note 38(b)) is expected to be met.

As at 31 December 2015, the carrying amount of the Adjustment Amount in relation to the acquisition of Kingworld Holdings is HK$Nil.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Online game revenue recognition

During the year, most of the in-game items and premium features are consumable virtual items and consumed immediately upon purchase using in-game virtual currency. Therefore, for the purpose of revenue recognition, the online game revenue is recognised based on the actual consumption of the virtual currency. Income received in respect of unutilised virtual currency is recognised as deferred revenue. As to the amount of deferred revenue in respect of unutilised virtual currency, management's estimation is required in determining the average sales value of those unutilised virtual currency because besides virtual currencies sold to players, there are a number of virtual currencies that were granted to players free of charge after players complete certain tasks within the games. In assessing the amount of average sales value for the virtual currency, management considers the weighted average sales value of both virtual currencies sold and virtual currencies granted for free.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Japanese Yen ("JPY") and HK$, and the functional currency of the principal operating entities of the Group is RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
JPY	**–**	42,896	**4,300**	144,929
HK$	**265,579**	5,091	**334,923**	395,081

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

The sensitivity analysis has been determined based on the exposure to a 5% (2014: 5%) increase and decrease in the functional currency against the relevant foreign currencies. 5% (2014: 5%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding amounts of relevant subsidiaries' foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2014: 5%) change in foreign currency rates.

For a 5% (2014: 5%) strengthening/weakening of functional currency against JPY, the consolidated loss for the year would have been HK$181,000 higher/lower (2014: HK$3,817,000 higher/lower). For a 5% (2014: 5%) strengthening/weakening of functional currency against HK$, the consolidated loss for the year would be HK$2,880,000 higher/lower (2014: HK$16,282,000 higher/lower).

(b) Credit risk

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances and cash and term deposits with initial terms of over three months is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk on trade receivables by geographical location is mainly in the PRC.

The Group has concentration of credit risk as 35.7% (2014: 40.2%) and 73.1% (2014: 72.4%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015					
Borrowings	**22,514**	**–**	**–**	**–**	**22,154**
Convertible bonds	**114,500**	**218,500**	**–**	**–**	**333,000**
Trade payables	**2,760**	**–**	**–**	**–**	**2,760**
Wages and salaries payables and other payables	**83,377**	**–**	**–**	**–**	**83,377**
At 31 December 2014					
Trade payables	17,993	–	–	–	17,993
Wages and salaries payables and other payables	95,402	–	–	–	95,402

(d) Interest rate risk

The Group's cash flow interest rate risk primarily relates to bank deposits and bank borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. The directors of the Company consider the Group's exposure to interest rate risk on fixed bank deposits and bank borrowings is not significant. Hence, no sensitivity analysis is presented.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments at 31 December

	2015	2014
	HK$'000	HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**566,696**	354,948
Term deposits with initial terms of over three months	**–**	20,184
Financial liabilities:		
Financial liabilities measured at amortised cost	**86,138**	113,395
Financial liabilities at fair value through profit or loss:		
Contingent consideration	**169,500**	–

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

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

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

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FAIR VALUE MEASUREMENTS *(Continued)*

Disclosures of level in fair value hierarchy at 31 December 2015:

Description	Fair value measurements using: Level 3 HK$'000
Recurring fair value measurements:	
Financial liabilities	
Contingent consideration (Note 38(a))	169,500

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Observable/ unobservable inputs	Range	Effect on fair value for increase of inputs HK$'000	Fair value 2015 Asset/(liabilities) HK$'000
Contingent consideration	Income approach	The Company's share price	HK$0.01	(7,500)	**(169,500)**
		Management accounts	Not applicable	Not applicable	–

Reconciliation of assets measured at fair value based on level 3

Description	Contingent consideration HK$'000
Acquisition of Heroic Coronet (Note 38(a))	117,750
Fair value loss during the period	51,750
At 31 December 2015	169,500

7. REVENUE

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

	2015	2014
	HK$'000	HK$'000
Outsourcing software development services	**396,996**	579,771
Technical support services	**4,712**	3,121
Online game operation	**82,448**	–
Licensing fee income	**4,053**	–
Game development income	**14,771**	–
	502,980	582,892

8. OTHER INCOME, GAINS/(LOSSES)

	2015	2014
	HK$'000	HK$'000
Interest income from short term investments	**349**	5,043
Interest income from loan receivables	**–**	1,740
Interest income from bank balances	**608**	1,246
Government subsidies (Note (a))	**8,348**	9,524
Compensation for early termination of the lease on office premises (Note 42)	**–**	10,086
Net foreign exchange gain/(loss) (Note (b))	**14,802**	(31,767)
Allowance for doubtful debts	**–**	(326)
Loss on disposal of available-for-sale financial assets	**–**	(1,362)
Loss on deregistration of an associate	**(418)**	–
Gain/(loss) on disposal of subsidiaries (Note 38(d))	**76,400**	(2,055)
Bad debt written off	**(6,538)**	–
Others	**(829)**	(312)
	92,722	(8,183)

Notes:

(a) Government subsidies include subsidies from local government for the employment of new university graduates of approximately HK$127,000 (2014: HK$2,149,000) and for its exports of outsourcing software development services of approximately HK$7,151,000 (2014: HK$7,327,000). The Group recognises the government subsidies when it fulfills all the conditions specified in the subsidy notice or relevant law and regulations.

(b) The foreign exchange gain/(loss) is mainly attributable to bank balances and cash, and trade receivables denominated in JPY arising from the depreciation in JPY against the functional currency of each of the Group's entities.

9. SEGMENT INFORMATION

The Group has three operating segments as follows:

Software development	—	outsourcing software development services and technical support services
Provision of online game services	—	design, development and operation of the mobile and web games
P2P financial intermediary services	—	P2P financial intermediary services and other relevant consultation services

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment revenue and results

The following is an analysis of revenue and results by operating segment of the Group:

Year ended 31 December 2015

	Software development in the PRC HK$'000	Software development in Japan HK$'000	Provision of online game services in the PRC HK$'000	P2P financial intermediary services in the PRC HK$'000	Total HK$'000
Revenue	7,294	394,414	101,272	–	502,980
Cost of services	(8,581)	(365,760)	(55,328)	–	(429,669)
Gross (loss)/profit	(1,287)	28,654	45,944	–	73,311
Administrative expenses	–	(48,574)	(5,225)	–	(53,799)
Research and development expenses	–	–	(13,577)	–	(13,577)
Segment results	(1,287)	(19,920)	27,142	–	5,935
Fair value loss on contingent consideration					(51,750)
Other income, gains/(losses)					92,722
Finance costs					(19,590)
Unallocated corporate expenses					(78,410)
Loss before tax					(51,093)

9. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Year ended 31 December 2014

	Software development in the PRC HK$'000	Software development in Japan HK$'000	Provision of online game services in the PRC HK$'000	P2P financial intermediary services in the PRC HK$'000	Total HK$'000
Revenue	31,615	551,277	–	–	582,892
Cost of services	(32,066)	(495,606)	–	–	(527,672)
Gross (loss)/profit	(451)	55,671	–	–	55,220
Administrative expenses	(2,263)	(58,673)	–	–	(60,936)
Segment results	(2,714)	(3,002)	–	–	(5,716)
Share of result of an associate					(341)
Other income, gains/(losses)					(8,183)
Unallocated corporate expenses					(31,749)
Loss before tax					(45,989)

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

The accounting policies of the operating segments are the same as those described in Note 3 to the consolidated financial statements. Segment result represents the profit/(loss) of each segment without allocation of central administration costs, directors' emoluments, share of result of an associate, fair value loss on contingent consideration, other income, gains/(losses) and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

9. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the assets and liabilities by operating segment of the Group:

At 31 December 2015

	Software development in the PRC HK$'000	Software development in Japan HK$'000	Provision of online game services in the PRC HK$'000	P2P financial intermediary services in the PRC HK$'000	Total HK$'000
Segment assets	7,304	7,653	372,866	5,392	393,215
Unallocated assets					1,210,042
Consolidated total					1,603,257
Segment liabilities	16,810	49,120	54,932	809	121,671
Unallocated liabilities					468,036
Consolidated total					589,707

At 31 December 2014

	Software development in the PRC HK$'000	Software development in Japan HK$'000	Provision of online game services in the PRC HK$'000	P2P financial intermediary services in the PRC HK$'000	Total HK$'000
Segment assets	160,676	123,576	–	–	284,252
Unallocated assets					515,154
Consolidated total					799,406
Segment liabilities	21,350	128,720	–	–	150,070
Unallocated liabilities					5,872
Consolidated total					155,942

9. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to operating segments other than unallocated bank balances and cash, goodwill, deposits paid for property, plant and equipment, deposits paid for acquisitions of subsidiaries, deferred tax assets, investment receivables and assets used jointly by operating segments.

- term deposits with initial terms of over three months and bank balances and cash are allocated to operating segments based on the location of the term deposits with initial terms of over three months and bank balances and cash.

- all liabilities are allocated to operating segments other than deferred tax liabilities, contingent consideration, liability component of convertible bonds and liabilities for which operating segments are jointly liable.

- liabilities payable to the government department such as tax bureau and social security department are allocated to operating segments based on the location of the tax bureau and social security department.

