SMI Culture Group Holdings Limited
星 美 文 化 集 團 控 股 有 限 公 司

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. HAO Bin *(Chairman)*
Mr. WANG Hai Yun
(appointed on 6 August 2015)
Mr. CHAN Chi To, Antony
Mr. KONG Dalu
Mr. YUAN Xin *(resigned on 6 August 2015)*
Mr. WANG Fei *(appointed on 11 January 2016)*

Independent Non-Executive Directors

Mr. DU Jiang
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng *(resigned on 6 August 2015)*

BOARD COMMITTEE

Audit Committee

Mr. DU Jiang *(Chairman)*
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng *(resigned on 6 August 2015)*

Remuneration Committee

Mr. DU Jiang *(Chairman)*
Mr. LIU Xianbo
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng *(resigned on 6 August 2015)*

Nomination Committee

Mr. LIU Xianbo *(Chairman)*
Mr. DU Jiang
Mr. WU Chien-Chiang
Mr. JIANG Jinsheng *(resigned on 6 August 2015)*

Executive Committee

Mr. HAO Bin *(Chairman)*
(appointed as Chairman on 6 August 2015)
Mr. YUAN Xin *(resigned on 6 August 2015)*
Mr. CHAN Chi To, Antony
Mr. WANG Hai Yun *(appointed on 6 August 2015)*

AUTHORISED REPRESENTATIVES

Mr. HAO Bin *(appointed on 6 August 2015)*
Mr. YUAN Xin *(resigned on 6 August 2015)*
Mr. CHAN Chi To, Antony

COMPANY SECRETARY

Ms. MUI Ngar May

AUDITORS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.,
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKERS

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

LEGAL ADVISERS

As to Hong Kong Law
Michael Li & Co.

As to Cayman Islands Law
Conyers Dill & Pearman

As to PRC Law
Duan & Duan

STOCK CODE

2366

WEBSITE

http://www.smiculture2366.com

Management Discussion and Analysis

BUSINESS REVIEW

The financial year ended 31 December 2015 is the year of films and dramas, in which the Group deployed additional resources and commenced twelve production projects, doubling the number in 2014. The Group is starting to reap the profit of the film and television investment business and is gaining ground in the market. As this new business model matures, the Group's performance has further improved during the year.

The Chinese movie market is ripening. According to the State Administration of Press, Publication, Radio, Film and Television, the national box office during the week of Chinese Lunar New Year 2016 surged by 67% year-on-year to nearly RMB3.0 billion. The Group successfully seized the opportunity arising therefrom and topped the chart during the Chinese Lunar New Year by co-distributing *The Mermaid*, a film directed by Stephen Chow, to get the year off to an encouraging start.

Looking back to 2015, the box office in China recorded impressive receipts of over RMB44.0 billion and set a new record. Taking advantage of the rapid growth, the Group has launched a number of big-budget projects. The film projects included *Project Fox Hunter, Adventure in Libya, Tender is August* and a 3D epic science fiction film, *The Wonder 3D*. The drama projects included *The Hot-Blooded Troop, Old Soldiers Never Die* and a military-themed documentary, *Charge! Charge! Charge!*. New media drama projects included *The Third Eye, To Grow Up As A Game* and *Miss Bomb*.

The Group also distributed *Paddington*, a British live action/computer animated film, in China last year and made almost RMB100 million at the box office and satisfactory operating profit. On the other hand, *The Golden Era* and *Dearest* obtained a total of 6 awards at the Presentation Ceremony of the 34th Hong Kong Film Awards, including the Best Film won by *The Golden Era*, evidencing rising market recognition of the films invested by the Group.

In an effort to enhance its competitiveness in the film distribution market, the Group has invested in and set up its own film distribution company and established a nationwide film distribution and promotion network.

CHANGE OF DOMICILE

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

REVIEW OF OPERATIONS

During the financial year ended 31 December 2015, the Group attained a turnover of HK$191.4 million (2014: HK$37.4 million). Profit for the financial year was HK$18.6 million (2014: loss of HK$563.3 million), administrative expenses of HK$26.8 million (2014: HK$30.8 million), impairment loss for intangible assets of HK$23.7 million (2014: HK$227.7 million), provision for inventories of HK$11.4 million (2014: HK$178.6 million), finance costs of HK$5.4 million (2014: HK$4.8 million) and income tax expense of HK$37.0 million (2014: HK$1.9 million).

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group has consistently managed its liquidity and financial resources in a prudent manner. As at 31 December 2015, the Group's cash level stood at HK$21.2 million (2014: HK$8.8 million). The balances are mainly in Hong Kong Dollar and Renminbi. With cash in hand and banking and other facilities available, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

As at the date of statement of financial position, the Group had no outstanding bank borrowings (2014: nil).

Gearing ratio (expressed as a percentage of the Group's total borrowings over total equity) was approximately 10.1% (2014: 32.2%).

MORTGAGES AND CHARGES

As at 31 December 2015, the Group had no significant mortgages and charges.

DISPOSAL OF SUBSIDIARIES

Detail of the disposal of subsidiaries are set out in note 31 to the consolidated financial statements.

ACQUISITION OF SUBSIDIARIES

Details of the acquisition of subsidiaries are set out in note 33 to the consolidated financial statements.

EXPOSURE TO FOREIGN EXCHANGE RISK

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

PENDING LITIGATION

Detail of the pending litigation are set out in note 34 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Detail of the events after the reporting period are set out in note 36 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total staff of 28 (2014: 58). Employees are remunerated based on their performance, experience and the prevailing industry practices, with compensation policies and packages being reviewed on a regular basis. Bonus payments are discretionary and depend on both the Group's performance and the performance of the individual employee. Benefits include retirement schemes and share option scheme.

DIVIDEND

The Directors did not recommend the payment of a dividend for the financial year ended 31 December 2015 (2014: Nil).

PROSPECTS

The Chinese cinema admissions reached 1.256 billion in 2015, exceeding 1 billion for the first time, which brings the Chinese market to the second place in the world. As such, the promising prospects of the Chinese market cannot be overstated. The Board will continuously innovate and accelerate the development of its core business with the aim of becoming the leader of the cultural industry in the Greater China region.

In respect of the film and television business, the Group will continue to broaden its industry chain by strengthening its investment, production and distribution efforts. Online dramas will become the next target besides tradition films and television dramas. The Group will also continue the investments in agency operation for films, directors, scriptwriters, and artists. In addition, the Wisely series and other franchises owned by the Group will be adapted for cinema with "All-IP" development in collaboration with internet streaming service providers, animation companies, comic companies, and gaming companies.

In view of the enormous travel budget of the Chinese, the Group will also launch the cultural tourism business in China and overseas through SMI International Travel Agency (HK) Company Limited. This business will be the new key performance driver for the Group in the future.

The Board is of the view that the market potential of the Chinese film, television, cultural and tourism market is in a golden era and tends to have a rapid growth. The Board is very optimistic about the future. With all its efforts, it is believed that the Group will be able to further strengthen its profitability and create a brighter future and better returns for its shareholders.

APPRECIATION

I am profoundly grateful to the business partners and shareholders for their unceasing support. I would also like to express my heartfelt thanks to the management and employees for their dedication and contributions.

The Group is confident about its future development and looks forward to their continued support for the betterment of its business.

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

30 March 2016

EXECUTIVE DIRECTORS

Mr. HAO Bin ("Mr. Hao"), aged 52, has been an Executive Director since 7 June 2014. He obtained a bachelor's degree in Journalism at Communication University of China in the the People's Republic of China (the "**PRC**") in 1995.

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

Mr. Hao is the Chairman of the board of directors and the chairman of Executive Committee and an authorised representative of the Company.

Mr. WANG Hai Yun ("Mr. Wang"), aged 39, obtained a master of business administration and a bachelor of arts from Peking University. Mr. Wang joined the Group in August 2015 and is a vice president of the services support platform of the Group. Mr. Wang has over 12 years experience in corporate management and business development in the media and property development industry.

Mr. Wang is a member of the Executive Committee of the Company.

Mr. CHAN Chi To, Antony ("Mr. Chan"), aged 64, has been an Executive Director since 27 August 2013. He is the founder of Asmile Holdings Company Limited which is engaging in Asmile brand building in the ecommerce market in the PRC, selling cosmetic products and essential oils through multi online platforms. Mr. Chan has rich experience in the entertainment and advertising industries. He was the founder and the chief executive officer of Cosmedia Group, an advertising and media group with focus on television advertising in the PRC, from 1996 to 2009. He was also the founder and the chief executive officer of Metro Communication Limited which was involved in television programme production and distribution in the PRC. Mr. Chan was the vice chairman of the Hong Kong Motion Picture Industry Association. He is also a director, producer and scriptwriter. He is a member of the "Wynners", a popular Hong Kong pop group that released its own album and hosted its own television shows.

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

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

Mr. KONG Dalu ("Mr. Kong"), aged 43, has been an Executive Director since 7 June 2014. He has approximately 20 years' working experience and extensive knowledge in the field of banking, corporate finance and investment in Hong Kong and Mainland China. Mr. Kong obtained a bachelor's degree in Economics (major in International Finance) at Wuhan University in the PRC in 1994.

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

Mr. WANG Fei ("Mr. Wang"), aged 40, obtained a law degree at Peking University in the PRC. Mr. Wang is the vice president of the Company and is responsible for the operation management and advising on the development strategy. Mr. Wang has working experience in the telecommunications and financial industries. Mr. Wang was previously appointed as an executive Director, the chief executive officer and authorised representative of the Company and resigned from such positions on 23 October 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. DU Jiang (''Mr. Du''), aged 48, has been an Independent Non-executive Director since 27 August 2013. He holds an accounting degree from Renmin University of China in the PRC and a master degree of business administration from Montclair State University in the United States of America. Mr. Du is a certified public accountant of Virginia State Board of Accountancy. Mr. Du is the co-head of the financial department of the Bank of China International Securities Ltd since August 2003. He also has working experience in the fields of accounting and finance.

