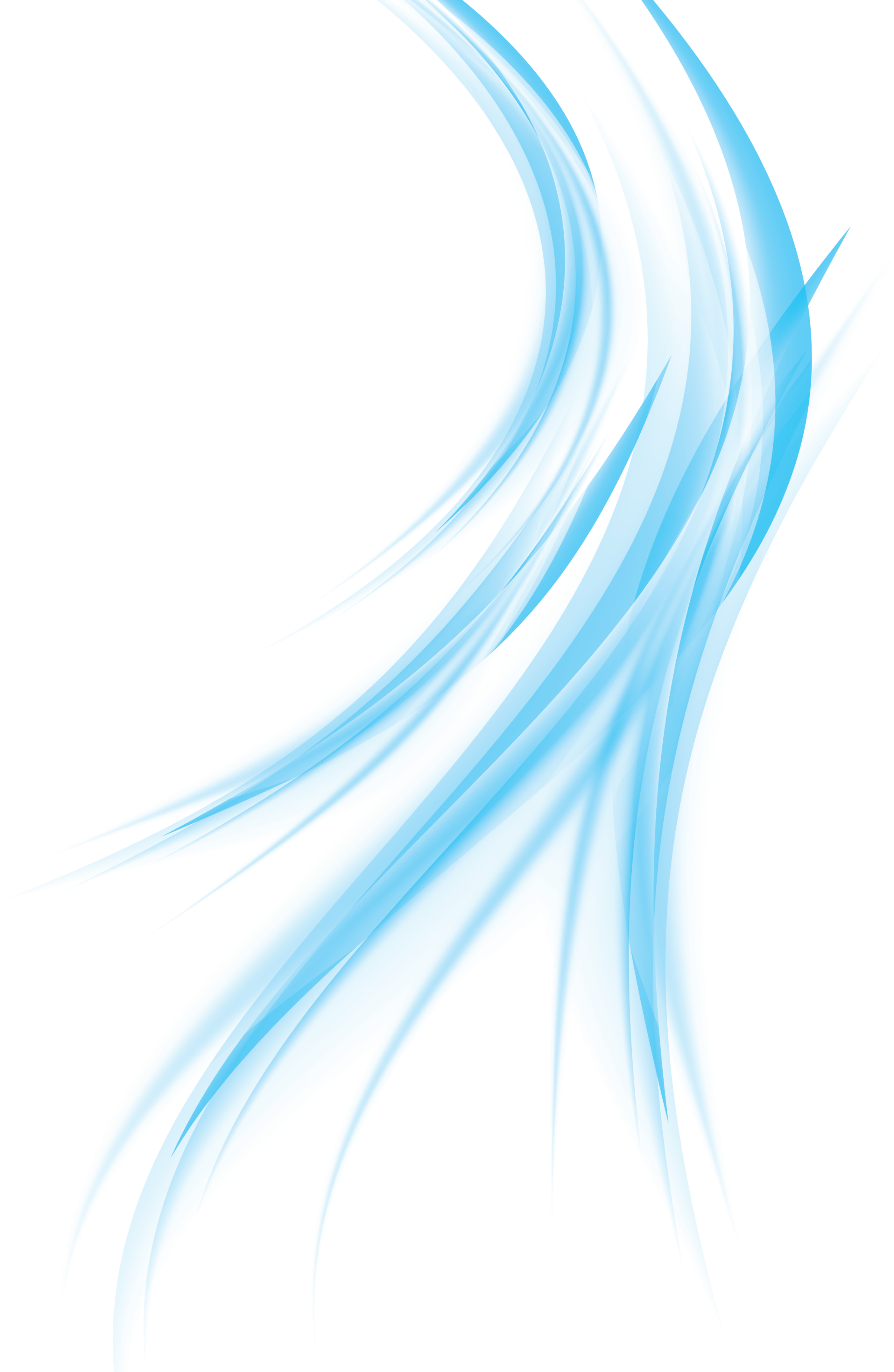
IMAGI INTERNATIONAL HOLDINGS LIMITED
意馬國際控股有限公司

stock code 股份代號: 585

Annual Report 年報

2013



CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Leung Pak To

Executive Director

Ms. Ma Wai Man, Catherine

Non-executive Director

Mr. Lian Meng

Independent Non-executive Directors

Mr. Chan Yuk Sang
Mr. Cheng Yuk Wo
Dr. Lam Lee G.
Mr. Lim Chin Leong
Ms. Wei Wei

BOARD COMMITTEES

Audit Committee

Mr. Cheng Yuk Wo *(Chairman)*
Mr. Chan Yuk Sang
Ms. Wei Wei

Nomination Committee

Mr. Leung Pak To *(Chairman)*
Dr. Lam Lee G.
Ms. Wei Wei

Remuneration Committee

Mr. Chan Yuk Sang *(Chairman)*
Mr. Cheng Yuk Wo
Dr. Lam Lee G.
Mr. Lim Chin Leong

COMPANY SECRETARY

Ms. Lau Siu Mui

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1105
K. Wah Centre
191 Java Road
North Point
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL BANKER

The Bank of East Asia, Limited

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

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

STOCK CODE

HKEx 585

WEBSITE

www.imagi.com.hk

CONTACT INFORMATION

Address	Room 1105, K. Wah Centre 191 Java Road, North Point Hong Kong
Tel	(852) 3679 3988
Fax	(852) 3679 3188
Email	investor@imagi.com.hk

CHAIRMAN'S STATEMENT

2013 represented a major year of change for the Company and a significant move into a new direction. The financial performance of Infoport Management Limited (together with its subsidiaries, "TE Group") over recent years had been adversely affected by the general slowdown in the growth of domestic consumption, brand fatigue suffered by certain animation characters owned by TE Group and increased competition in the animation industry in China. With a view to preserving the Company's capital, the Company sold its entire interest in TE Group for approximately HK$634.2 million in October 2013. Since then, the Company and its subsidiaries (the "Group") have been working on streamlining the Group's operations and focusing on the development of its cultural and entertainment business.

The Group has been in the business of producing, broadcasting and licensing computer graphic imaging ("CGI") animation pictures since 2000. Although the Group shifted its management focus away from its CGI business in April 2011 after the acquisition of TE Group, the Company still owns intellectual property rights in relation to a number of CGI animation products, including: (a) the copyright of the feature film *Astro Boy* launched in 2009; (b) the copyright of a work-in-progress film temporarily titled *Cat Tale* and the copyright of the characters in the film (such as Cat Rover and Cat Sheba); and (c) the copyright of the production titled *Zentrix* and the copyright of the characters in the production.

Astro Boy has continued to generate revenues for the Company. In 2008, the Company entered into a 20-year sales agency agreement (through one of its subsidiaries) with a distribution agent for the distribution of *Astro Boy*. The Company will continue receiving revenues if the agent is able to continue distributing the film.

In addition, the Company has also been investing in the development and production of animated movies such as *Astro Boy* and *Cat Tale*. The Company intends to enlarge its production pipeline by actively seeking new business partners, such as production studios and creative teams in the PRC or Hong Kong, in order to take advantage of potential operation-efficiency.

The Company recognises that content availability and distribution is becoming increasingly important in the cultural and entertainment industry. In particular, the distribution of content through online and mobile content platforms will be an important area for growth in the Greater China Region. To this end, the Company will be actively looking for business opportunities with online and mobile content platform operators and will cautiously apply the Group's liquid funds in order to maximise shareholder returns. It is the Company's goal that a significant proportion of its CGI business revenues in the future will be derived from the development of multimedia content distributed through online and mobile platform channels.

CHAIRMAN'S STATEMENT

We expect that the Group will face increased competition from both domestic and international competitors. With a view to enhancing the Group's market position, the Group will continue concentrating on:

- formulating new business strategies and exploring opportunities in the cultural and entertainment industry; and
- implementing its business plan, including actively seeking new collaboration opportunities and partnerships with other players in the market, including but not limited to online and mobile content operators, outsourcing providers and OEM contractors.

On behalf of the board of directors and our management team, I would like to take this opportunity to thank our loyal shareholders, business partners and customers for their continued support and encouragement.

Leung Pak To
Chairman
Hong Kong, 25 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

Imagi International Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), is principally engaged in computer graphic imaging ("CGI") and cultural business and investment business.

Due to the slowdown in the growth of the domestic consumption, brand fatigue suffered by certain animation characters owned by Infoport Management Limited (together with its subsidiaries, "TE Group") and increased competition in the animation industry in China, the financial performance of TE Group has been below expectations since its acquisition by the Group in 2011. In addition, its progress of new product development has been unsatisfactory. In order to preserve capital, the Company decided to dispose of its entire stake in TE Group for a cash consideration of approximately HK$634.2 million in October 2013.

In October 2013, properties consisting of the entire 9th floor of and three carparking spaces numbered 109, 110 and 111 in Global Trade Square, 21 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong were acquired by the Group at an aggregate consideration of HK$97.7 million. 20% of the consideration was paid as deposits and the balance is expected to be paid in May 2014 after receipt of the notice of completion from the seller. The Company intends to use the properties as its office and workshop.

CGI Business

The Group continues its business development in the cultural industry through internal growth and possible future acquisitions as and when opportunities arise.

The Group is in the course of revitalising its CGI business including the development and production of CGI animation pictures and other animation content. In light of increased competition among locally produced and imported animation pictures in China, the Group is undertaking a further business review including market segmentation, distribution channels and target audience survey for *Cat Tale*, a CGI feature film with original designs whose production was suspended pending further review. It is expected that changes will be made to the script and character designs in order to cater to the Greater China market.

On 16 September 2013, the Group entered into a framework agreement with Guangdong Alpha Animation & Culture Co., Ltd. in relation to the cooperation arrangements to develop, distribute animation programs using popular animation characters in *Pleasant Goat and Big Big Wolf* for education and animation content. The Group is now exploring with potential partners with a view to determining the appropriate characters, content and distribution channel.

Investment Business

The disposal of TE Group (as further defined under the heading "Material Disposal of Subsidiaries" below) and the receipt of a fee from the former shareholders of Creative Power Entertaining Limited Liability Company ("CPE") resulted in a cash inflow of more than HK$674.2 million in the year ended 31 December 2013 (the "Year under Review"). The Group utilised approximately HK$85.2 million of its cash balance to acquire certain listed corporate bonds in the last quarter of the Year under Review and the balance of the cash was placed on bank deposit. The Group's bond portfolio generates an average yield to maturity of about 5%.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Material Disposal of Subsidiaries

In October 2013, the Company disposed of its entire interest in TE Group to an independent third party at a cash consideration of HK$634.2 million (the "Disposal"). TE Group is engaged in licensing and management of cartoon character trademarks and copyrights, which was the principal business of the Group and an individual segment presented in the previous financial statements. As a result of the Disposal, TE Group's operating results have been classified under discontinued operation in the Year under Review and the comparative figures have also been restated. Further details relating to the financial impact of the Disposal is discussed below.