Other segment information

Year ended 31 December 2015

	Software development in the PRC HK$'000	Software development in Japan HK$'000	Provision of online game services in the PRC HK$'000	P2P financial intermediary services in the PRC HK$'000	Total HK$'000
Additions to non-current assets (Note)	16,339	19	96	–	16,454
Depreciation and amortisation	6,663	136	53,179	–	59,978
Loss on disposal of property, plant and equipment	1,053	–	–	–	1,053
Bad debts written off	6,538	–	–	–	6,538

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9. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

Year ended 31 December 2014

	Software development in the PRC HK$'000	Software development in Japan HK$'000	Provision of online game services in the PRC HK$'000	P2P financial intermediary services in the PRC HK$'000	Total HK$'000
Additions to non-current assets (Note)	9,323	46	–	–	9,369
Depreciation and amortisation	12,446	240	–	–	12,686
Loss on disposal of property, plant and equipment	246	–	–	–	246
Allowance for doubtful debts	326	–	–	–	326

Note: Non-current assets included property, plant and equipment and other intangible assets.

Geographical information

The operations of the Group are located in the PRC and Japan.

The Group's information about its non-current assets by location of assets are detailed below:

	Non-current assets	
	2015	2014
	HK$'000	HK$'000
PRC	**884,766**	20,253
Japan	**–**	488
Consolidated total	**884,766**	20,741

9. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December	
	2015	2014
	HK$'000	HK$'000
Software development		
Customer A	**262,357**	364,099
Provision of online game services		
Customer B	**52,024**	–

10. FINANCE COSTS

	2015	2014
	HK$'000	HK$'000
Interest on convertible bonds (Note 32)	**19,590**	–

11. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2015	2014
	HK$'000	HK$'000
Current tax:		
PRC Enterprise Income Tax	**7,679**	3,634
Japan income tax	**7,394**	10,074
	15,073	13,708
Under/(over)-provision in prior years:		
PRC Enterprise Income Tax	**(1,391)**	662
Japan income tax	**–**	(831)
	(1,391)	(169)
Deferred tax (Note 33):		
Current year	**1,546**	(2,618)
	15,228	10,921

11. INCOME TAX EXPENSE *(Continued)*

PRC Enterprise Income Tax has been provided at a rate of 25% (2014: 25%).

Pursuant to relevant laws and regulations in the PRC, a subsidiary in the PRC, SinoCom Computer System (Beijing) Co., Ltd. (the "SinoCom Beijing") is recognised as a high and new technology enterprise by the relevant PRC government authorities and SinoCom Beijing was therefore entitled to enjoy a concessionary Enterprise Income Tax rate of 15% (2014: 10%).

Pursuant to relevant laws and regulations in the PRC, a subsidiary in the PRC, Dalian SinoCom High Technology Software Co., Ltd., (the "SinoCom Dalian") is recognised as a Service Enterprise with Advanced Technology enterprise by the relevant PRC government authorities and SinoCom Dalian was therefore entitled to enjoy a concessionary Enterprise Income Tax rate of 15% (2014: 15%).

Pursuant to relevant laws and regulations in the PRC, a subsidiary in the PRC, Wuxi SinoCom High Technology Software Co., Ltd. (the "SinoCom Wuxi") is exempted from PRC enterprise income tax for the two years from its first profit-making year and thereafter is entitled to a 50% relief from PRC enterprise income tax for the following three years. The subsidiary in the PRC was in its first profit-making year for the financial year ended 31 December 2014 and was therefore entitled to exempt from PRC enterprise income tax for the financial year ended 31 December 2015.

Pursuant to relevant laws and regulations in the PRC, a subsidiary in the PRC, Beijing Kaixin Jiuhao Technology Co., Ltd. ("Kaixin Jiuhao") is exempted from PRC enterprise income tax for the two years from its first profit-making year and thereafter is entitled to a 50% relief from PRC enterprise income tax for the following three years. The subsidiary in the PRC was in its first profit-making year for the financial year ended 31 December 2015 and was therefore entitled to exempt from PRC enterprise income tax for the financial year ended 31 December 2015.

Pursuant to relevant laws and regulations in the PRC, an income tax of 10% is imposed on the capital gain on disposal of the PRC subsidiaries when the gain is realised from tax perspective.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits in Hong Kong for both years.

Taxation arising in Japan comprises corporate tax, special corporate tax for reconstruction, local corporate tax, corporate enterprise tax, special local corporate tax and corporate inhabitant tax. Corporate tax is calculated at a fixed tax rate of 25.5% on taxable income (2014: 15% on the portion of taxable income not exceeding JPY8,000,000 (equivalent to approximately HK$521,000) and 25.5% on the portion of taxable income in excess of JPY8,000,000). Special corporate tax for reconstruction is calculated at a fixed tax rate of 10% of corporate tax starting from 1 January 2014 to 31 March 2014. Local corporate tax is calculated at a fixed rate of 4.4% of corporate tax starting from 1 October 2014 to 31 October 2015. Corporate enterprise tax is calculated at a progressive statutory rate of 3.65% (2014: 2.95%) on the portion of taxable income not exceeding JPY4,000,000 (equivalent to approximately HK$256,000 (2014: HK$260,000)), 5.465% (2014: 4.365%) on the portion of taxable income in excess of JPY4,000,000 but not exceeding JPY8,000,000 and 7.18% (2014: 5.78%) on the portion of taxable income in excess of JPY8,000,000.

11. INCOME TAX EXPENSE *(Continued)*

Special local corporate tax is calculated at a fixed tax rate of 43.2% or 67.4% (2014: 81% or 148%) of corporate enterprise tax, depending on the amount of paid-in capital. Corporate inhabitant tax is calculated at a fixed tax rate of 12.9% or 16.3% (2014: 17.3% or 20.7%) of the corporate tax, depending on the amount of the corporate tax per annum, also with a fixed yearly amount from JPY70,000 (equivalent to approximately HK$4,000 (2014: HK$5,000)) to JPY200,000 (equivalent to approximately HK$13,000 (2014: HK$13,000)), depending on the headcount and capital of the entities.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2015 **HK$'000**	2014 HK$'000
Loss before tax	**(51,093)**	(45,989)
Taxation at the applicable PRC Enterprise Income Tax rate of 25% (2014: 25%)	**(12,773)**	(11,497)
Tax effect of share of result of an associate	**–**	85
Tax effect of income not taxable in determining taxable profit	**(16,668)**	(593)
Tax effect of expenses not deductible in determining taxable profit	**58,373**	13,254
Tax effect of temporary differences not recognised	**(564)**	(1,453)
Effect of tax exemption and concessions granted to PRC subsidiaries	**(9,898)**	(363)
Withholding tax on the profits of PRC subsidiaries	**–**	(1,169)
Tax effect of tax losses not recognised	**7,584**	8,197
Tax effect of utilisation of tax losses not previously recognised	**–**	(2,026)
Overprovision in prior years	**(1,391)**	(169)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(9,435)**	6,655
Income tax expense	**15,228**	10,921

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For the year ended 31 December 2015

12. LOSS FOR THE YEAR

Loss for the year has been arrived at charging the following:

	2015	2014
	HK$'000	HK$'000
Amortisation of other intangible assets (included in cost of sale)	**52,928**	–
Acquisition-related costs (included in administrative expenses)	**959**	–
Bad debts written off	**6,538**	–
Fair value loss on contingent consideration	**51,750**	–
Depreciation of property, plant and equipment	**7,050**	12,686
Loss on disposal of property, plant and equipment	**1,053**	246
Loss on deregistration of an associate	**418**	–
Operating lease charges in respect of office premises	**22,486**	27,822
Research and development expenses	**13,577**	–
Share-based payments to consultants	**31,548**	–
Auditors' remuneration	**3,100**	2,930
Allowance for doubtful debts	**–**	326

Research and development expenses include staff costs of approximately HK$10,956,000 (2014: HK$Nil) which are included in the amounts disclosed separately in Note 13 to the consolidated financial statements.

13. EMPLOYEE BENEFITS EXPENSE

	2015	2014
	HK$'000	HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**266,839**	336,873
Share-based payments	**27,383**	–
Retirement benefit scheme contributions	**42,856**	51,574
	337,078	388,447

13. EMPLOYEE BENEFITS EXPENSE *(Continued)*

The five highest paid individuals in the Group during the year included five directors (2014: three directors) whose emoluments are reflected in the analysis presented in Note 14. For the year ended 31 December 2014, the emoluments of the remaining two highest paid individuals, one of them was retired from the position as an non-executive director on 26 March 2014 and became key management of the Group since then, and one of them was appointed as an executive director on 17 December 2014, are set out below:

	2015	2014
	HK$'000	HK$'000
Salaries and other benefits	–	4,052
Retirement benefits schemes contributions	–	65
	–	4,117

The emoluments fell within the following band:

	Number of individuals	
	2015	2014
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	–	1
	–	2

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees HK$'000	Salaries and allowances HK$'000	Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Housing allowance HK$'000	Total HK$'000
Executive Directors						
Mr. Wang Zhiqiang (Note (l))	–	1,263	–	–	–	1,263
Mr. Zuo Jian Zhong	–	1,200	5,876	18	–	7,094
Mr. Tang Yau Sing	–	1,263	5,876	20	735	7,894
Mr. Zhang Zhige (Note (j))	–	720	5,876	–	–	6,596
Mr. Liu Wei (Note (j))	–	457	5,876	16	–	6,349
Non-executive Director						
Mr. Kotoi Hirofumi (Note (k))	–	500	–	–	–	500
Independent Non-executive Directors						
Mr. Chui Man Lung, Everett	210	–	1,293	10	–	1,513
Mr. Wu Hong	210	–	1,293	–	–	1,503
Mr. Han Chu	–	–	1,293	–	–	1,293
Total for the year ended 31 December 2015	420	5,403	27,383	64	735	34,005

14. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

Certain comparative information of directors' emoluments for the year ended 31 December 2014 disclosed in accordance with the predecessor Hong Kong Companies Ordinance (Cap. 322) have been restated in order to comply with the scope and requirements of the new Hong Kong Companies Ordinance (Cap. 622).