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

Mr. LIU Xianbo (''Mr. Liu''), aged 52, has been an Independent Non-executive Director since 27 August 2013. He holds a law degree from Jiangxi University and a graduate of Southwest University of Political Science & Law in civil and commercial law in the PRC. Mr. Liu has been practicing law in the PRC for more than 20 years, specializing in finance, real estate, economics, contracts, civil dispute, liquidation and bankruptcy, criminal defence. He currently works at China Commercial Law Co. in the PRC.

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

Mr. WU Chien-Chiang (''Mr. Wu''), aged 60, has been an Independent Non-executive Director since 11 September 2013. He has experience of operating media and entertainment business in Taiwan for more than 30 years. He holds offices and positions in the following companies: (i) a director and the general manager of Era Communications Co., Ltd.; (ii) the chairman and the general manager of Satellite Entertainment Communication Co., Ltd.; (iii) the chairman and the general manager of Goldsun Communications Co., Ltd.; (iv) the general manager of Media-Chain International Marketing Co., Ltd.; (v) the chairman of Era Integrated Marketing Co., Ltd.; and (vi) the publisher of Trend Media & Publication Ltd.

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

SENIOR MANAGEMENT

The senior management of the Group comprises the executive Directors who held office during the year ended 31 December 2015.

CORPORATE GOVERNANCE

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

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

During the financial year ended 31 December 2015, the Company was in compliance with the code provisions set out in the CG Code except deviations of the following code provisions:

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code for Securities Transactions") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Confirmations have been sought from the Directors that they have complied with the required standards set out in the Model Code for Securities Transactions throughout the period from 1 January 2015 or their respective dates of appointment as Directors to 31 December 2015. The Board has also adopted the Model Code for Securities Transactions as guidelines for relevant employees in respect of their dealings in the securities of the Company.

THE BOARD

Role of Directors

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

Composition

The Board currently comprises the following Directors:

Executive Directors
Mr. HAO Bin
Mr. WANG Hai Yun
Mr. CHAN Chi To, Antony
Mr. KONG Dalu
Mr. WANG Fei

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

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

The Directors have no financial, business, family or other material/relevant relationships with each other.

Independent Non-executive Directors

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

Non-Executive Directors

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

Appointment and Re-election of Directors

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

In accordance with the CG Code and the Bye-laws, all Directors (including independent non-executive Directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Directors' profile is set out on pages 7 to 9.

During the year and up to the date of this report, Mr. WANG Hai Yun and Mr. WANG Fei were appointed as Directors. The appointment of the above new directors is a matter for consideration and decision by the full Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence are considered. During the year, the Board as a whole (with recommendations from the Nomination Committee of the Company) is responsible for approving the appointment of its new members and for recommending appropriate person for election or re-election pursuant to the Bye-Laws of the Company for shareholders' approval at the annual general meeting.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be separated.

The chief executive officer of the Company has been vacant from 23 October 2013. Until the appointment of new chief executive officer, the Executive Committee (chaired by Mr. HAO Bin, the chairman of the Board) continues to oversee the day-to-day management of the business and operations of the Group. The Company is endeavouring to identify suitable candidate to fill the vacancy as soon as possible.

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

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

Directors' Duties

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

Corporate Governance Function

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

The Board had considered the following corporate governance matters for the year ended 31 December 2015:

— Reviewed the policies and procedures adopted by the Company.

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

— Adopted the revised code provisions of CG Code in respect of new requirements of risk management system as corporate governance practices and amended the terms of reference of audit committee to align with the revised CG Code.

Board Delegation

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

Board Process

During the year ended 31 December 2015, the Board has scheduled meetings at regular interval and additional board meetings were held as and when necessary. The Directors participated in person or through electronic means of communication. The attendance of each Director at board meetings and general meetings are set out as follows:

Name of Directors

Executive Directors	**No. of Board meetings attended/No. of Board meetings eligible to attend**	**No. of general meetings attended/No. of general meetings eligible to attend**
Mr. HAO Bin *(Chairman)*	4/4	4/4
Mr YUAN Xin *(resigned on 6 August 2015)*	0/3	0/4
Mr. CHAN Chi To, Antony	4/4	4/4
Mr. KONG Dalu	4/4	0/4
Mr. WANG Hai Yun *(appointed on 6 August 2015)*	0/1	N/A

Name of Directors Independent Non-Executive Directors	No. of Board meetings attended/No. of Board meetings eligible to attend	No. of general meetings attended/No. of general meetings eligible to attend
Mr. DU Jiang	4/4	0/4
Mr. LIU Xianbo	4/4	0/4
Mr. WU Chien-Chiang	4/4	0/4
Mr. JIANG Jinsheng *(resigned on 6 August 2015)*	0/3	0/4

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

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

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

BOARD COMMITTEES

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

Remuneration Committee

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

During the year ended 31 December 2015, the Remuneration Committee held two meetings, with attendance record as follows:

Name of Members	**No. of meetings attended/No. of meetings eligible to attend**
Mr. DU Jiang *(Chairman)*	2/2
Mr. LIU Xianbo	2/2
Mr. WU Chien-Chiang	2/2
Mr. JIANG Jinsheng *(resigned on 6 August 2015)*	0/2

During the year ended 31 December 2015, the Remuneration Committee reviewed matters relating to remuneration packages of executive directors and senior management, remuneration of non-executives and made recommendation to the Board for approval. The model set out in code provision B.1.2(c)(ii) has been adopted by the Remuneration Committee.

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

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

Audit Committee

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

During the year ended 31 December 2015, the Audit Committee held two meetings with attendance record as follows:

Name of Members	No. of meetings attended/No. of meetings eligible to attend
Mr. DU Jiang *(Chairman)*	2/2
Mr. LIU Xianbo	2/2
Mr. WU Chien-Chiang	2/2
Mr. JIANG Jinsheng *(resigned on 6 August 2015)*	0/2

At the meetings, the Audit Committee has reviewed the audited financial statements for the financial year ended 31 December 2014 with senior management and the Company's external auditors and the interim report for the six months ended 30 June 2015. The Audit Committee has also reviewed the Group's accounting policies and practices, the Listing Rules and statutory compliance, internal controls and financial reporting matters. During the year, the Audit Committee met representatives of the auditors twice to discuss matters relating to fees and audit/review findings, etc.

Nomination Committee

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

During the year, Mr. WANG Hai Yun and after the year end, Mr. WANG Fei respectively were appointed as directors of the Company. In considering the above new appointment of directors, the Nomination Committee assessed the candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively, etc. and made recommendation to the Board for approval. The Nomination Committee reviewed the board diversity policy.

The Nomination Committee also nominated and the Board recommended (i) Mr. CHAN Chi To, Antony and Mr. WU Chien-Chiang, being directors serving longest in office since their last re-election, to retire by rotation, and being eligible, will offer themselves for re-election by shareholders of the Company at the forthcoming 2016 annual general meeting; and (ii) Mr. WANG Hai Yun and Mr. WANG Fei, the newly appointed Director, to retire, and being eligible, will offer themselves for re-election by shareholders of the Company at the forthcoming 2016 annual general meeting.

During the year ended 31 December 2015, the Nomination Committee held two meetings with attendance record as follows:

Name of Members	No. of meetings attended/No. of meetings eligible to attend
Mr. LIU Xianbo *(Chairman)*	2/2
Mr. DU Jiang	2/2
Mr. WU Chien-Chiang	2/2
Mr. JIANG Jinsheng *(resigned on 6 August 2015)*	0/2

Board Diversity Policy

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

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

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

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

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

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

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

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

Executive Committee

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

DIRECTORS' TRAINING

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

The current Directors who held office during the year ended 31 December 2015 have participated in continuous professional development and provided a record of training they received for the year ended 31 December 2015 to the Company. The management provided induction materials to the Directors appointed during the year.

The individual training record of each current Director who held office during the year ended 31 December 2015 is set out below:

Name of Directors	Attending or participating in seminars/ conference/ workshops relevant to rules and regulations and the Group's business/ directors' duties	Reading materials relating to rules and regulations and discharge of directors' duties and responsibilities
Mr. HAO Bin	√	√
Mr. WANG Hai Yun *(appointed on 6 August 2015)*	√	√
Mr. YUAN Xin *(resigned on 6 August 2015)*		√
Mr. CHAN Chi To Antony		√
Mr. KONG Dalu		√
Mr. DU Jiang		√
Mr. LIU Xianbo		√
Mr. WU Chien-Chiang		√
Mr. JIANG Jinsheng *(resigned on 6 August 2015)*		√

COMPANY SECRETARY

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

The Chairman of the Executive Committee of the Company, or in his absence, his duly appointed delegate, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Mui has confirmed to the Company that she has taken no less than 15 hours of relevant professional training for the year ended 31 December 2015 and has obtained the practitioner's endorsement certificate for 2015/2016 issued by The Hong Kong Institute of Chartered Secretaries.

AUDITOR'S REMUNERATION

The amount of fees charged by the auditor generally depends on the scope and volume of the auditor's work. For the year ended 31 December 2015, the remuneration to the auditor of the Company charged to income statement were approximately HK$4.0 million for audit services.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

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

The Directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2015 and of the Group's profits and cash flows for the year then ended. Meanwhile, the Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the financial year ended 31 December 2015, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with.

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

The reporting responsibilities of external auditors of the Company are disclosed in "Independent Auditor's Report" set out on pages 31 and 32 of this annual report.

INTERNAL CONTROL

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

During the year ended 31 December 2015, management has conducted regular review on the effectiveness of the internal control system covering all material controls in area of financial and compliance controls and various functions for risks management. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management function for the year ended 31 December 2015. The Audit Committee is satisfied that the internal control system maintained by the Group is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained.