Review of Results

For the Year under Review, the Group did not report any revenue, cost of sales and gross profit because TE Group was disposed of in last October and the Group's CGI business did not generate any revenue in the Year under Review as *Cat Tale* was still under review and development.

Other income increased by HK$39.7 million to HK$44.4 million, which comprised of (i) an one-off service fee of HK$40.0 million received from the former shareholders of CPE, being a strategic partner of TE Group, for advising them on the disposal of their interests in CPE; (ii) HK$3.5 million of interest income from investment in corporate bonds and time deposits; and (iii) HK$0.9 million of income from licensing the broadcasting rights of a CGI feature film owned by the Group.

Administrative expenses decreased by HK$2.9 million or 14.4% to HK$17.2 million when compared with the last financial year, which was mainly due to the net effect of (i) a reduction in staff cost of HK$4.3 million; (ii) an increase in professional fee of HK$1.0 million caused by the corporate exercises undertaken during the Year under Review; and (iii) an increase in other administrative expenses amounting to HK$0.4 million.

The Group recorded a profit from continuing operations of HK$27.8 million when compared with a loss of HK$15.2 million for the last financial year.

Loss from discontinued operations for the Year under Review amounted to HK$49.7 million, representing a gain of HK$151.1 million arising from the Disposal offset by a loss of HK$200.8 million incurred by TE Group during the ten-month period before the Disposal, a key component of which was the recognition of impairment loss on intangible assets and the associated reversal of deferred tax in aggregate amounting to HK$153.6 million.

All in all, the Group recorded a loss of HK$21.9 million from both continuing operations and discontinued operation in the Year under Review whereas the loss for the last financial year was HK$91.6 million, representing a decrease of HK$69.7 million or 76.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

Following the Disposal, the Group ceased to have certain balance sheet items which are TE Group related, including certain intangible assets, unearned revenue and deferred tax assets and liabilities.

The Group entered into agreements in October 2013 to acquire certain properties in Wong Chuk Hang at an aggregate consideration of HK$97.7 million. The acquisition is expected to be completed in May 2014. Deposits and stamp duty paid so far amounted to HK$27.8 million. During the Year under Review, in order to improve the yield on its assets, the Group invested in certain corporate bonds, the fair value of which amounted to HK$85.2 million as at 31 December 2013, and these bonds were classified as available-for-sale investments.

Liquidity and Financial Resources

The liquidity and financial position of the Group as at 31 December 2013 remained healthy and strong, with bank balances amounting to HK$769.3 million and a current ratio of 208.4.

As at 31 December 2013, the Group had no bank or other borrowings and therefore a zero gearing (expressed as a percentage of total borrowings over total capital).

Capital Structure

As at 31 December 2013, the Company had in issue 10,013,524,720 shares of HK$0.001 each (the "Shares"). Details of the Shares repurchased during the Year under Review and the share options granted under the share option schemes of the Company are set out under the headings "Purchase, Sale or Redemption of Securities" and "Share Options" in the Directors' Report.

Exposure to Exchange Rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollar and United States dollar. The Group's exposure to currency risk is minimal as Hong Kong dollars is pegged to United States dollars. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS AND PROSPECTS

The Group has a long history in the cultural and entertainment industry, and intends to continue to pursue opportunities in this industry notwithstanding the Disposal.

The directors of the Company (the "Directors") believe that the success of CGI business in the cultural industry is not only dependent on creativity, but also on the efficient distribution of products to the target audience regardless of time and location. Distribution of content through platforms utilising online and mobile technology presents great business opportunities in the Greater China region. The Company intends to capture these opportunities by offering self-produced multi-media content, including CGI animation and other cultural products, through both online and mobile platforms, and/or by acquisition. It should be noted that the development of the planned multi-media content requires time. Thus, the Directors do not expect that the Company will generate significant revenue organically in 2014, but given a strong financial position, the Group is well placed to pursue an aggressive acquisition strategy if opportunity arises.

HUMAN RESOURCES

The Group currently employs a total of 6 employees in Hong Kong. Emolument policy is reviewed regularly to ensure compliance of the latest labour laws and market norms where the Group has operations.

In addition to basic salaries, incentives in the form of bonus and share options may also be offered to eligible employees on the basis of individual performance and the Group's business results.

DIRECTORS' PROFILE

CHAIRMAN

Mr. Leung Pak To, aged 59, joined the Company as the Chairman and non-executive Director in May 2010. Mr. Leung has over 30 years of experience in investment banking, in particular, the field of corporate finance involving capital raising, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general finance advisory activities in Hong Kong and the PRC. Mr. Leung is currently the Chairman (Greater China) and a managing partner of CVC Asia Pacific Limited. Between June 2001 and July 2006, Mr. Leung was the Chairman of Citigroup Global Markets in Asia. Prior to Citigroup, he was the Chief Executive and Vice Chairman of BNP Paribas Peregrine Ltd. Mr. Leung holds a MBA and an undergraduate degree from the University of Toronto in Canada.

EXECUTIVE DIRECTORS

Mr. Yung Tse Kwong, Steven, aged 64, joined the Company as the executive deputy chairman, executive Director and chief executive officer in April 2012. He has extensive management experience earned from leading multinational companies in the media, entertainment, consumer and retail industries. Mr. Yung has served as the Executive Chairman of Clear Media Limited which is a joint venture with NYSE-listed Clear Channel Worldwide and as an independent non-executive director of Kingmaker Footwear Holdings Limited. Mr. Yung began his career as a producer with HK Commercial Broadcasting Company Limited and has since held various senior management positions at The Coca-Cola Company in the U.S.A. and Asia, served as Regional Managing Director of AC Nielsen China, Hong Kong, Taiwan and Korea and as President of Nielsen Media International. He had also served as a Board Director of the Cable and Satellite Broadcasting Association of Asia (CASBAA), and is currently a Director of the Child Development Matching Fund and the Tao Fong Shan Foundation Limited.

Ms. Ma Wai Man, Catherine, aged 48, joined the Company in May 2010 as the company secretary and has been appointed as an executive Director since July 2010 except for the period from 1 July 2011 to 20 October 2013, during which she was re-designated as a non-executive Director. Ms. Ma is a graduate of the City University of Hong Kong, a chartered secretary, a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. She has extensive management experience in companies with diversified interests ranging from manufacturing, telecommunications to infrastructure and property investments. She has previously held executive directorships in a number of companies listed on local and overseas stock exchanges.

NON-EXECUTIVE DIRECTOR

Mr. Lian Meng, aged 34, was appointed as a non-executive Director in September 2013, prior to which he had been an alternate to Mr. Yang Fei, a former non-executive Director, since May 2012. Mr. Lian is the Vice President of IDG Capital Partners. Prior to joining IDG Capital Partners in 2008, Mr. Lian worked at New Oriental Education & Technology Group (NYSE:EDU), where he held many managerial roles. Mr. Lian is a Bachelor of Law from Jinan University (Guangzhou) and holds a MBA from The Hong Kong University of Science and Technology.

DIRECTORS' PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Sang, aged 68, joined the Company as an independent non-executive Director in May 2010. Mr. Chan has more than 30 years of experience in the banking and finance industry. He was the chairman of Century Legend (Holdings) Limited from September 1999 to July 2002 and a director of Hong Kong Building & Loan Agency Limited from 1993 to 1995, both are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was a senior general manager of a local bank and an executive director of a joint Chinese foreign bank in Shenzhen.

Mr. Cheng Yuk Wo, aged 53, joined the Company as an independent non-executive Director in July 2010. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. He is the managing director of a certified public accounting practice limited and the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting.

Mr. Cheng resigned as an executive director of 21 Holdings Limited on 31 December 2013 and was appointed as an independent non-executive director of Liu Chong Hing Investment Limited on 7 March 2014, both of these two companies are listed on the Stock Exchange.

Dr. Lam Lee G., aged 54, joined the Company as an independent non-executive Director in May 2010. Dr. Lam holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the U.K., a PCLL in Law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in Law from the University of Wolverhampton in the U.K. and a Master of Public Administration and a Doctor of Philosophy from the University of Hong Kong.

Dr. Lam has over 30 years of multinational experience in general management, management consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates and financial services sectors. He is Chairman — Indochina, Myanmar and Thailand (and formerly Chairman — Hong Kong), and Senior Adviser — Asia, of Macquarie Capital. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms and as a Member of the Legal Aid Services Council of Hong Kong, Dr. Lam is a Member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference (CPPCC), a Vice Chairman of Liaoning Chinese Overseas Friendship Association, a Member of the New Business Committee of the Financial Services Development Council (FSDC), a Member of the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx), a Member of the Hong Kong

Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the World Presidents' Organization (WPO), a Member of the Chief Executives Organization (CEO), a Fellow of the Hong Kong Institute of Directors, a Fellow of the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Vice President of the Hong Kong Real Property Federation, a founding Board Member and the Honorary Treasurer of the Hong Kong — Vietnam Chamber of Commerce, a founding Member of Hong Kong-Korea Business Council, a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, Chairman of Monte Jade Science and Technology Association of Hong Kong and a visiting professor (in the subjects of corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing.

On 22 November 2013, Dr. Lam was appointed as a non-executive director of Coalbank Limited, a company listed on the Australian Securities Exchange. On 5 March 2014, Dr. Lam resigned as a non-executive director of China Communication Telecom Services Company Limited, a company listed on the Stock Exchange.

Mr. Lim Chin Leong, aged 59, joined the Company as an independent non-executive Director in December 2011. Mr. Lim graduated from University of Singapore with a bachelor degree of Electrical Engineering in 1980. Since then, he has worked for Schlumberger, a global oilfield service company, in various positions in various countries until his retirement in January 2010 after 30 years in the company, as Chairman of Asia. Mr. Lim is currently a non-executive independent director for Keppel Offshore & Marine, a subsidiary of Keppel Corporation Limited of Singapore.

Ms. Wei Wei, aged 44, joined the Company as an independent non-executive Director in December 2011. Ms. Wei holds a bachelor degree in Arts from Shanghai International Studies University and a MBA from INSEAD in France. She has extensive experience in providing advisory services in the areas of strategy, marketing, sales, operations, information technology, organisations and corporate finance. Ms. Wei was the chief executive officer of a leading private-owned food and beverage company in Beijing and the principal of Mckinsey & Company in Hong Kong and Shanghai. Ms. Wei is the President, Asia of Christie's.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices as the board of Directors (the “Board”) considers that good and effective corporate governance is essential for enhancing accountability and transparency of a company to the investing public and other stakeholders.