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
	Fees	Salaries and allowances	Discretionary bonus (Note b)	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors					
Mr. Wang Zhiqiang (Note (l))	–	2,264	–	48	2,312
Mr. Kotoi Hirofumi (Note (d))	–	700	–	–	700
Mr. Zuo Jian Zhong	–	1,140	–	16	1,156
Mr. Tang Yau Sing (Note (h))	–	78	–	1	79
Non-executive Directors					
Mr. Wang Xubing (Note (c))	–	564	–	11	575
Dr. Shi Chongming (Note (c))	–	449	–	12	461
Mr. Li Jian (Note (e))	–	550	–	–	550
Mr. Kotoi Hirofumi (Note (d))	–	500	–	–	500
Mr. Sasaki So (Note (g))	–	126	–	–	126
Independent Non-executive Directors					
Mr. Chui Man Lung, Everett	210	–	500	11	721
Mr. Wu Hong	210	–	500	–	710
Mr. Yamamoto Yoshimasa (Note (f))	122	–	–	–	122
Mr. Takei Akio (Note (g))	88	–	–	4	92
Mr. Han Chu (Note (i))	–	–	–	–	–
Total for the year ended 31 December 2014	630	6,371	1,000	103	8,104

14. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(a) Neither the chief executive nor any of the directors waived any emoluments during the year (2014: Nil).

(b) Bonus is determined by the Salary Review Committee with reference to the performance of the Group.

(c) Mr. Wang Xubing and Dr. Shi Chongming retired on 26 March 2014.

(d) Mr. Kotoi Hirofumi was re-designated from an executive director to a non-executive director on 31 July 2014.

(e) Mr. Li Jian resigned on 31 July 2014.

(f) Mr. Yamamoto Yoshimasa resigned on 31 July 2014.

(g) Mr. Sasaki So and Mr. Takei Akio were appointed on 31 July 2014. Mr. Sasaki So resigned on 19 December 2014. Mr. Takei Akio resigned on 17 December 2014.

(h) Mr. Tang Yau Sing was appointed on 17 December 2014.

(i) Mr. Han Chu was appointed on 17 December 2014.

(j) Mr. Zhang Zhige and Mr. Liu Wei were appointed on 1 April 2015.

(k) Mr. Kotoi Hirofumi was resigned as a non-executive director of the Company on 25 May 2015.

(l) Mr. Wang Zhiqiang resigned as the chief executive officer of the Company on 27 May 2015.

(b) Directors' material interests in transactions, arrangements or contracts

Pursuant to an agreement dated 25 January 2015 (the "Agreement") made between Kaixin Jiuhao and Beijing Wanzhe Zhixin Technology Company Limited ("Wanzhe Zhixin"), Wanzhe Zhixin agreed to pay Kaixin Jiuhao a game development fee for the provision of outsourcing game development services in accordance with the terms of the Agreement. Kaixin Jiuhao received a fee income of HK$2,149,000 for the year ended 31 December 2015 (2014: HK$Nil). Mr. Liu Wei, the director of the Company, is interested in this transaction to the extent that Wanzhe Zhixin is controlled by him.

Save for contracts amongst group companies and the aforementioned transaction, no other significant transactions, arrangements and contracts of significance to which the Company or any of its subsidiaries was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(c) The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company in favour of directors is as follows:

Name of director	Outstanding amount at the beginning of the year HK$'000	Outstanding amount at the end of the year HK$'000	Maximum outstanding amount during the year HK$'000	Term	Interest rate	Security
Mr. Liu Wei	–	15,127	15,904	Repayable on demand	Nil	Nil

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The employees of the Group's subsidiary registered in Japan are members of the pension scheme operated by the Japan local government. The subsidiary in Japan is required to contribute certain pre-fixed amounts of contribution, according to the level of income for each employee to the pension scheme to fund the benefits. The only obligation of the Group in respect of the pension scheme is the required contributions under the pension scheme.

16. DIVIDENDS

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2015 (2014: Nil).

17. LOSS PER SHARE

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

	2015	2014
	’000	’000
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**13,291,363**	11,289,858

The 2014 comparative figure was restated with the effect of share subdivision as presented in Note 34(a) to the consolidated financial statements.

The calculation of the basic loss per share is based on the following:

	2015	2014
	HK$’000	HK$’000
Loss		
Loss for the purpose of calculating basic loss per share	**76,401**	56,799

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2014 and 2015.

18. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost				
At 1 January 2014	28,803	10,099	15,244	54,146
Exchange differences	(222)	(109)	(108)	(439)
Additions	3,938	286	5,145	9,369
Disposals	(2,106)	(2,099)	–	(4,205)
Disposal of a subsidiary	(4,750)	–	(275)	(5,025)
Written-off	–	–	(11,898)	(11,898)
At 31 December 2014 and 1 January 2015	25,663	8,177	8,108	41,948
Exchange differences	(819)	(416)	(130)	(1,365)
Additions	14,252	454	1,748	16,454
Acquisition of subsidiaries (Note 38)	2,338	–	1,712	4,050
Disposals	(13,935)	(1,019)	(1,397)	(16,351)
Disposal of subsidiaries (Note 38)	(23,735)	(884)	(7,530)	(32,149)
At 31 December 2015	3,764	6,312	2,511	12,587
Accumulated depreciation				
At 1 January 2014	21,677	5,557	7,855	35,089
Exchange differences	(183)	(53)	(62)	(298)
Charge for the year	3,627	1,193	7,866	12,686
Disposals	(1,783)	(1,198)	–	(2,981)
Disposal of a subsidiary	(4,013)	–	(70)	(4,083)
Written-off	–	–	(11,898)	(11,898)
At 31 December 2014 and 1 January 2015	19,325	5,499	3,691	28,515
Exchange differences	(317)	(292)	(58)	(667)
Charge for the year	3,038	725	3,287	7,050
Disposals	(12,932)	(917)	(1,321)	(15,170)
Disposal of subsidiaries (Note 38)	(8,218)	(566)	(5,304)	(14,088)
At 31 December 2015	896	4,449	295	5,640
Carrying amount				
At 31 December 2015	2,868	1,863	2,216	6,947
At 31 December 2014	6,338	2,678	4,417	13,433

19. GOODWILL

	HK$'000
Cost	
At 1 January 2014	10,167
Disposal of a subsidiary	(2,825)
Exchange differences	(34)
At 31 December 2014 and 1 January 2015	7,308
Arising on acquisition of subsidiaries (Note 38)	723,478
Derecognition of goodwill (Note 38(d))	(7,308)
Exchange differences	(10,856)
At 31 December 2015	712,622
Accumulated impairment	
At 1 January 2014	2,834
Disposal of a subsidiary	(2,825)
Exchange differences	(9)
At 31 December 2014, 1 January 2015 and 31 December 2015	–
Carrying amount	
At 31 December 2015	712,622
At 31 December 2014	7,308

19. GOODWILL *(Continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill (net of accumulated impairment losses) had been allocated as follows:

	2015	2014
	HK$'000	HK$'000
Provision of online game services		
Heroic Coronet	**186,423**	–
Kingworld Holdings	**372,782**	–
P2P financial intermediary services		
Key Rich	**153,417**	–
Software development		
SinoCom Shensoft Holdings (BVI) Limited ("SinoCom Shensoft")	**–**	7,308
	712,622	7,308

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts of Heroic Coronet, Kingworld Holdings and Key Rich derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from Heroic Coronet, Kingworld Holdings and Key Rich are 24%, 34% and 23% respectively.

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20. OTHER INTANGIBLE ASSETS

	Exclusive rights for operation of sport apps HK$'000	Non-competition right HK$'000	Copyrights HK$'000	Total HK$'000
Cost				
Arising on acquisition of subsidiaries (Note 38)	27,838	14,955	182,921	225,714
Exchange differences	–	–	(9,687)	(9,687)
At 31 December 2015	27,838	14,955	173,234	216,027
Accumulated amortisation				
Amortisation for the year	–	–	52,928	52,928
Exchange differences	–	–	(2,098)	(2,098)
At 31 December 2015	–	–	50,830	50,830
Carrying amount				
At 31 December 2015	27,838	14,955	122,404	165,197

As at 31 December 2015, the average remaining amortisation period of other intangible assets are ranged from 1 to 5 years.

The Group carried out reviews of the recoverable amount of its other intangible assets in 2015, having regard to the market conditions of the Group's products. These assets are used in the Group's provision of online game services. The recoverable amount of relevant assets has been determined on the basis of their value in use using discounted cash flow method. The discount rate of exclusive rights for operation of sport apps, non-competition right and copyrights used were 37%, 36% and ranged from 24% to 36% respectively.

21. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			Direct	Indirect	
SinoCom Holdings (BVI) Limited	British Virgin Islands	Ordinary shares US$3,624,502	100%	–	Investment holding
SinoCom Beijing	The PRC	Registered capital US$6,040,800	–	100%	Provision of outsourcing software development and technical support services
SinoCom Ideas Holdings Limited ("SinoCom Ideas")	British Virgin Islands	Ordinary shares HK$3,800,000	–	100%	Investment holding
SinoCom Dalian	The PRC	Registered capital HK$3,200,000	–	100%	Provision of outsourcing software development and technical support services
SinoCom Shensoft Computer Technology (Shanghai) Company Limited	The PRC	Registered capital US$232,000	–	100%	Provision of outsourcing software development services
SinoCom Shensoft	British Virgin Islands	Ordinary shares US$500,000	–	100%	Investment holding
SinoCom Wuxi	The PRC	Registered capital RMB5,000,000	–	100%	Provision of outsourcing software development and technical support services
Jilin SinoCom Innovative Technology Software Co., Ltd.	The PRC	Registered capital RMB5,000,000	–	100%	Provision of outsourcing software development and technical support services

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			Direct	Indirect	
New Sports Investment Holding Limited ("New Sports Investment", formerly known as "SinoCom Investment Holding Limited")	British Virgin Islands	Ordinary shares US$1	100%	–	Investment holding
SinoCom Software (Hong Kong) Limited	Hong Kong	Ordinary shares HK$1	–	100%	Investment holding
Shenzhen SinoCom Software Co., Ltd.	The PRC	Registered capital HK$5,000,000	–	100%	Inactive
Shenzhen Qianhai SinoCom Software Development Co., Ltd.	The PRC	Registered capital RMB5,000,000	–	100%	Inactive
New Sports Technology Holdings Limited	Seychelles	Ordinary shares US$10,000	100%	–	Investment holding
New Sports Technology Limited (formerly known as "SinoCom Technology Limited")	Hong Kong	Ordinary shares HK$10,000	–	100%	Inactive
Heroic Coronet	British Virgin Islands	Ordinary shares US$100	100%	–	Investment holding
Kingworld Holdings	Seychelles	Ordinary shares US$1,000	100%	–	Investment holding
New Sports Management Limited	Hong Kong	Ordinary share HK$1	–	100%	Inactive
All Rise Technology Limited	Hong Kong	Ordinary shares HK$1	–	100%	Investment holding
Star Creation Development Limited	Hong Kong	Ordinary shares HK$10,000	–	100%	Investment holding

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing Direct	Indirect	Principal activities
Key Rich	Hong Kong	Ordinary share HK$1	–	100%	Investment holding
Kaixin Jiuhao	The PRC	Registered capital RMB2,200,000	–	65%	Provision of online game services
Hainan Kaixin Software Technology Co., Ltd.	The PRC	Registered capital RMB5,000,000	–	65%	Inactive
Kingworld Beijing	The PRC	Registered capital RMB15,966,030	–	100%	Provision of online game services
Kingworld Wuxian	The PRC	Registered capital HK$40,000,000	–	100%	Provision of technical and consulting services
FFMobile Technology Co., Ltd.	The PRC	Registered capital RMB1,000,000	–	100%	Publication of the Beijing Guoan Football Club magazines
Shanghai Xuanyue	The PRC	Registered capital RMB100,000	–	100%	provision of investment consulting services
Chongqing Quanben	The PRC	Registered capital RMB20,000,000	–	100%	P2P financial intermediary services and other relevant consultation services

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

As at 31 December 2015, the bank balances and cash of the Group' subsidiaries in the PRC denominated in RMB amounted to HK$83,715,000 (2014: HK$83,549,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table shows information on a subsidiary that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	2015
Name	**Kaixin Jiuhao**
Principal place of business/country of incorporation	**The PRC**
% of ownership interests/voting rights held by NCI	**35%/35%**
	HK$'000
At 31 December:	
Non-current assets	**317,947**
Current assets	**107,535**
Non-current liabilities	**(1,181)**
Current liabilities	**(38,015)**
Net assets	**386,286**
Accumulated NCI	**69,952**
	HK$'000
Year ended 31 December:	
Revenue	**101,272**
Profit for the year	**25,839**
Total comprehensive income	**20,686**
Profit allocated to NCI	**9,044**
Net cash generated from operating activities	**14,460**
Net cash used in investing activities	**(83)**
Net increase in cash and cash equivalents	**14,377**

Kaixin Jiuhao is acquired in a business combination (Note 38(a)). The amounts disclosed as above have reflected the effects of the acquisition accounting, with which fair value adjustments, goodwill and tax are included.

22. INVESTMENT IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
Unlisted investment	–	24,605
Share of post-acquisition losses	–	(5,752)
Impairment loss on investment	–	(15,854)
Exchange differences	–	(269)
	–	2,730

Details of the Group's associate at 31 December 2014 are as follows:

Name	Place of incorporation/ registration	Principal place of operation	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activity
				2015	2014	
Gotoura Limited	British Virgin Islands	The PRC	75,188 ordinary shares of US$1 each	–	33.5%	Provision of travelling information services

The following table shows information of the associate that is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associate.

	2015 HK$'000	2014 HK$'000
At 31 December:		
Current assets	–	8,211
Current liabilities	–	(62)
Net assets	–	8,149
Share of net assets of an associate of the Group	–	2,730

22. INVESTMENT IN AN ASSOCIATE *(Continued)*

	2015 HK$'000	2014 HK$'000
Year ended 31 December:		
Revenue	–	–
Loss for the year	–	(1,017)
Other comprehensive income	–	(159)
Total comprehensive income	–	(1,176)
Share of loss of an associate of the Group for the year	–	(341)

As at 31 December 2014, the bank balances and cash of the Group's associate in the PRC denominated in RMB amounted to approximately HK$3,051,000. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

In the prior year, the Group held a 33.5% interest in Gotoura Limited and accounted for the investment as an associate. In April 2015, the associate was deregistered. The transaction has resulted in the recognition of a loss in profit or loss, calculated as follows:

	2015 HK$'000
Proceed of deregistration of an associate	**2,581**
Less: Carrying amount of 33.5% investment on the date of deregistration	**(2,999)**
Loss on deregistration of an associate	**(418)**

23. DEPOSITS PAID FOR ACQUISITIONS OF SUBSIDIARIES

(a) On 10 December 2014, a subsidiary of the Company and Mr. Liu Wei, an independent third party (the "Seller") who became an executive director of the Company on 1 April 2015, entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital of Heroic Coronet (the "Acquisition 1") for a consideration of HK$260,000,000, of which HK$200,000,000 will be settled in cash and HK$60,000,000 will be settled by the Company's shares (the "Considerations Shares"). Heroic Coronet, through Kaixin Jiuhao, is principally engaged in the design, development and operation of the mobile and web games. As at 31 December 2014, the cash consideration of HK$200,000,000 has been paid to the Seller. The Acquisition 1 was completed on 30 January 2015.

Details of the Acquisition 1 are set out in announcements of the Company dated 10 December 2014, 19 December 2014, 8 January 2015 and 30 January 2015.

(b) On 18 December 2014, a subsidiary of the Company (the "Buyer") entered into a framework agreement (the "Framework Agreement 1") in relation to a possible acquisition of entire equity interest in Kingworld Beijing (the "Acquisition 2") for a consideration of HK$450,000,000. Kingworld Beijing is principally engaged in distributing, selling, developing and investing in internet and mobile interaction entertainment products, including online games, browser-based games and games on mobile platforms. Pursuant to the Framework Agreement 1, HK$135,000,000 was paid on 29 December 2014.

On 28 July 2015, the Buyer entered into a sale and purchase agreement (the "SPA") in respect of the acquisition of the entire issued share capital of Kingworld Holdings with the then ultimate holding company of Kingworld Holdings. Pursuant to the SPA, HK$165,500,000 was paid on 28 July 2015 as part of the consideration and the remaining consideration of HK$149,500,000 was satisfied by the ordinary shares of the Company settled on the completion date. The Acquisition 2 was completed on 31 December 2015.

Details of the Acquisition 2 are set out in the announcements of the Company dated 18 December 2014, 19 December 2014, 2 April 2015, 1 June 2015, 9 June 2015, 30 July 2015, 4 December 2015, 22 December 2015 and 31 December 2015.

(c) On 30 December 2014, a subsidiary of the Company entered into a framework agreement (the "Framework Agreement 2") in relation to a possible acquisition of 51% equity interest in Hangzhou Zhiwan Network Co., Ltd. (the "Acquisition 3") for a total consideration of HK$153,000,000. Hangzhou Zhiwan Network Co., Ltd. is principally engaged in the design, development and operation of the mobile and web games. Pursuant to the Framework Agreement 2, HK$50,000,000 was paid on 30 December 2014. During current year, the Acquisition 3 was cancelled and the deposit of HK$50,000,000 has been refunded.