In addition, an independent professional firm has been engaged to review and assess certain internal control system of the Group for the year ended 31 December 2015 and reported the review and recommended procedures whereas no material control failure was noted.

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

COMMUNICATION WITH SHAREHOLDERS

Effective communication

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

Code provision E.1.2 of the CG Code requires the chairman of the board to invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the AGM. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Due to other business commitments, the chairmen and members of the audit, remuneration and nomination committees of the Company could not attend the AGM held in June 2015 (the "2015 AGM"). In addition, all independent board committee members could not attend two special general meetings (the "SGMs") held during the year under review to approve the transaction that required independent shareholders' approval as provided for in the said code provision.

The Chairman of the 2015 AGM and SGMs had explained the procedures for conducting a poll. At the 2015 AGM and SGMs, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including re-election of retiring directors at the 2015 AGM, and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Directors including the chairmen of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company and representatives of the external auditor Messrs. Deloitte Touche Tohmatsu, attended the 2015 AGM and have effective communication with shareholders. Besides, the Company held SGMs to consider and approve mainly about (i) change of domicile, capital reorganisation, etc, (ii) refreshment of general mandate to issue shares, etc. The executive Directors attended the said general meetings to answer related questions.

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

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

The Company has established a shareholders' communications policy.

Shareholders' Rights

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

Shareholders to convene a special general meeting

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

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

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

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

Putting enquiries by shareholders to the Board

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

Procedures for putting forward proposals by shareholders at shareholders' meeting

Pursuant to the Companies Act, either any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than one hundred shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

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

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

Voting by way of poll

Pursuant to Rule 13.39(4) of the Listing Rules and the Bye-Laws of the Company, all votes of the shareholders at the AGM or general meetings must be taken by poll. Relevant details of the proposed resolutions, including biographies of each retiring Director standing for re-election, were included in the circular to shareholders dispatched together with the proxy forms. The Company announced the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

Constitutional Document

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

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

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

Hong Kong, 30 March 2016

The Directors submit herewith their report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the investments in the production and distribution of films, investments in the production and distribution of television dramas, creations, production and distribution of new media contents, production and distribution of online and film advertisements and agency operations for films, directors, scriptwriters and artists, and travel business.

The particulars of the subsidiaries are set out in note 37 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Company, a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position as well as the outlook of the Company's business are provided in the "Management Discussion and Analysis" from pages 4 to 6 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is provided in "Financial Summary" on page 92 in this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report particularly in notes 4, 28 and 29 to the financial statements. Particulars of important events affecting the Company that have occurred since the end of the financial year 2015 can be found in note 36 to the financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an eco-friendly corporation that tries to reduce the impacts of its operation on the environment.

Currently, the Group implements the following paper-saving measures:

(a) employees are encouraged to use duplex printing for internal documents;

(b) facilities and procedures are in place for paper waste recycling; and

(c) the Group had strived for long to establish a paperless office by using electronic storage and communication whenever possible.

The Group took different measures to minimize environmental impact by saving electricity and encouraging recycle of office supplies and other material.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's investments are mainly carried out by the Company's subsidiaries established in the British Virgin Islands, the People's Republic of China and Hong Kong while the Company itself is incorporated in the Cayman Islands and continued in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited. Our establishment and operations accordingly shall comply with relevant laws and regulations in Bermuda, the British Virgin Islands, the People's Republic of China and Hong Kong.

During the year ended 31st December, 2015 and up to the date of this annual report, we have complied with all the relevant rules, laws and regulations in Bermuda, the British Virgin Islands, the People's Republic of China and Hong Kong that have a significant impact on the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As the Group principally engages in media sector, the Group has always paid great attention to and maintained a good relationship with, and has been providing quality professional and customer-oriented services for customers. Since the nature of business of the Group, no specific suppliers will be involved in the operation of business. The aforementioned customers are good working partners creating value for the Group. The Group also values the knowledge and skills of its employees, and continues to provide favourable career development training and education opportunities for its employees.

FINANCIAL STATEMENTS

The profits of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 33 to 91.

SHARE CAPITAL

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

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

There were no purchases, sales or redemption of the Company's listed securities by the Company and any of its subsidiaries during the year ended 31 December 2015.

RESULTS AND RESERVES

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 pages 33 and 34 of the annual report. The movements in reserves are set out in the consolidated statement of changes in equity on page 36 of the annual report.

The Directors do not recommend the payment of a final dividend for the financial year ended 31 December 2015 (2014: Nil).

CHARITABLE DONATIONS

During the financial year ended 31 December 2015, no charitable donations were made by the Group (2014: Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2015 is set out on page 92 of the annual report.

FIXED ASSETS

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

DIRECTORS

The Directors during the year ended 31 December 2015 and up to the date of this report were:

Executive Directors

Mr. HAO Bin	
Mr. WANG Hai Yun	*(appointed on 6 August 2015)*
Mr. CHAN Chi To, Antony	
Mr. KONG Dalu	
Mr. YUAN Xin	*(resigned on 6 August 2015)*
Mr. WANG Fei	*(appointed on 11 January 2016)*

Independent Non-executive Directors

Mr. DU Jiang	
Mr. LIU Xianbo	
Mr. WU Chien-Chiang	
Mr. JIANG Jinsheng	*(resigned on 6 August 2015)*

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

In accordance with Bye-Law 84(1) of the Company's Bye-Laws, Mr. CHAN Chi To, Antony and Mr. WU Chien-Chiang will retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election at the AGM.

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

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

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

Save as disclosed herein, the Company is not aware of any other change in the directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2015 interim report.

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

As at 31 December 2015, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange and as known to the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangements, or contracts of significance, to which the Company or its subsidiaries, its parent company (if any) or its fellow subsidiaries (if any), was a party, and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Interests of the directors of the Company in competing businesses as at 31 December 2015 which are required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

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

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

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

PERMITTED INDEMNITY PROVISION

The Bye-Laws of the Company provides that directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they are or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme by written resolutions of the shareholders passed on 13 June 2004 (the "old share option scheme") which would be expired on 13 June 2014. The Company terminated the old share option scheme and adopted a new share option scheme (the "new share option scheme") pursuant to an ordinary resolution passed by the shareholders at the annual general meeting of the Company held on 6 June 2014.

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

During the year ended 31 December 2015, no options were outstanding, granted, exercised, cancelled or lapsed under the new share option scheme since its adoption.

As at the date of this report, a total of 56,255,768 shares (representing 6.94% of the existing issued share capital of the Company) may be issued upon exercise of all options which may be granted and yet to be exercised under the new share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its parent company (if any), or any of its subsidiaries or fellow subsidiaries (if any) a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to "Share Option Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

The interests and short positions of those persons (other than a Director or chief executive of the Company disclosed above) in the shares and underlying shares of the Company as at 31 December 2015, which have been notified to the Company and recorded in the register required to be kept under Section 336 of the SFO or as known to the Company were as follows:

Name of substantial shareholders	Capacity	Nature of interest	Total number of shares	Approximate percentage of total issued shares as at 31 December 2015
SMI Investment (HK) Limited *(Note 1)*	Beneficial owner	Beneficial interest	236,039,581	29.14%
SMI Holdings Group Limited *(Note 1)*	Interested in controlled corporation	Corporate interest	236,039,581	29.14%
Mr. Qin Hui *(Note 2)*	Interested in controlled corporation	Corporate interest	236,039,581	29.14%
Hong Kong Xinhu Investment Co., Limited *(Note 3)*	Beneficial owner	Beneficial interest	6,657,538	0.82%
Xinhu Zhongbao Co., Limited *(Note 3)*	Interested in controlled corporation	Corporate interest	6,657,538	0.82%

Note 1: SMI Investment (HK) Limited is wholly-owned by SMI Holdings Group Limited ("SMI Holdings"), the shares of which are listed on the Hong Kong Stock Exchange. SMI Investment (HK) Limited is the beneficial owner of 236,039,581 Shares. SMI Holdings is deemed to be interested in such 236,039,581 Shares through SMI Investment (HK) Limited under the SFO.

Note 2: According to individual substantial shareholder Notice filed by Mr. Qin Hui on 22 July 2015, Mr Qin is deemed to be interested in 236,039,581 shares through his 54.42% control in SMI Holdings.

Note 3: According to the corporate substantial shareholder Notices filed by Hong Kong Xinhu Investment Co., Limited ("HK Xinhu") and Xinhu Zhongbao Co., Limited ("Xinhu Zhongbao") in July 2012, HK Xinhu was indirectly wholly-owned by Xinhu Zhongbao, the shares of which are listed on Shanghai Stock Exchange and HK Xinhu was the beneficial owner of 332,876,894 shares. Xinhu Zhongbao is deemed to be interests in such shares through HK Xinhu under the SFO. Such 332,876,894 shares were adjusted by share consolidation and rights issue in March 2013 to 6,657,538 shares. The Company was informed by Xinhu Zhongbao on 4 August 2014 that the total number of shares held by HK Xinhu was 39,945,228 shares after subscription of rights shares under the rights issue made in March 2013, representing 4.93% of the total issued share capital of the Company. The Company did not receive any corporate substantial shareholder notices from HK Xinhu and Xinhu Zhongbao reporting their current shareholding.

RELATED PARTY TRANSACTIONS

The transaction of purchase of films sets out in note 30(B) to the financial statements which is in existence or entered into during the financial year ended 31 December 2015 fall under the definition of connected transactions in accordance with Chapter 14A of the Listing Rules (Please refer to the announcement dated 5 September 2014 for details).

The transactions of loan and interest thereon set out in note 30(B) fall under Rules 14A.90 of the Listing Rules and are exempted from reporting, announcement and independent shareholders' approval requirements in the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (where applicable) with respect to the connected transactions and continuing connected transactions entered into by the Company for the financial year ended 31 December 2015.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers accounted for approximately 68% (2014: 54%) and the largest customer accounted for approximately 18% (2014: 32%) of the Group's total turnover for the financial year ended 31 December 2015.