During the year ended 31 December 2013, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except for the deviation from Code A.6.7 of the CG Code in relation to the Directors attending the general meeting of the Company. Details of the deviations are further described below in the relevant section.

Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors’ securities transactions. In response to the specific enquiry made by the Company, all the Directors confirmed that they fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

As at the date of this Annual Report, the Board comprised two executive Directors, two non-executive Directors and five independent non-executive Directors, whose biographies are set out on pages 9 to 11 of this Annual Report. All the Directors are high caliber executives with diversified industry expertise and bring a wide range of skills and experience to the Group. The composition of the Board and their respective attendance in the general meetings, the Board meetings and other committee meetings during the year ended 31 December 2013 are as follows:

	Number of meetings attended/held during the respective tenure				
	General meetings	**Board meetings**	**Audit Committee meetings**	**Nomination Committee meeting**	**Remuneration Committee meetings**
Chairman and Non-executive Director					
Leung Pak To	2/2	6/6	n/a	1/1	n/a
Executive Directors					
Yung Tse Kwong, Steven	2/2	6/6	n/a	n/a	3/3
Ma Wai Man, Catherine (re-designated from non-executive Director on 21 October 2013)	2/2	6/6	2/2	n/a	n/a
Non-executive Directors					
Lian Meng (ceased to act as an alternate Director and appointed on 1 September 2013)	2/2	6/6	n/a	n/a	n/a
Yang Fei (resigned on 1 September 2013)	0/1	0/4	n/a	n/a	n/a
Independent Non-executive Directors					
Chan Yuk Sang	1/2	6/6	3/3	n/a	3/3
Cheng Yuk Wo	2/2	6/6	3/3	n/a	3/3
Lam Lee G.	2/2	5/6	n/a	1/1	3/3
Lim Chin Leong	2/2	5/6	n/a	n/a	2/2
Wei Wei	0/2	5/6	1/1	1/1	n/a

Code A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend the general meetings of the Company. Due to their respective overseas engagements, Ms. Wei Wei was unable to attend the annual general meeting of the Company held on 3 June 2013 and Mr. Chan Yuk Sang and Ms. Wei Wei were unable to attend the special general meeting of the Company held on 21 October 2013.

CORPORATE GOVERNANCE REPORT

Responsibilities

The Board is vested with the key roles of formulating the Group's corporate strategic directions and policies, monitoring the financial performance and internal control system of the Group and overseeing the performance of management, who is delegated with the responsibilities of executing the Board's decision and in-charging day-to-day operation. In discharging its responsibilities, the Board meets regularly and acts in good faith, with due diligence and care.

The Directors acknowledge their responsibility for preparing the financial statements of the Company. The statement made by the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 25 to 26 of this Annual Report.

Directors' Continuous Professional Development

To ensure their contributions to the Board remains informed and relevant, all the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skill. During the year, all the Directors were provided with regular updates and presentations on changes and developments of the Group's business and the latest developments in laws, rules and regulations relating to director's duties and responsibilities.

The Company organised a seminar conducted by an international law firm in November 2013. All the Directors and certain senior management of the Company attended the seminar.

Chairman and Chief Executive Officer

The roles of the chairman and chief executive officer are separate and exercised by different individuals. The chairman provides leadership for the Board and ensures that the Board works effectively and discharges its responsibility whilst the chief executive officer has overall chief executive responsibility for the Group's business development and day-to-day management generally.

During the year, Mr. Leung Pak To is the chairman of the Company and Mr. Yung Tse Kwong, Steven is the chief executive officer of the Company.

Non-executive Directors

Each of the non-executive Directors has entered into an appointment letter with the Company for a term of two years. Furthermore, in accordance with the bye-laws of the Company (the "Bye-laws"), one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

Audit Committee

The main role and functions of the Audit Committee include, among others, reviewing the financial information of the Company, overseeing the Company's financial reporting system and internal control procedure and maintaining relations with the auditor of the Company. The Audit Committee has also been delegated with the responsibilities to oversee the corporate governance functions, which include developing, reviewing and monitoring the Company's policies and practices on corporate governance, legal and regulatory requirements compliance; and reviewing the Company's compliance with the corporate governance code and disclosure in the corporate governance report.

Currently, the Audit Committee comprises three independent non-executive Directors, Mr. Cheng Yuk Wo (committee chairman), Mr. Chan Yuk Sang and Ms. Wei Wei who was appointed on 21 October 2013 to replace Ms. Ma Wai Man, Catherine.

In the year ended 31 December 2013, the Audit Committee held three meetings, all of which were attended by all of the then members. Matters reviewed and discussed in the meetings included, among others, the annual results of the Company for the year ended 31 December 2012, the interim results of the Company for the six months ended 30 June 2013, the internal control system review and corporate governance code compliance and disclosure.

Nomination Committee

The Nomination Committee was established with the primarily responsibilities of reviewing the structure, size and composition of the Board, identifying and recommending individuals nominated for directorships, assessing the independence of independent non-executive directors, monitoring the implementation of and reviewing the Board diversity policy of the Company (the "Board Diversity Policy").

The Nomination Committee comprises one non-executive Director, Mr. Leung Pak To who serves as the chairman of the committee, and two independent non-executive Directors, Dr. Lam Lee G. and Ms. Wei Wei. The Nomination Committee members met once in the year ended 31 December 2013 for considering the adoption of the Board Diversity Policy and the appointment of a new non-executive Director.

The Board adopted the Board Diversity Policy on 26 August 2013. The Company recognises and embraces the benefits of having a diverse Board and endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. In determining the optimum composition of the Board, diversity of Board members will be considered from a number of factors in order to maintain an appropriate range and balance of talents, skills, experience and knowledge on the Board. The Company will also take into account its own business model and specific needs from time to time.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee of the Company was set up with key responsibilities of, among others, recommending to the Board on the Group's policy and structure for the remuneration of all directors and senior management and on the remuneration packages of individual executive directors and senior management.

As at the date of this Annual Report, the Remuneration Committee composed of four independent non-executive Directors, Mr. Chan Yuk Sang (committee chairman), Mr. Cheng Yuk Wo, Dr. Lam Lee G. and Mr. Lim Chin Leong (being appointed on 25 March 2013) and one executive Director, Mr. Yung Tse Kwong, Steven.

The Remuneration Committee members held three meetings in the year ended 31 December 2013 for discussing and considering, among others, the yearly performance bonus and salary adjustment of the senior executives of the Group and the remuneration package of an executive Director appointed during the year.

INTERNAL CONTROLS

The Board acknowledges that an effective internal control system which is designed to monitor and response appropriately to significant risk, to safeguard assets, to provide reasonable assurance from fraud and errors and to ensure compliance of applicable law and regulations is essential for effective and efficient operations of a company. Furthermore, the internal control system is designed to manage rather than eliminate the risk of failure and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has in place an effective internal control system which encompasses sound control environment, appropriate segregation of duties, well-defined policies and procedures, close monitoring and is reviewed and enhanced by the management at regular intervals.

The Board has regularly engaged independent professional firms to conduct evaluation on the effectiveness of the internal control system of the Group on a cyclical basis and, for the year ended 31 December 2013, the controls of an operation section of the Group have been reviewed. Report on the findings with recommendations for further improvement has been submitted to and considered by the Audit Committee and the management of the Company will monitor the improvement actions.

AUDITOR'S REMUNERATION

During the year ended 31 December 2013, remuneration in respect of audit services provided by the auditor of the Company to the Group was HK$1.5 million and that for non-audit services was HK$1.5 million, HK$0.8 million of which related to the accountant's reports contained in the circular of the Company dated 2 October 2013.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company (the "Shareholders").

Way to convene a special general meeting

Pursuant to Bye-law 58 of the Bye-laws, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to require a special general meeting to be called by the Board. The requisition shall be in writing stating the purposes of the meeting, signed by the requisitionists, addressed to the Board or the company secretary of the Company and deposited at the principal place of business in Hong Kong of the Company.

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

Procedures for putting enquiries to the Board

Shareholders may at any time put their enquires to the Board in writing by sending to the principal place of business in Hong Kong of the Company or to the email address investor@imagi.com.hk for the attention of the Board or the company secretary of the Company.

Procedures for putting forward proposals at shareholders' meeting

In accordance with the law of Bermuda, Shareholders representing (a) 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; or (b) not less than one hundred Shareholders shall have the right to put forward resolution to be dealt with at a meeting at their own expense.

The requisition shall be in writing stating (a) the proposed resolution to be dealt with; and (b) a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution (if any), signed by the requisitionists, addressed to the Board or the company secretary of the Company and deposited at the principal place of business in Hong Kong of the Company.

The Board will give the Shareholders notice of the proposed resolution and circulate any statement relating to the proposed resolution.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 27.

The Directors do not recommend the payment of a dividend for the year.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years/period is set out on page 90.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2013, the Company repurchased a total of 6,656,000 Shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$586,000. All the repurchased Shares were subsequently cancelled. The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share of the Company. Details of the repurchases are as follows:

Month	**Number of shares repurchased**	**Price paid per share** HK$	**Aggregate consideration paid (before expenses)** HK$
November 2013	6,656,000	0.088	586,000

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2013.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 30 and note 36 to the consolidated financial statements respectively. As at 31 December 2013, the Company's reserves that were available for distribution to the shareholders amounted to HK$907,667,000.

DONATION

Donations made by the Group during the year for charitable and other purposes amounted to HK$10,000.

DIRECTORS

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

Chairman and non-executive Director

Mr. Leung Pak To

Executive Directors

Mr. Yung Tse Kwong, Steven
(deputy chairman and chief executive officer)
Ms. Ma Wai Man, Catherine (re-designated from non-executive Director on 21 October 2013)

Non-executive Directors

Mr. Lian Meng (ceased to act as an alternate Director and appointed on 1 September 2013)
Mr. Yang Fei (resigned on 1 September 2013)

Independent Non-executive Directors

Mr. Chan Yuk Sang
Mr. Cheng Yuk Wo
Dr. Lam Lee G.
Mr. Lim Chin Leong
Ms. Wei Wei

In accordance with Bye-law 87 of the Bye-laws, Mr. Cheng Yuk Wo, Mr. Lim Chin Leong and Ms. Wei Wei will retire by rotation at the forthcoming annual general meeting. Mr. Cheng Yuk Wo, being eligible, will offer himself for re-election. Due to their other personal commitments, Mr. Lim Chin Leong and Ms. Wei Wei will not offer themselves for re-election and accordingly will cease to be Directors upon the conclusion of the forthcoming annual general meeting.