23. DEPOSITS PAID FOR ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(d) On 17 November 2015, the Company entered into a non-legally binding memorandum of understanding ("MOU") in relation to a potential acquisition of the entire equity interest in Wuxi Xinyou Network Technology Co., Ltd. ("Wuxi Xinyou") for a consideration of RMB910,000,000 (equivalent to approximately HK$1,086,176,000). The consideration is intended to be satisfied by the Company through a combination of cash payment of RMB382,200,000 and the issue of the Company's share for the remaining RMB527,800,000. Wuxi Xinyou is principally engaged in the development and operations of internet and mobile interactive playing card competition gaming products through its own platform and an exclusive playing card gaming platform owned by "Baidu". As at 31 December 2015, RMB65,000,000 (equivalent to approximately HK$77,584,000) has been paid to the vendor of Wuxi Xinyou as deposits in relation to the potential acquisition.

24. OTHER DEPOSITS

Other deposits represent rental deposits paid under operating leases receivable after one year.

25. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	HK$'000
Trade receivables	**123,427**	37,045
Other receivables	**8,930**	27,380
Other deposits	**31,602**	3,939
Prepayments	**20,969**	6,297
Total trade and other receivables	**184,928**	74,661

At 31 December 2014, other receivables included an amount of approximately HK$20,790,000 representing a loan to the Seller and the interests accrued in respect of the loan. The loan is guaranteed by a related company of the Seller, interest-bearing at 10% per annum and repayable within one year.

The Group generally allows an average credit period of 30 to 210 days (2014: 30 to 210 days) for its outsourcing software development customers. The Group generally allows an average credit period of 120 days (2014: N/A) for its game distribution platforms, 90 days for its game development customers and 30 days for its advertising customers.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

The following is an aged analysis of trade receivables presented based on dates on which revenue was recognised.

	2015	2014
	HK$'000	HK$'000
0–30 days	**43,028**	29,479
31–60 days	**23,140**	4,993
61–90 days	**14,500**	1,040
91–180 days	**23,754**	1,275
181–360 days	**7,644**	15
Over 360 days	**11,361**	243
	123,427	37,045

Reconciliation of allowance for trade receivables:

	2015	2014
	HK$'000	HK$'000
At 1 January	**–**	1,500
Allowance for doubtful debts	**–**	326
Amounts written off as uncollectible	**–**	(1,500)
Disposal of a subsidiary	**–**	(330)
Exchange differences	**–**	4
At 31 December	**–**	–

25. TRADE AND OTHER RECEIVABLES *(Continued)*

As of 31 December 2015, trade receivables of HK$41,464,000 (2014: HK$243,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015	2014
	HK$'000	HK$'000
0–30 days	**–**	–
31–60 days	**1,194**	–
61–90 days	**–**	–
91–180 days	**21,265**	–
181–360 days	**7,644**	–
Over 360 days	**11,361**	243
	41,464	243

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2015	2014
	HK$'000	HK$'000
RMB	**120,115**	1,225
JPY	**3,312**	35,820
	123,427	37,045

26. INVESTMENT RECEIVABLES

The investment receivables represent wealth management products which mainly invest in debt securities in the PRC and are denominated in RMB.

27. TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS AND BANK BALANCES AND CASH

Term deposits with initial terms of over three months and bank balances and cash comprise cash held by the Group and short-term bank deposits and carry interest at effective interest rates ranging from 0.001% to 3.3% (2014: 0.001% to 3.3%) per annum.

The Group's term deposits with initial terms of over three months and bank balances and cash denominated in foreign currencies at the end of the reporting period are as follows:

	2015	2014
	HK$'000	HK$'000
US$	**645**	662
JPY	**981**	103,603
HK$	**333,871**	9,012

As at 31 December 2015, the bank balances and cash of the Group denominated in RMB amounted to approximately HK$83,715,000 (2014: approximately HK$83,549,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. BORROWINGS

The borrowings are bank loans repayable within one year.

The carrying amounts of the Group's borrowings are denominated in RMB.

The average interest rate at 31 December 2015 was 5.66% per annum.

The bank loans are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The bank loans are secured by a charge over a property owned by a shareholder of Kingworld Beijing and are guaranteed by the shareholders of Kingworld Beijing and their spouses. The shareholders of Kingworld Beijing have become the shareholders of the Company since the completion of acquisition of Kingworld Holdings as stated in Note 38(b) to the consolidated financial statements.

29. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**2,760**	17,993
Wages and salaries payables	**62,501**	88,326
Accruals	**7,021**	7,089
Other tax payables	**2,398**	16,026
Other payables	**16,386**	2,917
	91,066	132,351

The average credit period of trade payables in relation to outsourcing software development services is 30 to 60 days. The average credit period of trade payables in relation to provision of online game services and outsourcing game development services is 15 days.

The following is an aged analysis of trade payables based on invoice dates at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
0–30 days	**2,496**	11,349
31–60 days	**25**	6,599
61–90 days	**239**	23
91–180 days	**–**	22
	2,760	17,993

The trade and other payables of the Group denominated in foreign currency at the end of the reporting period are as follows:

	2015 HK$'000	2014 HK$'000
JPY	**–**	42,896
HK$	**7,003**	5,091

30. CONTINGENT CONSIDERATION

(a) As set out in Note 38(a) to the consolidated financial statements, as a part of the consideration for the acquisition of Heroic Coronet and its subsidiaries (collectively referred to as "Heroic Group"), the Company was required to issue 750,000,000 new shares after share subdivision (Note 34(a)) (the "Contingent Consideration") if the 2015 Net Profit (as defined in Note 38(a)) of Kaixin Jiuhao equals to or exceeds the Guaranteed Amount (as defined in Note 38(a)). Contingent Consideration were classified as liabilities and recognised at its fair value on the acquisition date and the date of reporting.

(b) As set out in Note 38(b) to the consolidated financial statements, as a part of the consideration for the acquisition of Kingworld Holdings and its subsidiaries (collectively referred to as "Kingworld Group"), the Adjustment Amount (as defined in Note 38(b) is obtained for which details are set out in Note 38(b) to the consolidated financial statements.

The Adjustment Amount represents the right to the return of previously transferred consideration for the acquisitions of Kingworld Holdings with reference to the financial performance of Kingworld Group for the year ending 31 December 2016 and hence constitute a contingent consideration arrangement.

31. DEFERRED REVENUE

The deferred revenue mainly represents service fees prepaid by game players or licensees for online game services to which related services have not been rendered as the end of the year.

32. CONVERTIBLE BONDS

(a) On 22 June 2015 (the "Issue Date 1"), the Group issued convertible bonds with a nominal value of HK$200,000,000 (the "Convertible Bonds 1"). The bonds are convertible at the option of the bondholders into fully paid ordinary shares with HK$0.0025 each of the Company (the "Conversion Shares 1") at an initial conversion price of HK$0.25 per share after share subdivision (Note 34(a)) at any time during the period commencing from 2 October 2015 up to and including the 7th day immediately preceding 21 June 2017 (the "Maturity Date 1"). Based on the initial conversion price of HK$0.25 per Conversion Shares 1, a maximum number of 800,000,000 Conversion Shares 1 after share subdivision (Note 34(a)) will be allotted and issued upon the exercise of the conversion rights.

The bonds bear interest at the following interest rate on the principal amount of the bonds:

(i) in respect of the one-year period commencing from and including the Issue Date 1 to and including the last day of such period (the "Interest Payment Date"), 5% per annum;

(ii) in respect of the one-year period commencing from and including the next calendar day of the Interest Payment Date to and including the Maturity Date 1, 15% per annum.

32. CONVERTIBLE BONDS *(Continued)*

(a) *(Continued)*

Convertible Bonds 1 shall not be redeemed (in whole or in part) at the option of the Company commencing from the date of issue of the Convertible Bonds 1 up to and including the day immediately before the Maturity Date 1. On and before the 5th business day after the Interest Payment Date, the bondholders may notify and require the Company to, and the Company then shall, no later than the close of business in Hong Kong on the 15th business day after such notification, redeem Convertible Bonds 1 in whole or in part at a price equivalent to 100% of the principal amount of the Convertible Bonds 1 so redeemed together with the interest accrued but unpaid.

(b) On 12 November 2015 (the "Issue Date 2"), the Group issued convertible bonds with a nominal value of HK$100,000,000 (the "Convertible Bonds 2"). The bonds are convertible at the option of the bondholders into fully paid ordinary shares with HK$0.0025 each of the Company (the "Conversion Shares 2") at an initial conversion price of HK$0.25 per share at any time during the period commencing from the Issue Date 2 up to and including the 10th day immediately preceding 11 November 2016 (the "Maturity Date 2") subject to the following limits:

(i) in the first three months commencing from the Issue Date 2, the bondholder is only entitled at any time during such period to convert up to 50% of the principal amount of the bonds;

(ii) in the remaining period commencing from the date on which the period referred to in note (i) expires, the bondholder is entitled at any time during such period to convert any principal amount of the bonds.

Based on the initial conversion price of HK$0.25 per Conversion Share 2, a maximum number of 400,000,000 Conversion Shares 2 will be allotted and issued upon the exercise of the conversion rights.

The bonds shall bear interest from and including the Issue Date 2 to and including the Maturity Date 2 on the outstanding amount of the bonds at the interest rate of 5% per annum.