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

PUBLIC FLOAT

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

AUDITOR

Messrs. KPMG, who acted as auditor of the Company for the past three years, resigned on 24 November 2014 and Messrs. Deloitte Touche Tohmatsu was appointed by the Board on 8 December 2014 to fill the casual vacancy and was re-appointed as auditors of the Company by shareholders at the annual general meeting held on 30 June 2015.

A resolution will be proposed at the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

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

HAO Bin
Chairman

Hong Kong, 30 March 2016

Deloitte.
德勤

TO THE MEMBERS OF SMI CULTURE GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of SMI Culture Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 91, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Continuing operations			
Revenue	5	**191,390**	37,442
Cost of sales		**(61,395)**	(80,883)
Gross profit (loss)		**129,995**	(43,441)
Other income		**57**	8,683
Other expenses		**(1,785)**	(8,284)
Impairment loss recognised in respect of:			
— Intangible assets	14	**(23,729)**	(227,658)
— Available for sale investment		**—**	(15,954)
— Other receivable		**(8,569)**	(9,644)
— Amount due from an associate	18	**—**	(6,953)
— Goodwill	33	**(2,943)**	—
Allowance for inventories	15	**(11,359)**	(178,640)
Administrative expenses		**(26,771)**	(30,828)
Finance costs	6	**(5,377)**	(4,820)
Profit (loss) before taxation		**49,519**	(517,539)
Taxation	7	**(36,978)**	(1,873)
Profit (loss) for the year from continuing operations	8	**12,541**	(519,412)
Discontinued operations			
Profit (loss) for the year from discontinued operations	32	**6,061**	(43,843)
Profit (loss) for the year		**18,602**	(563,255)
Other comprehensive income (expenses)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**187**	(273)
Realisation of exchange differences upon disposal of subsidiaries		**(1,003)**	—
Total comprehensive income (expenses) for the year		**17,786**	(563,528)

	Note	2015 HK$'000	2014 HK$'000 (Restated)
Profit (loss) for the year attributable to owners of the Company			
— from continuing operations		**12,766**	(536,574)
— from discontinued operations		**6,710**	(24,115)
		19,476	(560,689)
(Loss) profit for the year attributable to non-controlling interests			
— from continuing operations		**(225)**	17,164
— from discontinued operations		**(649)**	(19,730)
		(874)	(2,566)
		18,602	(563,255)
Total comprehensive income (expenses) attributable to:			
— Owners of the Company		**18,660**	(560,962)
— Non-controlling		**(874)**	(2,566)
		17,786	(563,528)
Profit (loss) per share (HK$)			
From continuing and discontinued operations			
— Basic	12	**0.03**	(1.00)
— Diluted		**N/A**	(1.00)
From continuing operations			
— Basic		**0.02**	(0.95)
— Diluted		**N/A**	(0.95)

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	13	**265**	1,081
Intangible assets	14	**114,633**	155,763
		114,898	156,844
Current assets			
Inventories	15	**252,238**	273,706
Film rights investment	16	**100,619**	43,243
Trade and other receivables	17	**238,741**	70,321
Bank balances and cash	19	**21,160**	8,789
		612,758	396,059
Current liabilities			
Trade and other payables	20	**90,646**	113,702
Tax payable		**93,222**	58,186
Loan from a shareholder	21	**50,000**	50,000
Other loans	22	**—**	42,865
		233,868	264,753
Net current assets		**378,890**	131,306
		493,788	288,150
Capital and reserves			
Share capital	24	**8,101**	438,795
Share premium and reserves		**491,769**	(150,477)
Equity attributable to owners of the Company		**499,870**	288,318
Non-controlling interests		**(6,082)**	(168)
		493,788	288,150

The consolidated financial statements on pages 33 to 91 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Exchange reserve HK$'000	Warrant reserve HK$'000 (Note c)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2014	438,795	1,092,929	95	12,069	966	5,392	(700,966)	849,280	2,398	851,678
Loss for the year	—	—	—	—	—	—	(560,689)	(560,689)	(2,566)	(563,255)
Other comprehensive expense for the year	—	—	—	—	(273)	—	—	(273)	—	(273)
Total comprehensive expense for the year	—	—	—	—	(273)	—	(560,689)	(560,962)	(2,566)	(563,528)
Transfer upon cancellation of share options	—	—	—	(108)	—	—	108	—	—	—
As at 31 December 2014	438,795	1,092,929	95	11,961	693	5,392	(1,261,547)	288,318	(168)	288,150
Profit (loss) for the year	—	—	—	—	—	—	19,476	19,476	(874)	18,602
Other comprehensive expenses for the year	—	—	—	—	(816)	—	—	(816)	—	(816)
Total comprehensive (expenses) income for the year	—	—	—	—	(816)	—	19,476	18,660	(874)	17,786
Capital reorganisation (note 24)	(433,169)	(1,092,929)	—	—	—	—	1,526,098	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	(189)	(189)
Placement of shares (note 24)	2,475	195,075	—	—	—	—	—	197,550	—	197,550
Transaction cost attributable to placement of shares	—	(4,658)	—	—	—	—	—	(4,658)	—	(4,658)
Disposal of subsidiaries (note 31)	—	—	—	—	—	—	—	—	(4,851)	(4,851)
Transferred to warrant reserve	—	—	—	—	—	(5,392)	5,392	—	—	—
As at 31 December 2015	8,101	190,417	95	11,961	(123)	—	289,419	499,870	(6,082)	493,788

Notes:

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

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

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

(c) The warrant reserve represents the excess of proceeds from the issue of the convertible notes over the amount initially recognised as the liability component of the convertible notes and the redemption call and put options. The Company created and granted to the warrant holder rights to subscribe in cash at any time and from time to time during the subscription period, which is from 8 July 2010 to 7 July 2015, for an aggregate of 11,380,942 fully paid ordinary shares of US$0.01 each of the Company at a price per share equal to the subscription price of HK$1.3278. No warrant has been exercised since the grant date. The warrant reserve amounting to HK$5,392,000 was transferred to accumulated losses.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		**55,580**	(567,569)
Adjustments for:			
Depreciation of property, plant and equipment		**245**	668
Amortisation of intangible assets		**17,401**	45,716
Interest income		**(13)**	(11)
Gain on disposal of subsidiaries	31	**(7,504)**	(8,404)
Finance costs		**5,377**	4,820
Allowance for inventories		**11,359**	178,640
Loss on disposal of property, plant and equipment		**—**	120
Gain on disposal of intangible assets		**—**	(145)
Impairment loss recognised in respect of:			
— goodwill		**2,943**	21,076
— intangible assets		**23,729**	252,071
— available-for-sale investment		**—**	15,954
— other receivables		**8,569**	11,114
— amount due from an associate		**—**	6,953
Operating cash flows before movements in working capital		**117,686**	(38,997)
Decrease in inventories		**10,109**	8,649
Increase in film rights investment		**(57,376)**	(43,243)
Increase in amount due from an associate		**—**	(1,708)
(Increase) decrease in trade and other receivables		**(217,841)**	64,089
Increase (decrease) in trade and other payables		**7,644**	(67,213)
Cash used in operating activities		**(139,778)**	(78,423)
Income tax paid		**(195)**	(156)
NET CASH USED IN OPERATING ACTIVITIES		**(139,973)**	(78,579)
INVESTING ACTIVITIES			
Proceeds from disposal of subsidiaries	31	**8,513**	34,722
Proceeds from disposal of intangible assets		**—**	1,719
Proceeds from disposal of property, plant and equipment		**603**	201
Proceeds for acquisition of subsidiaries	33	**(513)**	—
Interest received		**13**	11
Purchase of property, plant and equipment		**(105)**	(1,172)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**8,511**	35,481

	2015 HK$'000	2014 HK$'000
FINANCING ACTIVITIES		
Increase in loan from a shareholder	**—**	50,000
New other loans raised	**—**	30,000
Repayment of other loans	**(42,865)**	(29,206)
Interest paid	**(5,377)**	(3,631)
Proceeds from share placing	**197,550**	—
Expenses on share placing	**(4,658)**	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	**144,650**	47,163
NET INCREASE IN CASH AND CASH EQUIVALENTS	**13,188**	4,065
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**8,789**	4,994
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(817)**	(270)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER represented by bank balances and cash	**21,160**	8,789

1. GENERAL

SMI Culture Group Holdings Limited (the "Company") is incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. For the year ended 31 December 2015, the Company changes the domicile to Bermuda. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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

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

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

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

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

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

[3] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

[4] Effective for annual periods beginning on or after a date to be determined.

HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit (CGU) that is expected to benefit from the synergies of the combination.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

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

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

Revenue recognition

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

Sales of scripts, synopsis and editing/publishing rights

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

Television advertising income

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

Film investment income

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

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

Interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

Impairment on tangible and intangible assets other than goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on tangible and intangible assets other than goodwill *(continued)*

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

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

Inventories

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

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

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

Provisions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Film rights investment

Film rights investment represents films invested by the Group.

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

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

Leasing

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

The Group as lessee

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

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

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

Borrowing costs

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax (continued)

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

Property, plant and equipment

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

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

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into loans and receivables.

Effective interest method

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

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

Loans and receivables

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even they were assessed not to be impaired individually are. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

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

Financial liabilities

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Estimated useful lives of intangible assets

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

Impairment of trade receivables

When there is objective evidence of impairment loss, the directors of the Company take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of trade receivables was approximately HK$171,381,000 (2014: HK$45,461,000). There was no impairment loss for both 2014 and 2015.