DIRECTORS' REPORT

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

The non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of the independent non-executive Directors independent.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations were as follows:

Long positions in the shares of the Company

Name of Director	Capacity	Number of Shares	% of the issued share capital *(note 1)*
Leung Pak To	Beneficial owner	29,152,000	0.29%
	Interest of controlled corporation	2,700,000,000 *(note 2)*	26.96%

Notes:

1. It was based on 10,013,524,720 Shares in issue as at 31 December 2013.
2. The Shares were held by Idea Talent Limited, a company owned as to 75% by Grandwin Enterprises Limited which in turn is wholly and beneficially owned by Mr. Leung Pak To.

Long positions in the share options of the Company

Name of Director	Capacity	Number of options held	Number of underlying shares
Yung Tse Kwong, Steven	Beneficial owner	80,000,000	80,000,000
Ma Wai Man, Catherine	Beneficial owner	2,000,000	2,000,000

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

Save for the option holding as disclosed above under the heading "Directors' Interests in Securities", at no time during the year ended 31 December 2013 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the heading "Connected Transaction" of this report, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2013.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 31 December 2013, the interests and short positions of those person (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company were as follows:

Long positions in the shares of the Company

Name	**Capacity**	**Number of Shares**	**% of the issued share capital** *(note 1)*
Idea Talent Limited	Beneficial owner	2,700,000,000	26.96%
Grandwin Enterprises Limited	Interest in controlled corporation	2,700,000,000 *(note 2)*	26.96%
Better Lead Limited	Interest in controlled corporation	2,700,000,000 *(note 2)*	26.96%
Chung Cho Yee, Mico	Interest in controlled corporation	2,700,000,000 *(note 2)*	26.96%
FIL Limited	Investment manager	700,296,000	6.99%

Notes:

1. It was based on 10,013,524,720 Shares in issue as at 31 December 2013.

2. The Shares were held by Idea Talent Limited, a company owned as to 75% by Grandwin Enterprises Limited, which in turn is wholly and beneficially owned by Mr. Leung Pak To, and as to 25% by Better Lead Limited, which in turn is wholly and beneficially owned by Mr. Chung Cho Yee, Mico.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2013, so far as was known to the Directors, no other persons (other than the Directors and chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company representing five percent or more in the issued share capital of the Company and as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTIONS

The Company adopted a share option scheme on 16 August 2002 (the "2002 Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 11 June 2012, the Company terminated the 2002 Scheme and adopted a new share option scheme (the "2012 Scheme"), the purpose of which is to reward eligible participants who have contributed or are expected to contribute to the Group and to encourage the participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Particulars of the 2002 Scheme and the 2012 Scheme are set out in note 28 to the consolidated financial statements. No further option shall be granted under the 2002 Scheme but the options granted under the 2002 Scheme prior to its termination shall remain valid and exercisable in accordance with the terms of the respective grants.

No share option has been granted under the 2012 Scheme and the movements of the share options granted under the 2002 Scheme during the year ended 31 December 2013 were as follows:

					Number of share options					
	Date of grant	Vesting period	Exercise period	Exercise price per Share HK$	As at 1 January 2013	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	As at 31 December 2013
Directors										
Yung Tse Kwong, Steven	2 April 2012	1 to 3 years	3 years	0.173	80,000,000	–	–	–	–	80,000,000
Ma Wai Man, Catherine	13 April 2011	3 to 5 years	3 years	0.368	2,000,000	–	–	–	–	2,000,000
					82,000,000	–	–	–	–	82,000,000
Former employee	21 August 2009	1 to 3 years	5 years	0.755	417,160	–	–	–	–	417,160
Employees	13 April 2011	3 to 5 years	3 years	0.368	6,920,000	–	–	(5,920,000)	–	1,000,000
					7,337,160	–	–	(5,920,000)	–	1,417,160
					89,337,160	–	–	(5,920,000)	–	83,417,160

CONNECTED TRANSACTION

Pursuant to an engagement agreement entered into on 16 September 2013, the Company appointed Luminary Capital Limited ("Luminary") as the financial advisor to provide financial and strategic advices to the Company in relation to the Disposal (as defined and with details set out under the heading "Material Disposal of Subsidiaries" in the section Management Discussion and Analysis) for a fee of HK$5,000,000 payable in cash on completion of the Disposal (the "Engagement").

Luminary is wholly owned by Mr. Leung Pak To, the Chairman and a non-executive Director of the Company. Furthermore, Mr. Leung is an indirect shareholder of 75% of the issued share capital of Idea Talent Limited, which in turn is a substantial shareholder of the Company. Accordingly, the Engagement constituted a connected transaction of the Company under the Listing Rules. As each of the applicable percentage ratios (as defined in the Listing Rules) was less than 5%, the Engagement was only subject to reporting and announcement requirement and was exempt from the independent shareholders' approval requirement under the Listing Rules.

The Engagement was also a related party transaction as defined under the applicable accounting standard and disclosed in note 35 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the percentage of revenue of the Group (including the revenue generated by the discontinued operation) attributable to the largest customer and the five largest customers combined are 23.4% and 45.5% respectively. The percentage of cost of sales of the Group (including the cost of sales incurred by the discontinued operation) attributable to the five largest suppliers combined is less than 30%.

None of the Directors, their associates or shareholders of the Company (who or which, to the best knowledge of the Directors, owns more than five percent of the issued share capital of Company) had any interest in the five largest customers of the Group.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF 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 report, the Company has maintained sufficient public float as required under the Listing Rules.

DIRECTORS' REPORT

AUDITOR

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

On behalf of the Board
Leung Pak To
Chairman
Hong Kong, 25 March 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF IMAGI INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Imagi International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 89, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgment, 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Continuing operations			
Revenue	8	–	–
Cost of sales	9	–	–
Gross profit		–	–
Other income	10	44,412	4,663
Other gains and losses	11	527	165
Administrative expenses		(17,152)	(20,039)
Profit (loss) before taxation	12	27,787	(15,211)
Income tax	13	–	–
Profit (loss) for the year from continuing operations		27,787	(15,211)
Discontinued operations			
Loss for the year from discontinued operations	14	(49,671)	(76,356)
Loss for the year		(21,884)	(91,567)
Loss per share from continuing and discontinued operations			
Basic and diluted	18	(HK$0.002)	(HK$0.009)
Earnings (loss) per share from continuing operations			
Basic and diluted	18	HK$0.003	(HK$0.002)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	HK$'000	HK$'000
		(Restated)
Loss for the year	**(21,884)**	(91,567)
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency from disposed operations	**12,867**	12,009
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**231**	(31)
Fair value loss on available-for-sale investments	**(15)**	–
Other comprehensive income for the year, net of nil income tax	**13,083**	11,978
Total comprehensive expense for the year	**(8,801)**	(79,589)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	19	**182**	4,779
Intangible assets	20	**–**	841,492
Non-current deposits	21	**27,752**	–
Available-for-sale investments	22	**85,196**	–
Deferred tax assets	26	**–**	2,208
		113,130	848,479
Current assets			
Trade and other receivables, deposits and prepayments	23	**44,199**	90,968
Bank balances and cash	24	**769,311**	253,567
		813,510	344,535
Current liabilities			
Trade, other payables and liabilities	25	**3,904**	18,280
Unearned revenue		**–**	3,101
Tax payable		**–**	11,086
		3,904	32,467
Net current assets		**809,606**	312,068
Total assets less current liabilities		**922,736**	1,160,547
Non-current liability			
Deferred tax liabilities	26	**–**	212,533
		–	212,533
Net assets		**922,736**	948,014
Capital and reserves			
Share capital	27	**10,013**	10,020
Reserves		**912,723**	937,994
Total equity attributable to owners of the Company		**922,736**	948,014

The consolidated financial statements on pages 27 to 89 were approved and authorised for issue by the board of directors on 25 March 2014 and are signed on its behalf by:

LEUNG PAK TO
DIRECTOR

MA WAI MAN, CATHERINE
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital HK$'000	Contributed surplus HK$'000 (Note i)	Merger reserve HK$'000 (Note ii)	Translation reserve HK$'000	Share option reserve HK$'000	Option shares reserve HK$'000	Investments revaluation reserve HK$'000	PRC statutory reserve HK$'000 (Note iii)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	10,020	1,037,593	909	20,241	2,301	6,060	–	2,429	(52,732)	1,026,821
Loss for the year	–	–	–	–	–	–	–	–	(91,567)	(91,567)
Other comprehensive income for the year	–	–	–	11,978	–	–	–	–	–	11,978
Total comprehensive expense for the year	–	–	–	11,978	–	–	–	–	(91,567)	(79,589)
Recognition of equity-settled share-based payments (Note 28(ii))	–	–	–	–	782	–	–	–	–	782
At 31 December 2012	10,020	1,037,593	909	32,219	3,083	6,060	–	2,429	(144,299)	948,014
Loss for the year	–	–	–	–	–	–	–	–	(21,884)	(21,884)
Other comprehensive income for the year	–	–	–	13,098	–	–	(15)	–	–	13,083
Total comprehensive expense for the year	–	–	–	13,098	–	–	(15)	–	(21,884)	(8,801)
Shares repurchased and cancelled (Note 27)	(7)	(585)	–	–	–	–	–	–	–	(592)
Transfer of option shares reserve upon expiry of option shares	–	6,060	–	–	–	(6,060)	–	–	–	–
Disposal of subsidiaries	–	–	–	(42,551)	–	–	–	(2,429)	27,687	(17,293)
Recognition of equity-settled share-based payments (Note 28(ii))	–	–	–	–	1,408	–	–	–	–	1,408
At 31 December 2013	**10,013**	**1,043,068**	**909**	**2,766**	**4,491**	**–**	**(15)**	**–**	**(138,496)**	**922,736**

Notes:

(i) Pursuant to section 46(2) of the Companies Act 1981 of Bermuda and with effect after the passing of a special resolution at a special general meeting held in 2011, the Company's entire amount standing to the credit of the share premium account and the deemed contribution reserve account were cancelled (the "Share Premium Cancellation"). Upon the Share Premium Cancellation becoming effective in the same year, the directors of the Company authorised to transfer the credit arising therefrom to the contributed surplus account of the Company and to set off the accumulated losses of the Company in a manner permitted by the laws of Bermuda and the bye-laws of the Company.

(ii) The merger reserve represents the difference between the nominal value of shares of subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of a previous corporate reorganisation.