32. CONVERTIBLE BONDS *(Continued)*

The net proceeds received from the issue of the convertible bonds have been split between the liability elements and equity components as follows:

	Convertible Bonds 1 HK$'000	Convertible Bonds 2 HK$'000	Total HK$'000
Nominal value of convertible bonds issued	200,000	100,000	300,000
Transaction cost related to liability component	(4,494)	(2,488)	(6,982)
Equity component	(27,156)	(17,897)	(45,053)
Liability component at the date of issue	168,350	79,615	247,965
Interest charged	16,576	3,014	19,590
Conversion during the year	(8,979)	–	(8,979)
Liability component at 31 December 2015	175,947	82,629	258,576
Equity component at the date of issue	27,156	17,897	45,053
Transaction cost related to equity component	(706)	(542)	(1,248)
Equity component at the date of issue	26,450	17,355	43,805
Conversion during the year	(1,323)	–	(1,323)
Equity component at 31 December 2015	25,127	17,355	42,482

The interest charged for the year is calculated by applying an effective interest rate of 18.15% and 27.76% to the liability component of the Convertible Bonds 1 and the Convertible Bonds 2 respectively for the 24-month and 12-month periods since the bonds were issued.

The directors estimate the fair values of the liability components of the Convertible Bonds 1 and the Convertible Bonds 2 at 31 December 2015 to be approximately HK$156,830,000 and HK$83,709,000 respectively. This fair values have been calculated by discounting the future cash flows at effective interest rate of 30% and 29.84% respectively (level 2 fair value measurements).

33. DEFERRED TAX

The following are the deferred tax liabilities/(assets) recognised and movements thereon during the current and prior years:

	Deferred tax liabilities				Deferred tax assets
	Prepaid expenses	Distributable profit of the PRC subsidiaries	Other intangible assets	Total	Accrued expenses
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	1,012	1,169	–	2,181	(989)
Credit to profit or loss for the year	(227)	(1,169)	–	(1,396)	(1,222)
Exchange differences	(5)	–	–	(5)	(4)
At 31 December 2014	780	–	–	780	(2,215)
Acquisition of subsidiaries (Note 38)	–	–	15,295	15,295	–
Charge/(credit) to profit or loss for the year	(640)	–	–	(640)	2,186
Disposal of subsidiaries (Note 38(d))	(125)	–	–	(125)	–
Exchange differences	(15)	–	(432)	(447)	29
At 31 December 2015	–	–	14,863	14,863	–

At the end of the reporting period, the Group had unused tax losses of approximately HK$108,676,000 (2014: approximately HK$78,340,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of approximately HK$108,676,000 (2014: approximately HK$78,340,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$2,808,000 (2014: HK659,000), HK$48,486,000 (2014: HK$48,486,000), HK$27,259,000 (2014: HK$29,195,000), HK$30,123,000 (2014: HK$Nil) that will expire in 2017, 2018, 2019 and 2020 respectively.

Pursuant to relevant laws and regulations in the PRC, withholding tax is imposed at 10% on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised is HK$110,790,000 (2014: HK$74,853,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

34. SHARE CAPITAL

	Note	2015 Number of shares '000	2015 HK$'000	2014 Number of shares '000	2014 HK$'000
Authorised:					
Ordinary shares of HK$0.0025 (2014: HK$0.025) each					
At 1 January		**4,000,000**	**100,000**	4,000,000	100,000
Share subdivision	(a)	**36,000,000**	**–**	–	–
At 31 December		**40,000,000**	**100,000**	4,000,000	100,000
Issued and fully paid:					
At 1 January		**1,315,835**	**32,896**	1,115,835	27,896
Shares issued under share option scheme	(b)	**9,480**	**237**	–	–
Share subdivision	(a)	**11,927,836**	**–**	–	–
Shares issued on conversion of convertible bonds	(c)	**40,000**	**100**	–	–
Shares issued on placements	(d)	**670,000**	**1,675**	200,000	5,000
Shares issued on acquisition of a subsidiary	(e)	**650,000**	**1,625**	–	–
At 31 December		**14,613,151**	**36,533**	1,315,835	32,896

(a) Pursuant to an ordinary resolution passed on 15 September 2015, each ordinary share of HK$0.025 each in the issued and unissued share capital of the Company were subdivided into ten ordinary shares of HK$0.0025 each in the issued and unissued share capital of the Company with effective on 16 September 2015.

(b) During the year, 9,480,000 ordinary shares of HK$0.025 each were issued before share subdivision in relation to share options exercised under the 2004 share option scheme of the Company at the exercise price of HK$1.3875 and HK$1.36 respectively for a total cash consideration of HK$13,010,000. The exercise of the subscription consideration received over the nominal values issued, which amounted to HK$12,773,000, was credited to the share premium account.

34. SHARE CAPITAL *(Continued)*

(c) On 30 October 2015, the Company issued a total of 40,000,000 conversion shares to bondholder at the conversion price of HK$0.25 per conversion share after the share subdivision.

(d) On 28 November 2014, the Company entered into a placing agreement in respect of the placement of 200,000,000 ordinary shares of HK$0.025 each to independent investors at a price of HK$0.70 per share. The placement was completed on 8 December 2014 and the premium on the issue of shares, amounting to approximately HK$131,500,000, net of share issue expenses of HK$3,500,000, was credited to the Company's share premium account. The Company issued and allotted 200,000,000 new shares on 8 December 2014.

On 11 November 2015, the Company entered into a placing agreement in respect of the placement of 670,000,000 ordinary shares of HK$0.0025 each to an independent investor at a price of HK$0.236 per share. The placement was completed on 19 November 2015 and the premium on the issue of shares, amounting to approximately HK$155,654,000, net of share issue expenses of HK$791,000, was credited to the Company's share premium account. The Company issued and allotted 670,000,000 new shares on 19 November 2015.

(e) On 31 December 2015, completion of the acquisition of Kingworld Holdings took place, and pursuant to the sale and purchase agreement, the Company issued 650,000,000 Consideration Shares of HK$0.0025 each to the vendor of Kingworld Holdings as a settlement of the consideration for the acquisition of Kingworld Holdings. The fair value of 650,000,000 new shares was HK$146,900,000, based on the bid price (HK$0.226 per consideration share) at 31 December 2015.

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 equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure of the Group on a timely basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts. The Group expects to maintain low gearing because of its cash-rich position.

34. SHARE CAPITAL *(Continued)*

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises borrowings and convertible bonds. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) except for non-controlling interests.

The debt-to-adjusted capital ratios at 31 December 2015 and at 31 December 2014 were as follows:

	2015	2014
	HK$'000	HK$'000
Total debt (Borrowings and convertible bonds)	**280,061**	–
Less: cash and cash equivalents	**(419,212)**	(176,642)
Net debt	**(139,151)**	(176,642)
Adjusted capital	**943,598**	637,364
Debt-to-adjusted capital ratio	**(15%)**	(28%)

The change in the debt-to-adjusted capital ratio during 2015 resulted primarily from the increase of total debt which outraced the increase in cash and cash equivalents.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

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

(a) Statement of financial position of the Company

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Investments in subsidiaries		**812,284**	47,057
Current assets			
Other receivables		**1,050**	–
Amounts due from subsidiaries		**181,649**	427,316
Bank balances and cash		**268,203**	140
		450,902	427,456
Current liabilities			
Convertible bonds		**258,576**	–
Other payables		**5,851**	5,084
Amounts due to subsidiaries		**229,129**	154,239
Contingent consideration		**169,500**	–
		663,056	159,323
Net current (liabilities)/assets		**(212,154)**	268,133
Total assets less current liabilities		**600,130**	315,190
NET ASSETS		**600,130**	315,190
Capital and reserves			
Share capital		**36,533**	32,896
Reserves	35(b)	**563,597**	282,294
TOTAL EQUITY		**600,130**	315,190

Approved by the Board of Directors on 24 March 2016 and are signed on its behalf by:

Zuo Jian Zhong	**Tang Yau Sing**
Director	*Director*

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

(b) Reserve movement of the Company

	Shares premium HK$'000 (Note 36 (b)(i))	Share redemption reserve HK$'000 (Note 36(b)(ii))	Convertible bonds reserve HK$'000 (Note 36(b)(vi)	Contributed surplus HK$'000 (Note (a))	Shareholder's contribution HK$'000 (Note (b))	Share options reserve HK$'000 (Note 36(b)(ix))	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2014	111,189	2,269	–	29,412	1,392	8,426	14,137	166,825
Transfer of share options reserve upon lapse of share options	–	–	–	–	–	(2,007)	2,007	–
Issue of shares on placement (Note 34(d))	131,500	–	–	–	–	–	–	131,500
Total comprehensive income for the year	–	–	–	–	–	–	(16,031)	(16,031)
At 31 December 2014	242,689	2,269	–	29,412	1,392	6,419	113	282,294
At 1 January 2015	**242,689**	**2,269**	**–**	**29,412**	**1,392**	**6,419**	**113**	**282,294**
Equity component of convertible bonds (Note 32)	**–**	**–**	**43,805**	**–**	**–**	**–**	**–**	**43,805**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**58,931**	**–**	**58,931**
Issue of shares on exercise of share options (Note 34(b))	**18,840**	**–**	**–**	**–**	**–**	**(6,067)**	**–**	**12,773**
Transfer of share options reserve upon lapse of share options	**–**	**–**	**–**	**–**	**–**	**(352)**	**352**	**–**
Conversion of convertible bonds (Note 32)	**10,202**	**–**	**(1,323)**	**–**	**–**	**–**	**–**	**8,879**
Issue of shares on placement (Note 34 (d))	**155,654**	**–**	**–**	**–**	**–**	**–**	**–**	**155,654**
Issue of shares on acquisition of subsidiaries (Note 34 (e))	**145,275**	**–**	**–**	**–**	**–**	**–**	**–**	**145,275**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(144,014)**	**(144,014)**
At 31 December 2015	**572,660**	**2,269**	**42,482**	**29,412**	**1,392**	**58,931**	**(143,549)**	**563,597**

Notes:

(a) The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired by the Company pursuant to a group reorganisation and the nominal value of the ordinary shares issued by the Company in exchange thereof.