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

Key sources of estimation uncertainty *(continued)*

Impairment of inventories

The directors of the Company estimate the net realisable value of inventories based on estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale according to the accounting policy set out in note 3. In addition, the directors of the Company carry out a review on inventories at each date of the statement of financial position and provision is made when net realisable value of inventories is estimated to be less than their carrying amount. As at 31 December 2015, the carrying amount of inventories was HK$252,238,000 net of provision of HK$278,030,000 (2014: HK$273,706,000 net of provision of HK$266,671,000).

Amortisation of film rights investment

The Group is required to estimate the projected revenue of the film rights based on their economic lives in order to ascertain the amount of amortisation charges for each reporting period. The appropriateness of the amortisation estimate requires the use of judgment and assumptions with reference to the prevailing and future market conditions to estimate total projected revenue over their economic lives. Changes in these estimates and assumptions could have a material effect on the amortisation expenses. The carrying amount of the film rights investment as at 31 December 2015 was HK$100,619,000 (2014: HK$43,243,000). Details are set out in note 16.

Impairment of intangible assets

The directors of the Company estimate the recoverable amount of intangible assets based on the fair value less costs to sell. In addition, the Group carries out a review on intangible assets at each date of the statement of financial position and provision is made when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves the directors of the Company's estimate of future cash flow generated by intangible assets, discount rate used in discounting the projected cash flow and customer profile. Whilst the impairment reviews and calculation are based on assumptions that are consistent with the business plan, projected future cash flow is affected by a wide range of factors which are beyond the control of the Group. As at 31 December 2015, the carrying value of intangible assets was HK$114,633,000 net of the accumulated impairment losses of HK$887,727,000 (2014: HK$155,763,000 net of the accumulated impairment losses of HK$863,998,000).

5. REVENUE AND SEGMENT INFORMATION

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

Segment information reported externally was analysed on the basis of the following operating division, which are stated as follows:

- Television program related business
  - — Sales of editing rights
- Film investment and distribution
  - — Distribution of and investment in film rights

An operating segment regarding the television and other advertising was discontinued in the current year and details are set out in note 32. The segment information reported does not include any amounts for these discontinued operations.

(a) Segment revenue and results

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

For the year ended 31 December 2015

Continuing operations	Television programme related business HK$'000	Films investment and distribution HK$'000	Total HK$'000
Revenue	166,831	24,559	191,390
Segment profit	55,664	11,239	66,903
Finance costs			(5,377)
Unallocated expenses			(12,007)
Profit before taxation			49,519

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

For the year ended 31 December 2014 (restated)

Continuing operations	Television programme related business HK$'000	Films investment and distribution HK$'000	Total HK$'000
Revenue	9,935	27,507	37,442
Segment (loss) profit	(514,645)	4,940	(509,705)
Unallocated income			8,404
Finance costs			(4,820)
Unallocated expenses			(11,418)
Loss before taxation			(517,539)

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

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

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

As at 31 December 2015

Continuing operations	Television programme related business HK$'000	Films investment and distribution HK$'000	Total HK$'000
Assets			
Segment assets	473,284	203,613	676,897
Other assets			50,759
Consolidated assets			727,656
Liabilities			
Segment liabilities	(152,163)	(9,633)	(161,796)
Other liabilities			(72,072)
Consolidated liabilities			(233,868)

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

As at 31 December 2014 (restated)

Continuing operations	Television programme related business HK$'000	Films investment and distribution HK$'000	Total HK$'000
Assets			
Segment assets	441,815	63,628	505,443
Other assets			16,561
Assets relating to discontinued operations			30,899
Consolidated assets			552,903
Liabilities			
Segment liabilities	(114,767)	(5,640)	(120,407)
Other liabilities			(99,137)
Liabilities related to discontinued operations			(45,209)
Consolidated liabilities			(264,753)

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

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

(c) Other segment information

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

For the year ended 31 December 2015

Continuing operations	Television programme related business HK$'000	Films investment and distribution HK$'000	Unallocated HK$'000	Total HK$'000
Addition to property, plant and equipment	**127**	**—**	**105**	**232**
Depreciation for property, plant and equipment	**36**	**—**	**209**	**245**
Impairment loss recognised in respect of:				
— intangible assets	**23,729**	**—**	**—**	**23,729**
— goodwill	**2,943**	**—**	**—**	**2,943**
— other receivables	**8,569**	**—**	**—**	**8,569**
Amortisation of intangible assets	**17,401**	**—**	**—**	**17,401**
Allowance for inventories	**11,359**	**—**	**—**	**11,359**

For the year ended 31 December 2014

Continuing operations	Television programme related business HK$'000	Films investment and distribution HK$'000	Unallocated HK$'000	Total HK$'000
Addition to property, plant and equipment	114	—	839	953
Depreciation for property, plant and equipment	114	—	111	225
Impairment loss recognised in respect of:				
— intangible assets	227,658	—	—	227,658
— available-for-sale investment	15,954	—	—	15,954
— other receivables	9,644	—	—	9,644
— amount due from an associate	6,953	—	—	6,953
Amortisation of intangible assets	44,258	—	—	44,258
Allowance for inventories	178,640	—	—	178,640

5. REVENUE AND SEGMENT INFORMATION *(continued)*

(d) Geographical information

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

	Revenue from external customers		Non-current assets	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Hong Kong	**1,103**	37,442	**114,898**	156,614
PRC	**190,287**	—	**—**	230
	191,390	37,442	**114,898**	156,844

(e) Revenue from major products and services

	2015 HK$'000	2014 HK$'000
Film investment income	**24,559**	27,507
Sales of editing rights	**166,831**	9,935
	191,390	37,442

(f) Information about major customers

The aggregate revenue attributed to the Group's five largest customers accounted for approximately 68% (2014: 54%) of the Group's total revenue and the largest customer accounted for approximately 18% (2014: 32%) of the Group's total revenue for the financial year ended 31 December 2015.

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

	2015 HK$'000	2014 HK$'000
Customer A — (Television programme related business)	**35,047**	N/A
Customer B — (Television programme related business)	**28,656**	N/A
Customer C — (Television programme related business)	**29,850**	N/A
Customer D — (Television programme related business)	**19,923**	N/A

6. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on:		
Bank loan and other borrowing	**2,381**	2,535
Loan from a shareholder	**2,996**	2,285
	5,377	4,820

7. TAXATION

	2015 HK$'000	2014 HK$'000
The tax charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**36,978**	1,788
Under provision in prior year		
PRC EIT	**—**	85
Total income tax expense (income) recognised in profit or loss	**36,978**	1,873

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

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

	2015 HK$'000	2014 HK$'000 (Restated)
Profit (loss) before tax from continuing operations	**49,519**	(517,539)
Tax at the average income tax rate of 25% (2014: 16.5%)	**12,380**	(85,394)
Tax effect of expenses not deductible for tax purpose	**18,273**	71,318
Tax effect of income not taxable for tax purpose	**(6,690)**	(6,317)
Under provision in respect of prior year	**—**	85
Tax effect of tax losses not recognised	**4,272**	7,219
Effect of different tax rates of subsidiaries operating in other jurisdictions	**8,743**	14,962
Tax charge (credit) for the year	**36,978**	1,873

8. PROFIT (LOSS) FOR THE YEAR

	2015 HK$'000	2014 HK$'000
Profit (loss) for the year from continuing operations has been arrived at after charging:		
Directors' emoluments	**2,973**	4,393
Other staff costs	**3,066**	8,321
Retirement benefits scheme contribution (excluding directors)	**123**	625
Auditors' remuneration	**3,990**	3,396
Depreciation for property, plant and equipment	**215**	225
Amortisation of intangible assets (included in cost of sales)	**17,401**	44,258
Cost of film rights expensed (included in cost of sales)	**20,464**	20,948
Cost of editing rights expensed (included in cost of sales)	**10,109**	8,649
Minimum lease payments	**598**	478
and after crediting (included in other income):		
Interest income	**11**	7
Gain on disposal of a subsidiary	**—**	8,404
Gain on disposal of intangible assets	**—**	145

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

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

2015

Name of director	Date of appointment/resignation	Fees HK$'000	Salary HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive directors:					
Chan Chi To, Antony		700	—	18	718
Hao Bin		240	720	—	960
Kong Dalu		240	—	—	240
Wang Hai Yun	Appointed on 6 August 2015	191	—	—	191
Yuan Xin	Resigned on 6 August 2015	—	—	—	—
Independent non-executive directors:					
Du Jiang		240	—	—	240
Liu Xianbo		240	—	—	240
Wu Chien-Chiang		240	—	—	240
Jiang Jinsheng	Resigned on 6 August 2015	144	—	—	144
		2,235	720	18	2,973

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

2014

Name of director	Date of appointment/resignation	Fees HK$'000	Salary HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive directors:					
Yuan Xin		—	826	—	826
Chan Chi To, Antony		—	1,200	17	1,217
Hao Bin	Appointed on 7 June 2014	—	800	—	800
Kong Dalu	Appointed on 7 June 2014	—	136	—	136
Chen Hai	Resigned on 16 May 2014	—	—	—	—
Non-executive directors:					
Liu Junbo	Retired on 6 June 2014	52	—	—	52
Chi Chenxi	Resigned on 31 October 2014	202	—	—	202
Hu Gin Ing	Resigned on 31 October 2014	200	—	—	200
Guo Hong	Resigned on 15 March 2014	—	—	—	—
Independent non-executive directors:					
Du Jiang		240	—	—	240
Liu Xianbo		240	—	—	240
Jiang Jinsheng		240	—	—	240
Wu Chien Chiang		240	—	—	240
		1,414	2,962	17	4,393

No directors waived any emoluments for the years ended 31 December 2014 and 2015.

The executive directors' emoluments for both 2014 and 2015 were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments for both 2014 and 2015 were mainly for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments for both 2014 and 2015 were mainly for their services as directors of the Company.