(iii) According to the rules and regulations in the People's Republic of China ("PRC"), a portion of profit after taxation of a PRC subsidiary of the Company is required to be transferred to a statutory reserve before distribution of a dividend to its equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the subsidiary. The reserve can be applied either to set off accumulated losses or to increase capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(21,884)**	(91,567)
Adjustments for:		
Amortisation of intangible assets	**74,568**	99,910
Interest income	**(3,738)**	(3,224)
Allowance for doubtful debts	**1,705**	3,504
Share-based payment expenses	**1,408**	782
Share of loss of an associate	**–**	5,553
Depreciation of property, plant and equipment	**1,096**	1,609
Loss on disposal of property, plant and equipment	**2,233**	2,586
Income tax credit from discontinued operations	**(67,728)**	(14,429)
Impairment loss recognised in respect of intangible assets	**204,778**	5,249
Impairment loss recognised on inventories	**–**	305
Gain on disposal of an associate and cancellation of related options and liabilities	**–**	(7,687)
Gain on disposal of subsidiaries	**(151,144)**	–
Operating cash flows before movements in working capital	**41,294**	2,591
Increase in trade and other receivables, deposits and prepayments	**(32,478)**	(4,280)
Decrease in trade, other payables and liabilities	**(6,894)**	(7,794)
(Increase) decrease in inventories	**(7)**	492
Decrease in unearned revenue	**(5,556)**	(23,306)
Cash used in operations	**(3,641)**	(32,297)
Tax paid	**(12,511)**	(7,662)
NET CASH USED IN OPERATING ACTIVITIES	**(16,152)**	(39,959)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Disposal of subsidiaries	29	**607,788**	–
Repayment of advance to TE Group (as defined in Note 8) upon its disposal by the Group		**36,640**	–
Interest received		**1,881**	3,142
Proceeds from disposal of property, plant and equipment		**14**	117
Purchase of available-for-sale investments		**(85,211)**	–
Deposit paid for acquisition of properties		**(27,752)**	–
Purchase of property, plant and equipment		**(615)**	(1,385)
Purchase of intangible assets		**(160)**	(277)
Proceeds from disposal of an associate		**–**	9,100
NET CASH FROM INVESTING ACTIVITIES		**532,585**	10,697
CASH USED IN FINANCING ACTIVITY			
Payment on repurchase of shares	27	**(592)**	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**515,841**	(29,262)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**253,567**	281,341
Effect of foreign exchange rate changes		**(97)**	1,488
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**769,311**	253,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" to the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 37.

The consolidated financial statements are presented in Hong Kong dollar. Following the completion of disposal of Segment B business (as defined in Note 8) as at 21 October 2013 (Note 29), the directors re-assessed the functional currency of the Company as the Group's main operations subsequent to the disposal are expected to be primarily located in Hong Kong, which is the primary economic environment in which the major operating subsidiaries of the Company will operate. As a result of this assessment, the directors determined to change the functional currency from Renminbi ("RMB") to Hong Kong dollar ("HK$") with effect from 21 October 2013. The change of functional currency is applied prospectively from the date of change in accordance with HKAS 21 *The Effect of Changes in Foreign Exchange Rates*.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group had discontinued Segment B in the current year (see Note 14(a)). The presentation of continuing operations and discontinued operations in the current year has resulted in a re-presentation of the corresponding comparative amounts shown for the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and related notes to the consolidated financial statements.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

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

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

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

[3] Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

Annual Improvements to HKFRSs 2010–2012 Cycle

The *Annual Improvements to HKFRSs 2010–2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

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

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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

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

Annual Improvements to HKFRSs 2010–2012 Cycle *(Continued)*

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010–2012 Cycle* will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

4. 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 (the "Listing Rules") on the Stock Exchange and Hong Kong Companies Ordinance.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

In addition, for financial reporting purposes, fair value measurements are categorised into Levels 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 statements 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.

4. 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.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate *(Continued)*

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate are 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 equals or exceeds its 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 that associate.

The requirements of HKAS 39 *Financial Instruments* 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 to sell) 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.

Revenue recognition

Revenue is measured at the fair values of considerations received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from broadcasting of the Group's computer graphic imaging ("CGI") animation pictures is recognised as follows:

(i) When a distribution arrangement has been made with a distributor whereby the distributor is responsible for broadcasting and distribution costs and such broadcasting and distribution costs are to be recovered by the distributor from box office receipts in accordance with the arrangement, revenue is recognised based on net box office receipts reported by the distributor when the Group is not required to reimburse the distributor any shortfall between the box office receipts and the broadcasting and distribution costs.

(ii) When the Group is required to reimburse the distributor any shortfall between the box office receipts and the recoupable broadcasting and distribution costs, revenue is recognised based on box office receipts reported by the distributor with the relevant recoupable broadcasting and distribution costs being recognised as prints and advertising expenses in the consolidated statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Production or other service income is recognised when the services are provided. Payments received prior to the provision of services are recorded as unearned revenue and are classified as current liabilities in the consolidated statement of financial position.

Royalty income from the licensing of trademarks and copyrights is generally recognised in periods when royalties are reported by licensees about the related product sales.

Interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, 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 derecognition of the relevant asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit and loss in the period in which the item is derecognised.

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.

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions that are relevant to the entity, such effect is accounted for prospectively at the date of change, the entity translates all items into the new functional currency using the prevailing exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Exchange differences arising from the translation of a foreign operation previously recognised in comprehensive income are not reclassified from equity to profit or loss until the disposal of the operation.

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. HK$) at the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Retirement benefit cost

Payments to the state-managed retirement benefit schemes/Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences 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 any deferred tax assets is reviewed at the end of each of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Consumer Products Agreement, TE Trademarks and Copyrights and JBM Agreement

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value on the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value on the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at costs less any subsequent accumulated impairment losses.

CGI animation pictures

CGI animation pictures, which represent CGI animation pictures in which the Group retains ownership, consist of film rights of completed CGI animation pictures and CGI animation pictures of which the productions are still in progress.

CGI animation pictures in progress are stated at costs incurred to date, including all the costs directly attributable to the CGI animation pictures in progress and borrowing costs capitalised, less accumulated impairment losses. Upon completion and release of the CGI animation pictures, the costs are amortised based on the proportion of actual income earned during the year to the estimated total income expected to be generated from the relevant CGI animation pictures.

Completed CGI animation pictures are stated at cost incurred to date, representing all the costs directly attributable to the completed CGI animation pictures and borrowing costs capitalised, less accumulated amortisation and accumulated impairment losses.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the relevant intangible assets, which is calculated as the difference between the net disposal proceeds and the carrying value of the net asset is recognised in profit or loss in the period when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into one of the two categories, including available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

AFS financial assets

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

Debt securities held by the Group that are classified as AFS financial assets and traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified 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 the 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.

For AFS debt investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For loans and receivables, objective evidence of impairment could include:

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

For certain categories of financial asset such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. 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 and observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, an impairment loss is recognised in profit and loss when there is objective evidence that the assets is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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 credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 losses 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

In respect of AFS financial assets, impairment losses previously recognised in profit or loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instrument

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 Company are recorded at the proceeds received, net of direct issue costs.

Options that will be settled by issuing fixed number of shares for a fixed amount of cash are regarded as equity instrument. Options granted to creditors to settle the relevant debts or to investor are recorded at fair value of the options on the date of grant in option shares reserve.

Financial liabilities

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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

At the time when the Group modifies the terms and conditions of the share options previously granted, the Group continues to recognise the share-based payment expense for the existing share options and measures the effect of such modifications that increase the total fair value of the share-based payment arrangements at the date of modifying the terms and conditions of the share options and recognises fair value increment in accordance with the revised vesting period, if applicable.

The Group cancels and forfeits the share options as a result of resignation of employees. For cancellation of share options where the vesting period of the share options has not completed, the relevant recognised share-based payment was to reverse to profit or loss if it was previously charged to the profit or loss.

For forfeiture of share options where the vesting period of the share options has completed, the relevant recognised share-based payment was to credit against accumulated losses, but not reversed, with a corresponding adjustment to share option reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets

At the end of each 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. In addition, intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a 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 a 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.

5. 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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amounts which are the higher of the value in use or the fair value less costs to sell of the CGU to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or the fair value less costs to sell of the intangible assets are less than expected, a material impairment loss may arise.

During the year ended 31 December 2013, the management of the Group considered value in use (2012: fair value less costs to sell) to evaluate the recoverable amount of intangible assets. Details of the impairment assessment are set out in Note 20.

Since the estimated recoverable amount is less than the carrying amount of the CGU, an impairment loss of approximately HK$204,778,000 was recognised for the year ended 31 December 2013 (2012: HK$5,249,000). Except for an impairment loss of approximately HK$204,778,000 arising from a disposed operation which will not be reversed, where the actual future cash flows vary against what were expected or changes in facts and circumstances which result in revision of future estimated cash flows, a material further impairment loss or reversal of previously recognised impairment loss may arise.

6. 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 equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with share capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2013	2012
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**85,196**	–
Loans and receivables (including cash and cash equivalents)	**812,390**	343,665
	897,586	343,665
Financial liabilities		
Amortised cost	**1,978**	12,374

7b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, deposits, 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 and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group's sales were denominated in HK$, RMB and United States dollar ("USD") and it pays its costs and expenses substantially in the functional currency of the respective group entities, i.e. HK$ and RMB (2012: RMB).

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) *Currency risk (Continued)*

The carrying amounts of the Group's monetary assets and liabilities mainly in the form of available-for-sale investments, trade and other receivables, deposits, bank balances and trade and other payables for the year, denominated in a currency other than the functional currency of the relevant group entities, i.e. USD, RMB and Euro dollar ("EUR"), at the end of the reporting date are as follows:

	Monetary assets	
	2013	2012
	HK$'000	HK$'000
USD	**104,239**	1,908
HK$	**N/A***	231,201
RMB	**40,038**	N/A*
EUR	**4,649**	2,512

	Monetary liabilities	
	2013	2012
	HK$'000	HK$'000
USD	**1,363**	1,210
HK$	**N/A***	858
EUR	**18**	241

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) *Currency risk (Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in HK$ (2012: RMB) against the relevant foreign currencies. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items. A positive number below indicates an increase in post-tax profit from continuing operations (2012: a decrease in post-tax loss from continuing operations), where HK$ (2012: RMB) strengthens 5% (2012: 5%) against the relevant foreign currencies. A negative number indicates a decrease in post-tax profit from continuing operations (2012: an increase in post-tax loss from continuing operations). For a 5% (2012: 5%) weakening of HK$ (2012: RMB) against the relevant foreign currencies, there would be an equal and opposite impact on post-tax profit or loss from continuing operations.