(b) The shareholder's contribution of the Company represents contribution from the intermediate holding company for cancellation of the Company's share options in 2012.

36. RESERVES

(a) Group

The amounts of the reserves and movements of the Group therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) The share redemption reserve represents the aggregate amount of the share capital and share premium in relation to the repurchase of the Company's own equity instruments.

(iii) The capital reserve of the Group represents the difference of the paid-in capital of the subsidiaries acquired by the Company pursuant to a group reorganisation and the nominal value of the ordinary shares issued by the Company in exchange thereof.

(iv) The other reserve of the Group represents the capitalisation of general reserve fund and enterprise expansion fund in SinoCom Beijing as share capital of SinoCom Beijing in year 2003.

(v) In accordance with the laws and regulations in the PRC on foreign enterprises, PRC subsidiaries of the Company are required to set aside 10% of their net profits, prepared in accordance with generally accepted accounting principles in the PRC, to the general reserve funds until the funds aggregate to 50% of their registered capital. In accordance with their articles of association, PRC subsidiaries of the Company may transfer such amount of profits (after taxation) as determined by their board of directors of the PRC subsidiaries to the general reserve fund before distribution to their shareholders. The general reserve fund is non-distributable and can be used to increase the capital of the PRC subsidiaries. The general reserve fund can also be used to make good future losses.

(vi) The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in Note 3(n) to the consolidated financial statements.

(vii) The shareholder's contribution of the Group represents waiver of an amount due to a shareholder of the Company in 2001 and the contribution from the intermediate holding company for cancellation of the Company's share options in 2012.

(viii) The translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3(d) to the consolidated financial statements.

(ix) The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in Note 3(s) to the consolidated financial statements.

37. SHARE-BASED PAYMENTS

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the employees, executives, officers and directors of the Company and the Company's subsidiaries. The Scheme became effective on 2 April 2004 and was expired on 1 April 2014.

The Company terminated the Scheme and adopted a new share option scheme (the "New Scheme") pursuant to a resolution passed in the annual general meeting dated 26 March 2014 which became effective on the same date. The New Scheme will remain in force for ten years commencing from the effective date. Any options granted under the Scheme prior to its termination continue to be valid and exercisable in accordance with the rules of the Scheme.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 20 days from the date of the offer, upon payment of a nominal consideration of HK$10 in total or other amount as determined by the board of the Company by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

37. SHARE-BASED PAYMENTS *(Continued)*

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 622,000,000 (2014: 10,800,000), representing 4.45% (2014: 0.77%) of the shares of the Company in issue at that date. The options outstanding at the end of the year have a weighted average remaining contractual life of 9.41 years (2014: 2.45 years) and the exercise price is HK$0.314 after share subdivision (2014: range from HK$1.36 to HK1.3875).

Details of specific category of options are as follows:

Date of grant	Exercisable period	Exercise price before share subdivision	Exercise price after share subdivision
24/01/2006	24/01/2007–23/01/2016	HK$1.3875	HK$0.13875
28/01/2008	28/01/2008–27/01/2018	HK$1.36	HK$0.136
28/01/2008	28/01/2009–27/01/2018	HK$1.36	HK$0.136
27/05/2015	30/10/2015–26/05/2025	HK$3.14	HK$0.314
27/05/2015	30/04/2016–26/05/2025	HK$3.14	HK$0.314

The exercise price was adjusted for share subdivision and became effective on 16 September 2015.

Options are lapsed if the employee leaves the Group and the relationship with consultants is ceased or terminated by the Group.

The following table discloses movements of the number of the Company's shares under options, which is adjusted for the share subdivision with effective on 16 September 2015, held by employees and consultants during the year ended 31 December 2015 are as follows:

Date of grant	Outstanding at 1/1/2015	Granted during the year	Exercised during the year	Lapsed during the year	Effect of share subdivision	Outstanding at 31/12/2015
24/01/2006	3,160,000	–	(2,760,000)	(400,000)	–	–
28/01/2008	6,920,000	–	(6,720,000)	(200,000)	–	–
27/05/2015	–	62,200,000	–	–	559,800,000	622,000,000
	10,080,000	62,200,000	(9,480,000)	(600,000)	559,800,000	622,000,000

The following table discloses movements of the number of the Company's shares under options held by employees during the year ended 31 December 2014:

Date of grant	Outstanding at 1/1/2014	Exercised during year	Lapsed during year	Outstanding at 31/12/2014
24/01/2006	5,760,000	–	(2,600,000)	3,160,000
28/01/2008	7,820,000	–	(900,000)	6,920,000
	13,580,000	–	(3,500,000)	10,080,000

37. SHARE-BASED PAYMENTS *(Continued)*

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.22.

At 31 December 2015, 622,000,000 (31 December 2014: 10,080,000) share options are exercisable. The closing price of the Company's shares immediately before 24 January 2006, 28 January 2008 and 27 May 2015, the dates of grant of options, was HK$5.55, HK$1.34 and HK$3.25, respectively.

The estimated fair value of the options granted on 27 May 2015 is HK$72,348,000. The fair value was calculated using Binomial Tree method. The inputs into the model are follows:

	27 May 2015
Weighted average share price	**HK$3.14**
Weighted average exercise price	**HK$3.14**
Expected volatility	**49.86%**
Expected life	**10 years**
Risk free rate	**2.0794%**
Expected dividend yield	**Nil**

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of Heroic Coronet

On 30 January 2015, the Group acquired the entire issued share capital of Heroic Coronet for a consideration of HK$260,000,000, of which HK$200,000,000 was settled in cash and HK$60,000,000 will be settled by the Company's shares. Heroic Coronet, through Kaixin Jiuhao, is principally engaged in the design, development and operation of the mobile and web games. The acquisition is aim to further develop and expand the business scope of the Group, and take into account the potentials of the mobile gaming industry.

Pursuant to the sale and purchase agreement, the Seller undertakes to that the aggregate of the audited consolidated net profit of Kaixin Jiuhao for the year ended 31 December 2015 (the "2015 Net Profit") shall not be less than RMB60,000,000 (equivalent to HK$76,086,000). In the event that the 2015 Net Profit is less than RMB60,000,000, the number of Consideration Shares will be reduced by the product of 750,000,000 shares after share subdivision and the difference between RMB60,000,000 and the 2015 Net Profit divided by RMB60,000,000. In the event that the 2015 Net Profit is equal to or more than RMB60,000,000, the number of Consideration Shares will not be subject to adjustment.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of Heroic Coronet *(Continued)*

The fair value of the identifiable assets and liabilities of Heroic Coronet acquired as at its date of acquisition is as follows:

	Fair value HK$'000
Property, plant and equipment	545
Other intangible assets	176,042
Trade and other receivables	23,480
Amount due from a director	10,264
Bank balances and cash	21
Trade and other payables	(9,692)
Receipts in advance	(6,938)
Amount due to a related company	(572)
Deferred tax liabilities	(7,844)
Net identifiable assets and liabilities	185,306
Non-controlling interests	(64,835)
Goodwill	197,279
	317,750
Satisfied by:	
Cash	200,000
Contingent consideration	117,750
	317,750
Net cash inflow arising on acquisition:	
Cash consideration paid	(200,000)
Cash and cash equivalents acquired	21
Utilisation of deposit paid as at 31 December 2014	200,000
	21

The fair value of the trade and other receivables acquired and the gross amount due under the contracts is HK$23,480,000, none of which is expected to be uncollectible.

The amount due from a director of HK$10,264,000 represents the trade and other payables of HK$9,692,000 and amount due to a related company of HK$572,000 undertaken by the director as at the acquisition date in accordance with the terms of the sale and purchase agreement.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of Heroic Coronet *(Continued)*

At 31 December 2015, the contingent consideration were stated at fair value based on the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuer conducted the valuation based on the Company's share price and a management accounts obtained from the Company.

Heroic Group contributed approximately HK$101,272,000 and HK$28,068,000 to the Group's revenue and profit respectively for the year between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2015, total Group's turnover for the year would have been HK$503,110,000, and loss for the year would have been HK$67,785,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

The carrying amount of the non-controlling interest in Kaixin Jiuhao was estimated based on the proportionate share of the fair value of the identifiable net assets of Kaixin Jiuhao.

The goodwill arising on the acquisition of Heroic Coronet is attributable to the anticipated profitability of the provision of online game services in mobile gaming market and the anticipated future operating synergies from the combination.

(b) Acquisition of Kingworld Holdings

On 31 December 2015, the Group acquired the entire issued share capital of Kingworld Holdings for a consideration of HK$450,000,000, of which HK$300,500,000 was settled in cash and HK$149,500,000 was settled by the Company's shares. Kingworld Holdings, through Kingworld Beijing, is principally engaged in distributing, selling, developing and investing in internet and mobile interaction entertainment products. With the acquisition the Group has been putting emphasis on the development of its mobile and web-game business.