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2014: two) were directors of the Company whose emolument is in note 9 above. The emoluments of the remaining three (2014: three) highest paid individuals were as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**1,656**	3,257
Contribution to retirement benefits scheme	**35**	118
	1,691	3,375

The emoluments were within the following bands:

	Number of employees	
	2015	2014
Nil–HK$1,000,000	**3**	—
HK$1,000,001–HK$1,500,000	**—**	3

11. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting periods.

12. EARNING (LOSS) PER SHARE

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

	2015 HK$'000	2014 HK$'000
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	**19,476**	(560,689)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**721,660,000**	562,558,000

12. EARNING (LOSS) PER SHARE *(continued)*

For continuing operations

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	2015 HK$'000	2014 HK$'000
Profit (loss) for the year attributable to owners of the Company	**19,476**	(560,689)
Less: Profit (loss) for the year from discontinued operations	**6,710**	(24,115)
Earnings (loss) for the purposes of basic and diluted earnings (loss) from continuing operations	**12,766**	(536,574)

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

For discontinued operations

Basic and diluted earnings (loss) per share from discontinued operations is HK 0.01 earning per share (2014: HK 0.04 loss per share), based on the profit (loss) for the year from the discontinued operations of HK$6,710,000 (2014: loss of HK$24,115,000) and the denominators detailed above for both basic and diluted earnings per share.

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those option was higher than the average market price for the 2014. All such exercisable share options have expired at the end of 2014, therefore no diluted earnings per share was applicable for the year ended 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and other fixed assets HK$'000	Props and costumes HK$'000	Total HK$'000
COST				
As at 1 January 2014	592	2,923	7	3,522
Additions	46	1,126	—	1,172
Disposals	(181)	(805)	—	(986)
Exchange adjustment	(4)	(5)	—	(9)
As at 31 December 2014	453	3,239	7	3,699
Additions	33	72	—	105
Acquired on acquisition of subsidiaries	64	63	—	127
Disposals	(332)	(1,062)	—	(1,394)
Eliminated on disposal of subsidiaries	(75)	(623)	—	(698)
Exchange adjustment	—	3	—	3
As at 31 December 2015	143	1,692	7	1,842
DEPRECIATION				
As at 1 January 2014	328	2,285	7	2,620
Provided for the year	163	505	—	668
Eliminated on disposals	(61)	(604)	—	(665)
Exchange adjustment	(2)	(3)	—	(5)
As at 31 December 2014	428	2,183	7	2,618
Provided for the year	47	198	—	245
Eliminated on disposals	(332)	(459)	—	(791)
Eliminated on disposal of subsidiaries	(75)	(422)	—	(497)
Exchange adjustment	—	2	—	2
As at 31 December 2015	68	1,502	7	1,577
CARRYING VALUES				
As at 31 December 2015	75	190	—	265
As at 31 December 2014	25	1,056	—	1,081

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

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

14. INTANGIBLE ASSETS

	Purchased licence rights HK$'000	Television programmes in progress HK$'000	Purchased advertising rights HK$'000	Customer contract costs HK$'000	Others HK$'000	Total HK$'000
COST						
As at 1 January 2014	1,247,559	112,142	38,283	54,654	6,182	1,458,820
Disposal	(17,432)	—	—	—	—	(17,432)
Written off	—	(112,142)	(38,283)	(54,654)	(6,182)	(211,261)
As at 31 December 2014 and 2015	1,230,127	—	—	—	—	1,230,127
AMORTISATION						
As at 1 January 2014	818,306	112,142	38,283	28,783	6,182	1,003,696
Provided for the year	44,258	—	—	1,458	—	45,716
Impairment loss	227,658	—	—	24,413	—	252,071
Elimination on disposal	(15,858)	—	—	—	—	(15,858)
Written off	—	(112,142)	(38,283)	(54,654)	(6,182)	(211,261)
As at 31 December 2014	1,074,364	—	—	—	—	1,074,364
Provided for the year	17,401	—	—	—	—	17,401
Impairment loss recognised in profit or loss	23,729	—	—	—	—	23,729
As at 31 December 2015	1,115,494	—	—	—	—	1,115,494
CARRYING VALUES						
As at 31 December 2015	114,633	—	—	—	—	114,633
As at 31 December 2014	155,763	—	—	—	—	155,763

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

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

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

Purchased licence rights	9 years–15 years
Customer contract costs	5 years–10 years

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

14. INTANGIBLE ASSETS *(continued)*

Due to the continuously unsatisfactory results of the television programme licensing and advertising business, the Group fully impaired the customer contract costs on 31 December 2014.

The directors of the Company have also reviewed the recoverable amount of the purchased licence rights with reference to greater of their fair value less cost of disposal and value in use on 31 December 2015 and 2014. The recoverable amount have been arrived at with reference to the valuation carried out on 31 December 2015 and 2014 by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected with the Group and also a member of Hong Kong Institute of Surveyors with appropriate qualifications and recent experiences in the valuation of similar assets.

As the fair value was not easy to be observable, the value in use is used to determine the recoverable amount. The value in use is estimated for each individual film or work based on the discounted cash flows analysis based on assumptions about future net cash flows from the assets over the next 10 years and at a discount rate of 20.04% (2014: 19.29%). Other assumptions for the future cash flow estimation, including forecast income and gross margin from the assets, are determined with reference to current assessment of the marketability of the assets as well as the general market condition for the media industry.

Having regard to the results of the valuation, an impairment loss of HK$23,729,000 (2014: HK$252,071,000) is recognised accordingly.

15. INVENTORIES

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

The directors of the Company have reviewed the net realisable value of inventories with reference to a valuation carried out on 31 December 2015 and 2014 by an independent qualified professional valuer, Ascent Partners Valuation Service Limited. The valuation was performed on an individual basis for each script, synopsis and editing/publishing rights, taking into account market information on estimated selling prices adjusted for factors such as authorship, length of the works, historical trends on marketability of the work, etc.

An impairment loss of HK$11,359,000 was recognised for the year ended 31 December 2015 (2014: HK$178,640,000) due to the continuous unsatisfactory results from the sales of these works.

16. FILM RIGHTS INVESTMENT

	HK$'000
As at 1 January 2014	—
Additions	64,191
Recognised as an expense included in cost of sales	(20,948)
As at 31 December 2014	43,243
Additions	77,840
Recognised as an expense included in cost of sales	(20,464)
As at 31 December 2015	**100,619**

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

17. TRADE AND OTHER RECEIVABLES

	2015 **HK$'000**	2014 HK$'000
Trade receivables	**171,381**	45,461
Deferred sale proceeds on disposal of subsidiaries	**—**	8,569
Deposits, prepayments and other receivables	**67,360**	16,291
	238,741	70,321

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

Trade receivables from the licensing income are usually received within 180 days from the date of signing of the contracts.

Trade receivables from film investment income are usually received within 180 days after the related films have been withdrawn from circuit.

17. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2015 **HK$'000**	2014 HK$'000
0–30 days	**115,757**	23,729
31–60 days	**20,935**	18,412
91–180 days	**796**	3,320
181–365 days	**17,282**	—
Over 1 year	**16,611**	—
	171,381	45,461

As at 31 December 2015, trade receivables of HK$53,894,000 (2014: nil) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	2015 **HK$'000**	2014 HK$'000
0–30 days	**29,369**	—
91–180 days	**24,525**	—
	53,894	—

The Group has not recognised any impairment loss for the above overdue debts as the Group considers that the default risk is low after considering the creditworthiness and repayment history of the debtors and settlement after the end of each reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are of good quality was fully settled subsequent to the end of the reporting period.

As at 31 December 2015, an amount of HK$47,516,000 (2014: nil net of the impairment loss of HK$9,644,000) paid for the acquisition of film investments right was included in other receivable. The amount will be transferred to the film rights investment once the investment agreement is finalised. The directors of the Company carried out an impairment assessment on the recoverability of other receivables and recognised an impairment loss on the deposits made for investment which the Group no longer intended to pursue.

During the year, the directors of the Company conducted an impairment assessment on the deferred sales proceeds in relation to the disposal of subsidiaries in 2014 (Note 31) and determined an impairment loss of HK$8,569,000 was recognised.

18. INTEREST IN AN ASSOCIATE

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

	2015 HK$'000	2014 HK$'000
Cost of investments in an associate — unlisted	**4,909**	4,909
Share of post-acquisition loss and other comprehensive expenses, net of dividends received	**(4,909)**	(4,909)
	—	—

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

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

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

Summarised financial information of the Group's associate

Summarised financial information in respect of each of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

18. INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information of the Group's associate *(continued)*

Beijing Guoguang Huaxia Media Broadcasting Company Limited ("Beijing Guoguang Huaxia")

	2015 HK$'000	2014 HK$'000
Current assets	**3,093**	3,565
Non-current assets	**86**	11
Current liabilities	**(6,315)**	(5,524)

	2015 HK$'000	2014 HK$'000
Revenue	**—**	—
Loss and total comprehensive expenses for the year	**(1,188)**	(1,892)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2015 HK$'000	2014 HK$'000
Net liabilities of Beijing Guoguang Huaxia	**(3,136)**	(1,948)
Proportion of the Group's ownership interest in Beijing Guoguang Huaxia	**45%**	45%
Unrecognised share of loss	**1,411**	877
	—	—

	2015 HK$'000	2014 HK$'000
Unrecognised share of loss of an associate	**524**	851
Cumulative share of loss of an associate	**4,909**	4,909

19. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01 % to 3.27% (2014: 0.35% to 4.88%) per annum.

20. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**4,322**	7,353
Accruals	**47,076**	59,742
Other payables	**39,248**	46,607
	90,646	113,702

The average credit period on purchase of film rights investment is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in other payables as at the year ended 31 December 2015 is an amount of HK$28,413,000 (2014: HK$17,478,000) relating to other tax payables arising from the PRC operation.