	USD	**HK$**	**RMB**	**EUR**
	HK$'000	HK$'000	HK$'000	HK$'000
2013				
Increase in profit after taxation	**4,295**	**N/A***	**1,672**	**193**
2012				
Decrease in loss after taxation	29	9,617	N/A*	95

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the disposal of Segment B (as defined in Note 8) and reduction in RMB denominated sales in that segment during 2013 which has resulted in lower level of RMB denominated bank balances and cash, and trade receivables.

* As the functional currency of the Company is changed from RMB to HK$ in 2013, no currency risk is identified for the monetary assets and liabilities denominated in HK$ (2012: RMB) which is in the functional currency of the relevant group entities as at 31 December 2013.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances for both years.

It is the Group's policy to keep its bank balances at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The directors of the Company consider the Group's exposure of the variable-rate bank balances are within short maturity period, and the fluctuation in interest rate risk arising from the bank balances are insignificant.

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk of receivables, 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 each 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 high credit ratings assigned by international credit-rating agencies.

The credit risk on the debt investments is limited because the counterparties are corporates with high credit ratings which are listed on the stock exchanges in different countries.

The credit risk on the long-term deposit is limited because the counterparty is a reputable national-based property development company which is listed on the Stock Exchange.

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

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Other price risk

The Group is exposed to price risk through its investments in debt securities. The price risk is mainly concentrated on the changes in the market prices of the debt securities.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the price risks at the reporting date.

If the prices of the respective debt instruments had been 10% higher/lower, investments revaluation reserve would increase/decrease by HK$8,520,000 for the Group as a result of the changes in fair value of the AFS investments.

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.

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 which are based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	Total undiscounted cash flows	Carrying amount at 31 December 2013
	%	HK$'000	HK$'000	HK$'000
At 31 December 2013				
Non-derivative financial liabilities				
Other payables	–	1,978	1,978	1,978

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	Less than 1 month HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December 2012 HK$'000
At 31 December 2012				
Non-derivative financial liabilities				
Trade and other payables	–	12,374	12,374	12,374

7c. Fair value measurements of financial instruments

The fair value of financial assets is determined as follows:

- the fair value of financial assets with standard terms and conditions are traded in active liquid markets is determined with reference to quoted market bid prices; and
- the fair value of other financial assets is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2013				
AFS investments in debt securities	**85,196**	**–**	**–**	**85,196**

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

There is no transfer between the different levels of the fair value hierarchy for the year.

8. REVENUE AND SEGMENT INFORMATION

For the purpose of performance assessment and resources allocation, the executive directors of the Company, being the chief operating decision maker ("CODM"), used to regularly review the revenue and results of the following three segments:

Segment A:	Production, broadcasting and licensing of the Group's CGI animation pictures not developed by Infoport Management Limited ("Infoport"), and its subsidiaries (collectively referred to as the "TE Group");
Segment B:	Licensing and management of cartoon character trademarks and copyrights and all related activities managed by TE Group; and
Investment segment:	Investment in securities.

However, Segment A and Segment B were discontinued during the year ended 31 December 2012 and the current year, respectively, as described in Note 14. Consequently, the Group has been operating with one reportable and operating segment with no revenue generated in the current year and the CODM reviews the consolidated revenue as the segment revenue and the consolidated profit before taxation as the segment result. Hence, no further segment information has been presented in the current and prior years.

9. COST OF SALES

	Continuing operations		Discontinued operations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)		
Royalty fees	**–**	–	**2,827**	7,358	**2,827**	7,358
Production cost for CGI animation pictures	**–**	–	**–**	5,738	**–**	5,738
Impairment loss on intangible assets	**–**	–	**–**	5,249	**–**	5,249
Impairment loss on inventories	**–**	–	**3**	305	**3**	305
Production cost for licensing and management of cartoon character trademarks by TE Group	**–**	–	**23,297**	47,170	**23,297**	47,170
	–	–	**26,127**	65,820	**26,127**	65,820

10. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)		
Interest income	**3,530**	2,747	**208**	477	**3,738**	3,224
Compensation for infringement	**–**	–	**4,044**	3,972	**4,044**	3,972
Service income (Note)	**39,990**	–	**–**	–	**39,990**	–
Others	**892**	1,916	**325**	291	**1,217**	2,207
	44,412	4,663	**4,577**	4,740	**48,989**	9,403

Note: Amount represented the income derived from advisory service provided to the shareholders of Creative Power Entertaining Limited Liability Company ("CPE") during the year in relation to the disposal of their interests in CPE to other party.

11. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)		
Loss on disposal of property, plant and equipment	**(9)**	–	**(2,224)**	(2,586)	**(2,233)**	(2,586)
Net foreign exchange gains (losses)	**536**	165	**(731)**	(27)	**(195)**	138
	527	165	**(2,955)**	(2,613)	**(2,428)**	(2,448)

12. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)		
Profit (loss) before taxation has been arrived at after charging and (crediting):						
Directors' emoluments (Note 15)	**4,630**	7,049	**3,658**	3,558	**8,288**	10,607
Contribution to retirement benefit scheme	**59**	101	**4,743**	6,007	**4,802**	6,108
Other staff costs (salaries and wages)	**3,332**	5,222	**32,821**	57,242	**36,153**	62,464
Equity-settled share-based payments expenses (reversal) other than directors	**47**	13	**(478)**	186	**(431)**	199
Total staff costs	**8,068**	12,385	**40,744**	66,993	**48,812**	79,378
Depreciation of property, plant and equipment (Note 19)	**65**	88	**1,031**	1,521	**1,096**	1,609
Amortisation of intangible assets (Note 20)	**–**	–	**74,568**	99,910	**74,568**	99,910
Total depreciation and amortisation	**65**	88	**75,599**	101,431	**75,664**	101,519
Rentals in respect of premises under operating leases (Note 32)	**–**	–	**4,494**	6,389	**4,494**	6,389
Auditor's remuneration	**1,450**	600	**–**	600	**1,450**	1,200
Allowance for doubtful debts	**–**	–	**1,705**	3,504	**1,705**	3,504

12. PROFIT (LOSS) BEFORE TAXATION *(Continued)*

The calculation of the earnings (loss) before interest, tax, depreciation and amortisation ("EBITDA"/"(LBITDA)") during the year is based on the following data:

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000
EBITDA (LBITDA)						
Profit (loss) before taxation	**27,787**	(15,211)	**(117,399)**	(90,785)	**(89,612)**	(105,996)
Adjusted for:						
Interest income	**(3,530)**	(2,747)	**(208)**	(477)	**(3,738)**	(3,224)
Depreciation and amortisation	**65**	88	**75,599**	101,431	**75,664**	101,519
	24,322	(17,870)	**(42,008)**	10,169	**(17,686)**	(7,701)

13. INCOME TAX CREDIT

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000
Current tax:						
PRC Enterprise Income Tax ("EIT")	**–**	–	**1,443**	8,859	**1,443**	8,859
(Over) under provision in prior years:						
PRC EIT	**–**	–	**22**	170	**22**	170
Overseas	**–**	–	**(857)**	–	**(857)**	–
	–	–	**608**	9,029	**608**	9,029
Deferred tax (Note 26):						
Current year	**–**	–	**(68,336)**	(23,458)	**(68,336)**	(23,458)
Total	**–**	–	**(67,728)**	(14,429)	**(67,728)**	(14,429)

13. INCOME TAX CREDIT *(Continued)*

No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits for both years.

The Group's PRC subsidiary is subject to PRC EIT at statutory rate of 25%.

The tax credit for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)		
Profit (loss) before taxation	**27,787**	(15,211)	**(117,399)**	(90,785)	**(89,612)**	(105,996)
Tax at the domestic income tax rate of 25%	**6,947**	(3,803)	**(29,350)**	(22,696)	**(22,403)**	(26,499)
Tax effect of share of loss of an associate	**–**	–	**–**	1,388	**–**	1,388
Tax effect of expenses not deductible for tax purpose	**990**	843	**39**	2,108	**1,029**	2,951
Tax effect of income not taxable for tax purpose	**(796)**	(564)	**(26,388)**	(59)	**(27,184)**	(623)
Tax effect of tax losses not recognised	**1,058**	2,205	**853**	917	**1,911**	3,122
Utilisation of tax losses previously not recognised	**(5,769)**	–	**–**	–	**(5,769)**	–
(Over) under provision in respect of prior years	**–**	–	**(835)**	170	**(835)**	170
Tax effect on withholding tax arising on earnings from PRC subsidiaries	**–**	–	**337**	1,213	**337**	1,213
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(2,430)**	1,319	**(12,384)**	2,530	**(14,814)**	3,849
Tax credit for the year	**–**	–	**(67,728)**	(14,429)	**(67,728)**	(14,429)

14. DISCONTINUED OPERATIONS

(a) Discontinued operation on the Segment B business

On 16 September 2013, the Group entered into a sale and purchase agreement to dispose of the TE Group, which carried out all of the Group's licensing and management of cartoon character trademarks and copyrights and all related activities, to an independent third party at a consideration of HK$634,200,000. The proceeds from the disposal was intended to be used for the Group's business development in the cultural industry, not limited to the production, broadcasting and licensing of the CGI animation pictures, through internal growth and possible future acquisitions as and when opportunities arise. The disposal was completed on 21 October 2013, on which date control of TE Group passed to the acquirer.

The loss for the year from the discontinued operation is set out below. The comparative figures in the statement of profit or loss have been restated to re-present the operation as a discontinued operation.

	Period ended 21 October 2013 HK$'000	Year ended 31 December 2012 HK$'000
Loss of the discontinued operation for the period/year	**(200,815)**	(63,927)
Gain on disposal of TE Group (Note 29)	**151,144**	–
	(49,671)	(63,927)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. DISCONTINUED OPERATIONS *(Continued)*

(a) Discontinued operation on the Segment B business *(Continued)*

The results of the discontinued operation for the period from 1 January 2013 to 21 October 2013 and for the year ended 31 December 2012, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 21 October 2013 HK$'000	Year ended 31 December 2012 HK$'000
Revenue	**92,806**	151,182
Cost of sales	**(26,127)**	(54,567)
Amortisation of intangible assets	**(74,568)**	(99,910)
Other income	**4,577**	4,740
Other gains and losses	**(2,955)**	(164)
Selling expenses	**(9,907)**	(19,591)
Administrative expenses	**(47,591)**	(62,180)
Impairment loss on intangible assets	**(204,778)**	–
Share of loss of an associate	**–**	(5,553)
Gain on disposal of an associate and cancellation of related options and liabilities	**–**	7,687
Loss before taxation	**(268,543)**	(78,356)
Income tax credit	**67,728**	14,429
Loss for the period/year	**(200,815)**	(63,927)

Loss for the period/year from discontinued operation included the following:

Auditor's remuneration	**–**	(600)
Depreciation and amortisation	**(75,599)**	(101,273)
Employee benefit expenses	**(40,744)**	(58,203)
Loss on disposal of property, plant and equipment	**(2,224)**	(137)

14. DISCONTINUED OPERATIONS *(Continued)*

(a) Discontinued operation on the Segment B business *(Continued)*

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

	Period ended 21 October 2013 HK$'000	Year ended 31 December 2012 HK$'000
Net cash used in operating activities	**(800)**	(14,747)
Net cash (used in) generated from investing activities	**(662)**	6,385
Net cash used in financing activities	**(3,374)**	(326)

The carrying amounts of the assets and liabilities of TE Group at the date of disposal are disclosed in Note 29.