Pursuant to the sale and purchase agreement, the vendor undertakes to that the aggregate of the audited consolidated net profit of Kingworld Group for the year ending 31 December 2016 (the "2016 Net Profit") shall not be less than RMB60,000,000 (equivalent to HK$76,086,000, the "Guaranteed Amount"). In the event that the 2016 Net Profit is less than RMB60,000,000, an adjustment amount calculated at six times of the shortfall of the 2016 Net Profit and the Guaranteed Amount (the "Adjustment Amount") will be paid by the vendor in cash. In the event that the 2016 Net Profit is equal to or more than RMB60,000,000, no adjustment amount shall be payable by the vendor.

At 31 December 2015, the Adjustment Amount recognised was nil as the director expected the profit target to be met based on the profit forecast of Kingworld Group for the 2016 Net Profit. The Adjustment Amount was stated at fair value based on the valuation performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuer conducted the valuation based on a profit forecast obtained from the Company.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Acquisition of Kingworld Holdings *(Continued)*

The fair value of the identifiable assets and liabilities of Kingworld Holdings acquired as at its date of acquisition is as follows:

	Fair value HK$'000
Property, plant and equipment	2,678
Other intangible assets	49,672
Trade and other receivables	77,853
Bank balances and cash	4,110
Borrowings	(21,485)
Trade and other payables	(28,656)
Current tax liabilities	(2,103)
Deferred tax liabilities	(7,451)
Net identifiable assets and liabilities	74,618
Goodwill	372,782
	447,400
Satisfied by:	
Cash	300,500
The Company's shares	146,900
	447,400

Net cash outflow arising on acquisition:

Cash consideration paid	(300,500)
Cash and cash equivalents acquired	4,110
Utilisation of deposit paid as at 31 December 2014	135,000
	(161,390)

The fair value of the trade and other receivables acquired and the gross amount due under the contracts is HK$77,853,000, none of which is expected to be uncollectible.

Kingworld Group contributed approximately HK$Nil and HK$Nil to the Group's revenue and loss respectively for the year between the date of acquisition and the end of the reporting period.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Acquisition of Kingworld Holdings *(Continued)*

If the acquisition had been completed on 1 January 2015, total Group's turnover for the year would have been HK$564,023,000, and loss for the year would have been HK$48,027,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

The goodwill arising on the acquisition of Kingworld Holdings is attributable to the anticipated profitability of the provision of online game services in mobile gaming market and the anticipated future operating synergies from the combination.

(c) Acquisition of Key Rich

On 31 December 2015, the Group acquired the entire issued share capital of Key Rich for a consideration of HK$158,000,000 which was settled in cash. Key Rich, through Chongqing Quanben, is principally engaged in provision of P2P financial intermediary services on the online platform and other relevant consultation services. The acquisition is for the purpose of developing and expanding the business scope of the Group, and taking into account the potentials of the P2P financial intermediary industry.

The fair value of the identifiable assets and liabilities of Key Rich Group acquired as at its date of acquisition is as follows:

	Fair value HK$'000
Property, plant and equipment	827
Trade and other receivables	4,067
Bank balances and cash	498
Trade and other payables	(809)
Net identifiable assets and liabilities	4,583
Goodwill	153,417
Consideration settled in cash	158,000

Net cash outflow arising on acquisition:

Cash consideration paid	(158,000)
Cash and cash equivalents acquired	498
	(157,502)

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Acquisition of Key Rich *(Continued)*

The fair value of the trade and other receivables acquired and the gross amount due under the contracts is HK$4,067,000, none of which is expected to be uncollectible.

Key Rich Group contributed approximately HK$Nil and HK$Nil to the Group's revenue and loss respectively for the year between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2015, total Group's turnover for the year would have been HK$503,150,000, and loss for the year would have been HK$84,200,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is intended to be a projection of future results.

The goodwill arising on the acquisition of Key Rich is attributable to the anticipated profitability of the P2P financial intermediary services and the anticipated future operating synergies from the combination.

(d) Disposal of SinoCom BVI and SinoCom Japan

On 28 October 2015, the Group acquired 5.53% and 8% non-controlling interests in SinoCom Ideas and SinoCom Japan Corporation ("SinoCom Japan") at a cash consideration of HK$1,854,000 and HK$6,800,000 respectively. The 8% non-controlling interests in SinoCom Japan was acquired from a director of SinoCom Japan, the acquisition is considered as a related party transaction. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	SinoCom Ideas HK$'000	**SinoCom Japan** HK$'000	**Total** HK$'000
Carrying amounts of non-controlling interests acquired	1,680	5,216	6,896
Consideration paid for non-controlling interests	(1,854)	(6,800)	(8,654)
Loss arising from acquisition recognised directly in equity	(174)	(1,584)	(1,758)

On 28 October 2015, the Group disposed of its entire equity interests in SinoCom Development Holdings Limited ("SinoCom BVI") and SinoCom Japan to Nomura Research Institute Ltd. for a consideration of approximately HK$98,000,000 and HK$92,000,000 respectively.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(d) Disposal of SinoCom BVI and SinoCom Japan *(Continued)*

Net assets at the date of disposal were as follows:

	SinoCom BVI	SinoCom Japan	Total
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	17,696	365	18,061
Trade and other receivables (net of allowance for doubtful debts)	15,441	39,974	55,415
Amounts due from/(to) the Group	5,183	(19,193)	(14,010)
Bank balances and cash	34,453	78,579	113,032
Other payables and accruals	(42,449)	(30,312)	(72,761)
Current tax liabilities	(15)	(4,086)	(4,101)
Deferred tax liabilities	–	(125)	(125)
Net assets disposed of:	30,309	65,202	95,511
Release of foreign currency translation reserve	(1,499)	(2,374)	(3,873)
Direct cost to the disposal	7,620	7,034	14,654
Derecognition of goodwill	7,308	–	7,308
Gain on disposal of subsidiaries	54,262	22,138	76,400
Total consideration — satisfied by cash	98,000	92,000	190,000
Net cash outflow arising on disposal:			
Cash consideration received	98,000	92,000	190,000
Direct cost to the disposal	(7,620)	(7,034)	(14,654)
Cash and cash equivalents disposed of	(34,453)	(78,579)	(113,032)
	(55,927)	(6,387)	(62,314)

39. CONTINGENT LIABILITIES

As at 31 December 2015, the Group and the Company did not have any significant contingent liabilities (2014: Nil).

40. CAPITAL COMMITMENTS

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

	2015 HK$'000	2014 HK$'000
Contracted but not provided for		
Property, plant and equipment	**1,000**	–
Acquisition 1 (Notes 23(a) and 43)	**–**	60,000
Acquisition 2 (Note 23(b))	**–**	315,000
Acquisition 3 (Note 23(c))	**–**	103,000
	1,000	478,000

41. OPERATING LEASE COMMITMENTS

The Group as lessee:

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of rented premises which fall due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**5,139**	16,041
In the second to fifth year inclusive	**3,595**	14,081
	8,734	30,122

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated and rentals are fixed for lease terms from one to three years.

42. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2015 HK$'000	2014 HK$'000
Revenue — subcontracting income from a related company (Note a)	**2,149**	–
Compensation for early termination of the lease on office premises from a fellow subsidiary (Note b)	**–**	10,086
Revenue — provision of technical support services to an associate	**–**	33

42. RELATED PARTY TRANSACTIONS *(Continued)*

Outstanding balances at the end of the reporting period

	2015	2014
	HK$'000	HK$'000
Amount due from a related company (Note b)	**–**	11,422
Amount due from a director (Note c)	**15,127**	–

Notes:

(a) The amount represents the subcontracting income receivable from a related company controlled by a director of the Company.

(b) The amount represents compensation receivable from 福建聯迪資訊科技有限公司 (Fujian Liandi Information Technology Limited) ("Fujian Liandi"), a wholly-owned subsidiary of SJI Inc., the former ultimate holding company, in relation to early termination of an operating lease of office premises located in Beijing, the PRC during the year ended 31 December 2014.

(c) The amount represents the liabilities of Kaixin Jiuhao undertaken by the director at the acquisition date and subsequent cash advances to the director. Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2015 for Kaixin Jiuhao of RMB40,000,000 (equivalent to approximately HK$47,760,000) has been approved by the board of directors of Kaixin Jiuhao. Mr. Liu Wei, who owns 35% of the equity interest in Kaixin Jiuhao, agreed that the dividend payable to him shall be settled with the amount due from him as at 31 December 2015.

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the period was as follows:

	2015	2014
	HK$'000	HK$'000
Salaries and other benefits	**11,354**	20,520
Share-based payments	**27,383**	–
Retirement benefits scheme contributions	**296**	792
	39,033	21,312

43. EVENT AFTER THE REPORTING PERIOD

On 11 March 2016, the Company gave a notice to its shareholders that an extraordinary general meeting will be held on 31 March 2016 for the purpose of considering and, if thought fit, passing an ordinary resolution to approve a specific mandate to be granted to the directors of the Company to exercise the powers of the Company to issue and allot 750,000,000 Consideration Shares for the purpose of settling the remaining consideration in relation to the acquisition of Heroic Coronet.

Details refer to the Company's announcement dated 9 March 2016 and circular issued on 11 March 2016.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24 March 2016.