As at 31 December 2015, an amount of HK$38,186,000 (2014: HK$37,018,000) in respect of sums of accruals of potential settlement arising from a pending litigation with a business partner. Details of the pending litigation are disclosed in note 34.

21. LOAN FROM A SHAREHOLDER

As at 31 December 2014 and 2015, the loan from a shareholder with significant influence over the Company amounting to HK$50,000,000 is unsecured, interest-bearing at 10% per annum and repayable on demand.

22. OTHER LOANS

As at 31 December 2014, other loan borrowed by the Group amounted to HK$12,865,000 was repayable on demand, unsecured and borne interest at Hong Kong prime rate per annum. Such loan was fully repaid during the year ended 31 December 2015.

As at 31 December 2014, other loan borrowed by the Group also includes a loan amounting to HK$30,000,000, which was unsecured and borne interest at fixed rate of 24% per annum. Such loan was repaid during the year ended 31 December 2015.

23. DEFERRED TAX LIABILITIES

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

	Fair value adjustments of customer contract cost (Note 14)
	HK$'000
At 1 January 2014	6,468
Credit to profit or loss	(6,468)
At 31 December 2014	—
Credit to profit or loss	—
At 31 December 2015	—

At the end of the reporting period, the Group has unutilised tax losses of approximately HK$236,248,000 (2014: HK$273,752,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the unutilised tax losses due to the unpredictability of future profits stream. Such tax losses can be carried forward indefinitely.

24. SHARE CAPITAL

	Par value	**Number of shares**	**Share capital**
		000'	HK$'000
Authorised:			
As at 1 January 2014 and 2015			
— Ordinary shares of US$0.1 (equivalent to HK$0.78) each (note (i)(a))	HK$0.78	1,000,000	780,000
Capital reduction (note (i)(b))		—	(770,000)
	HK$0.01	1,000,000	10,000
Increase of authorised share capital (note (i)(c))	HK$0.01	99,000,000	990,000
As at 31 December 2015	HK$0.01	100,000,000	1,000,000
Issued and fully paid:			
As at 1 January 2014 and 2015		562,558	438,795
Cancellation of share premium account and capital reorganisation (note (i)(a))		—	(433,169)
Issue of new shares upon placement of shares (note (ii))		247,500	2,475
As at 31 December 2015		810,058	8,101

24. SHARE CAPITAL *(continued)*

Notes:

(i) Capital reorganisation

On 13 February 2015, the Company implemented the capital reorganisation which involves the following:

(a) the authorised and issued existing shares be re-denominated (at the exchange rate of US$1.0 to HK$7.8) to HK$780,000,000 and HK$438,794,993.52, respectively, such that the par value of each existing share will be changed from US$0.10 to HK$0.78 ("adjusted shares").

The Company cancelled an amount of HK$1,092,929,000 standing to the credit of the share premium account of the Company and transferred the credits arising from such cancellation to an account designated as the contributed surplus account of the Company.

(b) the capital reduction whereby the par value of each issued adjusted share be reduced from HK$0.78 to HK$0.01 by cancelling the capital paid-up thereon to the extent of HK$0.77 on each of the issued adjusted shares;

(c) the Company increased the authorised share capital to HK$1,000,000,000 divided into 100,000,000,000 adjusted shares;

(d) the credits arising from the capital reduction, with amounted to approximately HK$433,169,417 based on the number of the existing shares in issue on 26 January 2015, be transferred to the contributed surplus account; and

(e) the amount standing to the credit of the contributed surplus account be applied to set off the accumulated losses of the Company by the amount of such credit or be applied in any other manner as may be permitted under the bye-laws of the Company.

(ii) Placement of shares

A placement of 112,500,000 shares, with par value of HK$0.01, of the Company at a price of HK$0.64 per share was made with independent investors on 24 March 2015. The net proceeds was used for the repayment of liabilities and general working capital of the Company.

A placement of 135,000,000 shares, with par value of HK$0.01, of the Company at a price of HK$0.93 per share was made with independent investors on 23 June 2015. The net proceeds was used for general working capital of the Company or to finance any future opportunities to be identified by the Company.

25. OPERATING LEASES

The Group as lessee

	2015	2014
	HK$'000	HK$'000
Minimum lease payments recognised under operating leases for premises during the year	**598**	1,450

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

	2015	2014
	HK$'000	HK$'000
Within one year	**541**	634
In the second to fifth years inclusive	**—**	561
	541	1,195

Operating lease payments represent rentals paid or payable by the Group for certain of its office premises and office equipment. Leases are negotiated for lease term of one year (2014: two years).

26. RETIREMENT BENEFITS PLANS

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

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

The total cost charged to consolidated statement of profit or loss and other comprehensive income approximately of HK$141,000 (2014: HK$642,000) represents contributions payable to the MPF Scheme and the state-managed retirement benefit plan in PRC by the Group in respect of the year ended 31 December 2015.

27. FINANCIAL INFORMATION OF THE COMPANY

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

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment in subsidiaries	(a)	**390**	390
Amount due from subsidiaries		**206,977**	83,474
		207,367	83,864
Current assets			
Prepayments, deposits and other receivables		**35,110**	12,031
Bank balances and cash		**15,649**	4,530
		50,759	16,561
Total liability			
Loan from a shareholder		**(50,000)**	(50,000)
Other loans		**—**	(30,000)
Accrual and other payables		**(22,072)**	(19,137)
		(72,072)	(99,137)
Net assets		**186,054**	1,288
Capital and reserves			
Share capital	24	**8,101**	438,795
Reserves	(b)	**177,953**	(437,507)
		186,054	1,288

Notes:

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

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

Notes: *(continued)*

(b) Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000 (Note)	Warrant reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2014	1,092,929	95	14,759	59,382	5,392	(1,596,232)	(423,675)
loss for the year	—	—	—	—	—	(13,832)	(13,832)
As at 31 December 2014	1,092,929	95	14,759	59,382	5,392	(1,610,064)	(437,507)
loss for the year	—	—	—	—	—	(8,126)	(8,126)
Capital reorganisation (Note 24 (ii)(d))	(1,092,929)	—	—	1,526,098	—	—	433,169
Capital reorganisation (Note 24 (ii)(e))	—	—	—	(1,585,480)	—	1,585,480	—
Placement of shares	190,417	—	—	—	—	—	190,417
Expiration of convertible bond	—	—	—	—	(5,392)	5,392	—
As at 31 December 2015	190,417	95	14,759	—	—	(27,318)	177,953

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

28. CAPITAL RISK MANAGEMENT

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

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

29. FINANCIAL INSTRUMENTS

29a. Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**202,541**	73,000
Financial liabilities		
Amortised cost	**133,541**	184,843

29. FINANCIAL INSTRUMENTS *(continued)*

29b. Financial risk management objectives and policies

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

Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate borrowings from a shareholder and external lender (see note 21 and 22 for details of these borrowings).

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and other loans (note 19 and 22). The Group's cash flow interest rate is mainly resulted from the fluctuation of market interest rate.

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

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

A 50 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher and all other variables were held constant, the Group's gain for the year ended 31 December 2015 would increase by approximately HK$106,000 (2014: decrease by HK$20,000). Management does not expect a significant decrease of interest rate.

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

29. FINANCIAL INSTRUMENTS *(continued)*

29b. Financial risk management objectives and policies *(continued)*

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

Other than concentration of credit risk on liquid funds which are deposited with several banks with good reputation, the Group does not have any other significant concentration of credit risk.

The Group is exposed to concentration of credit risk as at 31 December 2015 on trade receivable form the Group's 5 major customers amounting to HK$131,350,000 (2014: 27,049,000) and accounted for 76% (2014: 59%) of the Group total trade receivable. The major customers of the Group are certain reputable organisations. The directors of the Company consider that the credit risk is limited in this regard.

29. FINANCIAL INSTRUMENTS *(continued)*

29b. Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 31 December 2015 and 2014, the Group had no external borrowings.

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

	Weighted average interest rate	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	%	HK$'000	HK$'000	HK$'000
2015				
Trade and other payables	**—**	**83,541**	**83,541**	**83,541**
Loan from a shareholder	**10**	**55,000**	**55,000**	**50,000**
		138,541	**138,541**	**133,541**
2014				
Trade and other payables	—	91,978	91,978	91,978
Other loan with fixed rate	24	37,200	37,200	30,000
Other loan with variable rate	8	13,894	13,894	12,865
Loan from a shareholder	10	55,000	55,000	50,000
		198,072	198,072	184,843

29c. Fair values

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

30. RELATED PARTY TRANSACTIONS

Apart from the amount due from an associate and loan from a shareholder disclosed in note 18 and 21 in the consolidated statement of financial position, the Group has entered into the following related parties transactions:

(A) Compensation of key management personnel

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

	2015 HK$'000	2014 HK$'000
Short-term employee benefits (Note 9)	**2,955**	4,506
Post-employment benefits	**18**	130
	2,973	4,636

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

(B) Transactions

Connected parties

Name of company	Nature of transactions	2015 HK$'000	2014 HK$'000
SMI Holdings Group Limited (Note) ("SMI Holdings")	Purchase of films	**—**	40,876
— a shareholder with significant influence over the Company	Loan interest	**2,996**	2,285

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

31. DISPOSAL OF SUBSIDIARIES

On 31 December 2013, the Group entered into an agreement to dispose of two wholly owned subsidiaries ("Flash Fountain Group") to an independent third party for an aggregate consideration of HK$40,170,000. The subsidiaries were principally engaged in properties holding. The disposal was completed during the year ended 31 December 2014, a net gain on disposal of these subsidiaries of HK$8,404,000 was recognised.

On 20 March 2015, the Group entered into an agreement to dispose of two other non-wholly owned subsidiaries ("Guangzhou Qin Chuang Group") to an independent third party through winding up a wholly foreign owned enterprise. The subsidiaries were principally engaged in the television advertising agency business in the PRC. Following the completion of such disposal, the television and other advertising business was discontinued. The discontinued operations were disclosed in note 32. The disposal of subsidiaries was completed during the year ended 31 December 2015, a net gain on the disposal of such subsidiaries of HK$7,504,000 were recognised.