(b) Discontinued operation on the Segment A business

During the year ended 31 December 2012, the directors discontinued the Group's operation in Hong Kong which was previously engaged in the Segment A business and shifted the Group's focus to the PRC in order to achieve better cost control over its operation.

The results of the Segment A business for the year ended 31 December 2012, which had been included in the consolidated statement of profit or loss and other comprehensive income as discontinued operation, were as follows:

	HK$'000
Revenue	4,031
Cost of sales	(11,253)
Other losses	(2,449)
Administrative expenses	(2,758)
Loss for the year	(12,429)

14. DISCONTINUED OPERATIONS *(Continued)*

(b) Discontinued operation on the Segment A business *(Continued)*

The cash flows contribution of the discontinued operation to the Group's net operating activities and investing activities during the year ended 31 December 2012, were analysed as follows:

	HK$'000
Net cash used in operating activities	(5,185)
Net cash from investing activities	70
Net cash outflow	(5,115)

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 10 (2012: 10) directors and the chief executive were as follows:

31 December 2013

	Mr. Leung Pak To HK$'000	Mr. Yung Tse Kwong, Steven HK$'000	Ms. Ma Wai Man, Catherine HK$'000 (Note (a))	Mr. Lian Meng HK$'000 (Note (b))	Mr. Chan Yuk Sang HK$'000	Mr. Cheng Yuk Wo HK$'000	Dr. Lam Lee G. HK$'000	Mr. Lim Chin Leong HK$'000	Ms. Wei Wei HK$'000	Mr. Yang Fei HK$'000 (Note (c))	Total HK$'000
Fees	200	-	161	67	200	200	200	200	200	133	1,561
Other emoluments:											
Salaries and other benefits	-	4,516	353	-	-	-	-	-	-	-	4,869
Equity-settled share-based payment expense	-	1,743	96	-	-	-	-	-	-	-	1,839
Contributions to retirement benefit scheme	-	15	4	-	-	-	-	-	-	-	19
Total emoluments	200	6,274	614	67	200	200	200	200	200	133	8,288

Notes:

(a) Ms. Ma Wai Man, Catherine was re-designated as an executive director on 21 October 2013.

(b) Mr. Lian Meng was appointed as a non-executive director on 1 September 2013.

(c) Mr. Yang Fei resigned as a non-executive director on 1 September 2013.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

31 December 2012

	Mr. Leung Pak To HK$'000	Mr. Yung Tse Kwong, Steven HK$'000 (Note (a))	Mr. Soh Szu Wei HK$'000 (Note (b))	Ms. Ma Wai Man, Catherine HK$'000	Mr. Yang Fei HK$'000	Mr. Chan Yuk Sang HK$'000	Mr. Cheng Yuk Wo HK$'000	Dr. Lam Lee G. HK$'000	Mr. Lim Chin Leong HK$'000	Ms. Wei Wei HK$'000	Total HK$'000
Fees	200	–	–	200	200	200	200	200	200	200	1,600
Other emoluments:											
Salaries and other benefits	–	4,512	3,901	–	–	–	–	–	–	–	8,413
Equity-settled share-based payment expense	–	2,215	(1,728)	96	–	–	–	–	–	–	583
Contributions to retirement benefit scheme	–	11	–	–	–	–	–	–	–	–	11
Total emoluments	200	6,738	2,173	296	200	200	200	200	200	200	10,607

Notes:

(a) Mr. Yung Tse Kwong, Steven was appointed as an executive director on 1 April 2012.

(b) Mr. Soh Szu Wei resigned on 17 May 2012.

Mr. Yung Tse Kwong, Steven was also the chief executive of the Company as at 31 December 2012 and 2013 and his emolument disclosed above included the service rendered by him as the chief executive.

Neither the chief executive nor any of the directors waived any emoluments for both reporting years. No emoluments were paid by the Group to the chief executive or the directors as an inducement to join or upon joining the Group, nor compensate for loss of office during the years.

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2012: two) was a director of the Company whose emoluments are included in the disclosures in Note 15 above. The emoluments of the remaining four (2012: three) individuals were as follows:

	2013	2012
	HK$'000	HK$'000
Salaries and other benefits	**5,138**	4,232
Contributions to retirement benefit scheme	**159**	76
(Reversal of) equity-settled share-based payment expenses	**(145)**	57
Compensation for loss of office	**–**	1,756
	5,152	6,121

Their emoluments were within the following bands:

	Number of employee	Number of employee
Nil to HK$1,000,000	**3**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,500,001 to HK$3,000,000	**1**	1

17. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: HK$Nil).

18. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2013	2012
	HK$'000	HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share	**(21,884)**	(91,567)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**10,019,761,301**	10,020,180,720

The computation of diluted loss per share does not assume the exercise of the IDG Option (Note 28(i)) and options granted under the incentive share option scheme (Note 28(ii)) because their exercise would result in a decrease in loss per share for both years.

From continuing operations

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

	2013	2012
	HK$'000	HK$'000
		(Restated)
Loss for the year attributable to the owners of the Company	**(21,884)**	(91,567)
Less: Loss for the year from discontinued operations	**49,671**	76,356
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share from continuing operations	**27,787**	(15,211)

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

From discontinued operations

Basic and diluted loss per share for discontinued operations is HK0.50 cent per share (2012: HK0.76 cent per share), based on the loss for the year from discontinued operations of HK$49,671,000 (2012: HK$76,356,000) and the denominators detailed above for basic and diluted loss per share.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2012	3,371	6,365	275	10,011
Additions	902	483	–	1,385
Disposals	(1,084)	(3,168)	–	(4,252)
Exchange realignment	7	25	–	32
At 31 December 2012	3,196	3,705	275	7,176
Additions	207	408	–	615
Disposals	(2,420)	(1,111)	–	(3,531)
Disposal of subsidiaries (Note 29)	(1,002)	(2,266)	(275)	(3,543)
Exchange realignment	19	25	–	44
At 31 December 2013	**–**	**761**	**–**	**761**
DEPRECIATION				
At 1 January 2012	506	1,772	42	2,320
Charge for the year	682	871	56	1,609
Eliminated on disposals	(402)	(1,147)	–	(1,549)
Exchange realignment	7	10	–	17
At 31 December 2012	793	1,506	98	2,397
Charge for the year	551	498	47	1,096
Eliminated on disposals	(847)	(437)	–	(1,284)
Disposal of subsidiaries (Note 29)	(506)	(1,001)	(145)	(1,652)
Exchange realignment	9	13	–	22
At 31 December 2013	**–**	**579**	**–**	**579**
CARRYING VALUE				
At 31 December 2013	**–**	**182**	**–**	**182**
At 31 December 2012	2,403	2,199	177	4,779

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

Leasehold improvements	Over the shorter of the term of the lease, or 5 years
Furniture, fixtures and equipment	20%
Motor vehicles	20%

20. INTANGIBLE ASSETS

	Consumer Products Agreement HK$'000 (Note (i))	TE Trademarks and Copyrights HK$'000 (Note (ii))	JBM Agreement HK$'000 (Note (ii))	CGI animation pictures HK$'000 (Note (iii))	Total HK$'000
COST					
At 1 January 2012	129,448	227,019	645,204	803,954	1,805,625
Additions	–	277	–	–	277
Exchange realignment	1,396	2,633	12,558	–	16,587
Eliminated on dissolution of a subsidiary	–	–	–	(15,399)	(15,399)
Derecognised during the year	–	–	–	(457,910)	(457,910)
At 31 December 2012	130,844	229,929	657,762	330,645	1,349,180
Additions	–	160	–	–	160
Exchange realignment	2,709	4,836	13,617	–	21,162
Eliminated on dissolution of subsidiaries	–	–	–	(43,240)	(43,240)
Disposal of subsidiaries (Note 29)	(133,553)	(234,925)	(671,379)	–	(1,039,857)
At 31 December 2013	**–**	**–**	**–**	**287,405**	**287,405**
AMORTISATION AND IMPAIRMENT					
At 1 January 2012	9,958	17,292	47,537	798,705	873,492
Charge for the year	13,272	22,732	63,906	–	99,910
Exchange realignment	255	458	1,633	–	2,346
Impairment loss recognised in the year	–	–	–	5,249	5,249
Eliminated on dissolution of a subsidiary	–	–	–	(15,399)	(15,399)
Derecognised during the year	–	–	–	(457,910)	(457,910)
At 31 December 2012	23,485	40,482	113,076	330,645	507,688
Charge for the year	11,307	19,385	43,876	–	74,568
Exchange realignment	595	1,025	4,720	–	6,340
Impairment loss recognised in the year	–	–	204,778	–	204,778
Eliminated on dissolution of subsidiaries	–	–	–	(43,240)	(43,240)
Disposal of subsidiaries (Note 29)	(35,387)	(60,892)	(366,450)	–	(462,729)
At 31 December 2013	**–**	**–**	**–**	**287,405**	**287,405**
CARRYING VALUE					
At 31 December 2013	**–**	**–**	**–**	**–**	**–**
At 31 December 2012	107,359	189,447	544,686	–	841,492

20. INTANGIBLE ASSETS *(Continued)*

Notes:

(i) The amount arose from a consumer products and related use agreement with Disney Enterprises, Inc. ("Disney") to promote and market TE Group's intellectual properties ("Consumer Products Agreement"). It has a term of 10 years and would expire on 31 December 2020 but was renewable subject to negotiation by the parties concerned. Accordingly, it was being amortised over the contractual life of the Consumer Products Agreement.

(ii) The amount represented intellectual properties in the form of trademarks and copyrights of various animation brands and related characters under the ownership of TE Group ("TE Trademarks and Copyrights"). They generally had finite legal lives of 10 years but were renewable at minimal cost.

The amount also represented intellectual properties in the form of trademarks and copyrights arising from a joint brand management agreement with CPE, a PRC company ("JBM Agreement"). It could only be terminated by a party when the other party committed a default which was not remedied within a specified period.