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

Disposal of Flash Fountain Group in 2014

	HK$'000
Consideration	
Consideration received	31,601
Deferred sales proceeds (note 17)	8,569
	40,170
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	31,748
Accounts and other receivables	18
Net assets disposed	31,766
Gain (loss) on disposal of subsidiaries	
Consideration received or receivable	40,170
Net assets disposed of	(31,766)
Gain on disposal of subsidiaries	8,404
Net cash inflow on disposal of subsidiaries	
Consideration received	31,601

31. DISPOSAL OF SUBSIDIARIES *(continued)*

Disposal of Guangzhou Qin Chuang Group in 2015

	HK$'000
Consideration	
Consideration	13,500
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	201
Accounts and other receivables	40,852
Bank balances and cash	4,136
Bank overdraft	(12,649)
Accruals and other payables	(19,940)
Tax payable	(1,753)
Net assets disposed	10,847
Gain (loss) on disposal of subsidiaries	
Consideration received	13,500
Net assets disposed of	(10,847)
Non-controlling interests	4,851
Gain on disposal of subsidiaries	7,504
Net cash inflow on disposal of subsidiaries	
Consideration used to set off the other payable (Note 35)	—
Bank overdraft disposed	12,649
Cash and cash equivalents disposed	(4,136)
	8,513

32. DISCONTINUED OPERATIONS

The business segment of television and other advertising business was classified as discontinued operation in respect of both years. The loss for the year from the discontinued operation is analysed as follows:

	2015 HK$'000	2014 HK$'000
Loss of discontinued operations for the years	**(1,443)**	(43,843)
Gain on disposal of subsidiaries (note 31)	**7,504**	—
	6,061	(43,843)

The results of the television and other advertising business for the period from 1 January 2014 to the date of cease of operation, which have been included in the consolidated income statement, were as follows:

	2015 HK$'000	2014 HK$'000
Revenue	**22,618**	87,320
Cost of sales	**(22,950)**	(82,955)
Gross (loss) profit	**(332)**	4,365
Other income	**2**	16
Other expenses	**(21)**	(23)
Impairment loss recognised in respect of:		
— Goodwill	**—**	(21,076)
— Intangible assets	**—**	(24,413)
— Other receivables	**—**	(1,470)
Administrative expenses	**(1,092)**	(7,429)
Taxation	**—**	6,187
Loss for the year	**(1,443)**	(43,843)

The comparative figures in the consolidated income statement for the year ended 31 December 2014 have been restated to present the loss for the year then ended from TV and other advertisement business as discontinued operation.

32. DISCONTINUED OPERATIONS *(continued)*

During the year, the contribution of the discontinued operation to the Group's net cash flows from operating activities and investing activities were analysed as follows:

	2015 HK$'000	2014 HK$'000
Net cash from operating activities	**1,770**	1,008
Net cash from investing activities	**2**	72
Net cash inflow	**1,772**	1,080

33. ACQUISITION OF SUBSIDIARIES

In December 2015, the Group acquired 70% of the issued share capital of two subsidiaries for consideration of HK$2,500,000. This acquisition has been accounted for using the purchase method. Those two subsidiaries are engaged in the operation of models agency business. Those subsidiaries were acquired so as to continue the expansion of movie distribution business.

Consideration transferred

	HK$'000
Cash	2,500

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	127
Bank balances and cash	1,987
Trade and other payables	(2,740)
Tax payable	(6)
	(632)

Goodwill arising from acquisition:	
Consideration transferred	2,500
Non-controlling interest	(189)
Net liabilities acquired	632
	2,943

33. ACQUISITION OF SUBSIDIARIES *(continued)*

Net cash outflow on acquisition of subsidiaries

	HK$'000
Cash consideration paid	(2,500)
Less: Cash and cash equivalents balances acquired	1,987
	(513)

For the impairment testing on the goodwill, the entire carrying amount of goodwill has been allocated to the CGU which constitutes the models agency business. As this business is loss making and the directors of the Company do not except a future positive cash flow from this CGU, a full impairment loss of HK$2,943,000 was recognised in the profit or loss during the year.

34. PENDING LITIGATION

An action was commenced by a business partner against a subsidiary of the Group in December 2013 in Beijing People's Court in respect of the accruals of potential settlement to this business partner of approximately RMB30,930,000 (equivalent to approximately HK$38,186,000), plus interest thereon.

The directors have confirmed that no settlement had been reached by the parties involved. The Group has sought legal advice from its legal counsel on the merits of the claim.

The directors are of the view that the quantum of the ultimate cost and damages (if any) to be incurred by the Group will not have a material adverse impact on the Group's consolidated financial position as an accrual for the potential settlement of HK$38,186,000 (2014: HK$37,018,000) had been made.

35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2015, the Group disposed its television advertising agency business in the PRC to an independent third party. The consideration of such disposal amounting to HK$13,500,000 was used to set off the other payable to this third party. The disposal of subsidiaries detail is disclosed in note 31.

36. EVENTS AFTER THE REPORTING PERIOD

On 29 January 2016, the Board of the Company passed resolutions authorising the Company's execution of a note subscription agreement regarding the issue of guaranteed 9% notes due 29 July 2016 (the "Notes") with an aggregate principal amount of HK$250,000,000 to Amazing Union Limited (a wholly owned subsidiary of a listed company in Hong Kong). The repayment of the notes was guaranteed by SMI Holdings Group Limited.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2015 and 31 December 2014 are as follows:

Name of subsidiary	Place of incorporation	Issued and paid up capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
			Direct		Indirect		Direct		Indirect		
			2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %	
Quick Gain Enterprises Limited	British Virgin Islands	Ordinary USD1	100	100	—	—	100	100	—	—	Holding company
Qin Jia Yuan Media Creation Limited	British Virgin Islands	Ordinary USD1	—	—	100	100	—	—	100	100	Holding of adaptation rights
Qin Jia Yuan Creation Company Limited	British Virgin Islands	Ordinary USD10	—	—	100	100	—	—	100	100	Holding of scripts and Synopses
Hangwai Enterprises Limited	British Virgin Islands	Ordinary USD1	—	—	100	100	—	—	100	100	Holding of distribution rights
Hang Hung Yip Investment Limited	British Virgin Islands	Ordinary USD1	—	—	100	100	—	—	100	100	Holding of distribution rights
Vast Top Investments Limited	British Virgin Islands	Ordinary USD1	—	—	100	100	—	—	100	100	Holding of adaptation rights
Great Mean Enterprises Limited	British Virgin Islands	Ordinary USD1	—	—	100	100	—	—	100	100	Holding of adaptation rights
SMI Culture Workshop Company Limited	Hong Kong	Ordinary HK$1	—	—	100	100	—	—	100	100	Movie investment
Sharp Cheer Enterprises Limited	British Virgin Islands	Ordinary USD1	—	—	100	100	—	—	100	100	Holding of distribution rights
Green Team Culture Asset Limited	British Virgin Islands	Ordinary USD10,000	—	—	100	100	—	—	100	100	Holding of publication and adaption rights
SMI Movie Company Limited	Hong Kong	Ordinary HK$1	—	—	100	100	—	—	100	100	Movie and TV program investment
必可視(北京)國際廣告傳媒有限公司	PRC	Ordinary HK$12,000,000	—	—	100	100	—	—	100	100	Provision of TV program and production related service
廣州勤創企業管理限公司	PRC	Ordinary RMB100,000	—	—	—	55	—	—	55	55	Provision of consultancy services on TV advertising
北京華夏勤加緣文化傳播有限公司	PRC	Ordinary RMB10,000,000	—	—	100	100	—	—	100	100	Provision of TV program and production related service
廣州創領傳媒廣告有限公司	PRC	Ordinary RMB1,000,000	—	—	—	55	—	—	55	55	Provision of TV advertising services

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

None of the subsidiaries had issued any debt securities at the end of the year.

Financial Summary

	Year ended 30 September 2011 HK$'000	Fifteen months ended 31 December 2012 HK$'000	Year ended 31 December 2013 HK$'000 (Restated)	Year ended 31 December 2014 HK$'000 (Restated)	**Year ended 31 December 2015 HK$'000**
STATEMENT OF PROFIT OR LOSS					
Turnover	742,234	478,842	8,752	37,442	**191,390**
Profit (loss) before taxation	60,159	(576,397)	(676,273)	(517,539)	**49,519**
Income tax	(5,691)	(49,831)	33	(1,873)	**(36,978)**
Profit (loss) for the year from discontinued operation	—	—	1,899	(43,843)	**6,061**
Profit (loss) after taxation	54,468	(626,228)	(674,341)	(563,255)	**18,602**
Attributable to:					
Equity shareholders of the Company	53,748	(626,058)	(675,376)	(560,689)	**19,476**
Non-controlling interests	720	1,830	1,035	(2,566)	**(874)**

	As at 30 September 2011 HK$'000	As at 31 December 2012 HK$'000	As at 31 December 2013 HK$'000	As at 31 December 2014 HK$'000	**As at 31 December 2015 HK$'000**
STATEMENT OF FINANCIAL POSITION					
Total assets	2,465,450	2,026,821	1,136,130	552,903	**727,656**
Total liabilities	(1,122,840)	(1,039,213)	(284,452)	(264,753)	**(233,868)**
Net assets	1,342,610	987,608	851,678	288,150	**493,788**
Total equity attributable to equity shareholders of the Company	1,340,407	984,166	849,280	288,318	**499,870**
Non-controlling interests	2,203	3,442	2,398	(168)	**(6,082)**
Total equity	1,342,610	987,608	851,678	288,150	**493,788**