Pursuant to the JBM Agreement, TE Group participated in the co-ordination of the commercial exploitation of the animation for television episodes and movies and related characters owned by CPE and TE Group. The Group's results included the revenue derived from the JBM Agreement and the amortisation thereof and other related expenses.

The JBM Agreement's income stream was derived from the underlying trademarks and copyrights, the use of which was contemplated by the JBM Agreement (the "JBM Trademarks and Copyrights"). While the directors considered amortisation for TE Trademarks and Copyrights and the JBM Trademarks and Copyrights, they had taken into account the finite economic lives of these intangible assets with reference to studies of product life cycle, market and competitiveness trends. Accordingly, the TE Trademarks and Copyrights and the JBM Trademarks and Copyrights were being amortised over a period of 6 to 12 years which reflected the directors' best estimates of these assets' economic lives.

(iii) CGI animation pictures were internally generated and stated at production costs incurred to date, including borrowing costs capitalised, less accumulated impairment losses, if any.

During the year ended 31 December 2012, the Group decided to scale down its operation in the production, broadcasting and licensing of CGI animation pictures ("CGI operations"). In the opinion of the directors, the anticipated future operating cash flow of the CGI operations was less than its aggregate recoverable amount, and accordingly, an impairment loss of approximately HK$5,249,000 was recognised in profit or loss in that year.

(iv) Due to delay in certain projects, the management has carried out a review of the recoverable amount of its intangible assets during the current year. For the purpose of impairment testing, the Consumer Products Agreement, TE Trademarks and Copyrights and JBM Agreement were allocated to two separate CGUs, namely, the Consumer Products Agreement and TE Trademarks and Copyrights (Unit A) and JBM Agreement (Unit B), and their recoverable amounts have taken into consideration of the value in use calculation and fair value less costs to sell.

Recoverable amounts of Units A and B were calculated using cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 18% for Unit A and a discount rate of 17% for Unit B. The sets of cash flows beyond the five-year period are extrapolated using an average growth rate which approximated to the relevant industry growth forecasts. Other key assumptions for the recoverable amount calculations relate to the estimation of cash inflows/outflows which include budgeted revenue, and such estimation was based on management's expectations for the market development. Since the estimated recoverable amount was less than the carrying amount, an impairment loss of approximately HK$204,778,000 in respect of the intangible assets was recognised for the year ended 31 December 2013.

21. NON-CURRENT DEPOSITS

In October 2013, the Group entered into agreements to purchase properties located in Hong Kong in the aggregate consideration of HK$97,746,000.

Non-current deposits represented the deposits paid for the purchase of such properties and the transactions are expected to be completed in May 2014.

22. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2013 **HK$'000**	2012 HK$'000
Listed investments:		
Corporate bonds listed in Hong Kong with fixed interest rates ranging from 3.3% to 9.8% and maturity dates ranging from 18 October 2016 to 21 November 2018	**59,619**	–
Corporate bonds listed in Singapore with fixed interest rates ranging from 9.8% to 11.1% and maturity dates ranging from 20 March 2017 to 23 February 2018	**17,407**	–
Corporate bond listed in the European market with fixed interest rate of 6.8% and maturity date on 21 January 2018	**8,170**	–
	85,196	–
Analysed for reporting purposes as non-current assets	**85,196**	–

No available-for-sale investments were disposed of in the current year.

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013	2012
	HK$'000	HK$'000
Trade receivables	**–**	47,230
Less: allowance for doubtful debts	**–**	(8,523)
	–	38,707
Amount due from CPE (Note i)	**–**	48,775
Other receivables, deposits and prepayments (Note ii)	**44,199**	3,486
	44,199	90,968

Notes:

(i) As at 31 December 2012, amount due from CPE included approximately HK$47,169,000 related to the JBM Agreement and approximately HK$1,606,000 related to non-trade nature transactions. The amount was aged less than one year and was unsecured, non-interest bearing and repayable within one year.

(ii) The amount included other receivable of approximately HK$40,036,000 relating to the advisory service provided to the shareholders of CPE.

At the end of the reporting period, except as stated in Note (ii) all trade and other receivables are denominated in the functional currency of the relevant group entities.

The Group allows its trade customers a credit period in accordance with the terms specified in the contracts, normally ranging from 0 day to 30 days. The aged analysis of the Group's trade receivables (net of allowance) at the end of each reporting period is as follows:

	2013	2012
	HK$'000	HK$'000
Within 30 days	**–**	37,555
61–90 days	**–**	251
91 days–1 year	**–**	901
	–	38,707

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits by customer. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. All of the trade receivables are neither past due nor impaired and have a satisfactory credit history.

Movement in the allowance for doubtful debts

	2013	2012
	HK$'000	HK$'000
At 1 January	**8,523**	4,917
Provision for the year	**1,705**	3,504
Amount written off as uncollectible	**(6,281)**	–
Exchange realignment	**72**	102
Disposal of subsidiaries	**(4,019)**	–
At 31 December	**–**	8,523

As at 31 December 2012, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$8,523,000. The individually impaired receivables related to customers that were in financial difficulties and the directors of the Group assessed the recoverability of sales to these individual customers and concluded that the chance of recovering proceeds from these individual customers is minimal. Therefore, the amounts were provided as uncollectible.

24. BANK BALANCES AND CASH

Bank balances carried interest at market rates which range from 0.001% to 1.5% (2012: 0.001% to 1.1%) per annum.

At the end of the reporting period, included in bank balances are the following amounts denominated in currencies other than the functional currency of the relevant group entities.

	2013	2012
	HK$'000	HK$'000
USD	**17,675**	238
HK$	**N/A***	230,601
EUR	**4,496**	2,400
Other currencies	**3**	443
RMB	**2**	N/A*

* Functional currency has been changed to HK$ for the year ended 31 December 2013 (2012: RMB).

25. TRADE, OTHER PAYABLES AND LIABILITIES

	2013 **HK$'000**	2012 HK$'000
Trade payables	**–**	5,600
Other payables and accruals	**3,904**	12,680
	3,904	18,280

Trade payables were aged less than 30 days based on invoice dates. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

26. DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purpose:

	2013 **HK$'000**	2012 HK$'000
Deferred tax assets	**–**	2,208
Deferred tax liabilities	**–**	(212,533)
	–	(210,325)

26. DEFERRED TAXATION *(Continued)*

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

	Fair value adjustments on the Acquisition (as defined in Note 29) HK$'000	PRC dividend withholding tax HK$'000	Others HK$'000 (Note)	Total HK$'000
At 1 January 2012	230,836	1,842	(2,359)	230,319
(Credit) charge to profit or loss (Note 13)	(24,865)	1,213	194	(23,458)
Exchange realignment	3,507	–	(43)	3,464
At 31 December 2012	209,478	3,055	(2,208)	210,325
(Credit) charge to profit or loss (Note 13)	(69,736)	337	1,063	(68,336)
Exchange realignment	3,671	–	(35)	3,636
Disposal of subsidiaries (Note 29)	(143,413)	(3,392)	1,180	(145,625)
At 31 December 2013	**–**	**–**	**–**	**–**

Note: As at 31 December 2012, the Group had recognised deferred tax assets on deductible temporary differences in deferred royalty income of HK$624,000 and allowance for doubtful debts of HK$1,584,000. The temporary differences might be carried forward indefinitely.

At the end of the reporting period, the Group has unused tax losses of HK$306,007,000 (2012: HK$789,670,000) from continuing operations and HK$Nil (2012: HK$49,073,000) from discontinued operations available for offset against future profits. No deferred tax assets has been recognised due to the unpredictability of future profit streams. The losses from continuing operations may be carried forward indefinitely.

27. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013, at HK$0.001 each	1,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 1 January 2013, at HK$0.001 each	10,020,180	10,020
Share repurchased and cancelled during the year (Note)	(6,656)	(7)
At 31 December 2013, at HK$0.001 each	**10,013,524**	**10,013**

Note:

During the year ended 31 December 2013, the Company repurchased its own shares through its subsidiary on the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares '000	Price paid per share HK$	Aggregate consideration paid (before expenses) HK$'000
November 2013	6,656	0.088	586

The above shares were repurchased with related expenses amounted to HK$6,000 and these shares were cancelled after repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Subsequent to the reporting period, the Company has repurchased a total number of 44,712,000 of its own shares with an aggregate consideration amounted to HK$3,953,000 on the Stock Exchange.

28. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTION

As at 31 December 2013, the Company has outstanding several share option arrangements as follows:

(i) IDG Option

As part of the 2011 Share Subscription on 18 February 2011, the Company and various subscribers entered into a subscription agreement pursuant to which the subscribers agreed, subject to fulfillment of certain conditions including approval from the shareholders at a special general meeting, to subscribe for 1,282,816,000 shares at a subscription price of HK$0.28 per share for a total amount of approximately HK$359,189,000 ("2011 Share Subscription"), the Company granted an institutional investor an option to subscribe for 50,000,000 shares (the "IDG Option") as remuneration for introducing potential subscribers to the Company. The IDG Option might be exercised by the holder thereof in whole or in part from the date on which they were granted until 31 December 2013 on which date any unexercised IDG Options would automatically lapse.

The fair value of the IDG Option on the date of grant (i.e. 15 April 2011), determined by Greater China Appraisal Limited ("Greater China") using the Binomial Option Pricing Model, was approximately HK$6,060,000 which, representing incremental costs directly attributable to the 2011 Share Subscription, was charged to the share premium account as a share issue expense on the date of grant.

The IDG Option had no vesting period and the following assumptions were used to calculate the fair value of the option.

Share price at grant date	HK$0.365 per share
Exercise price	HK$0.35 per share
Expected life	2.715 years
Expected volatility	47.669%
Expected dividend yield	0%
Risk free interest rate	1.242%
Exercise period	From 15 April 2011 to 31 December 2013

During the year ended 31 December 2013, none of the IDG Option was exercised and accordingly, the IDG Option was expired as at 31 December 2013. The fair value of the IDG options of approximately HK$6,060,000 previously charged to share premium account of the Company was credited against contributed surplus on the date of expiry as a result of the Share Premium Cancellation during the year ended 31 December 2011.

28. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTION *(Continued)*

(ii) Share Option Schemes

(a) General terms and conditions of the share option scheme

On 16 August 2002, the Company adopted a share option scheme for the primary purpose of providing incentives to employees, executives or officers, directors of the Company or any of its subsidiaries and any business consultants, agents, legal or financial advisers or any supplier or provider of goods and services of the Company or any of its subsidiaries (the "Participants") for their contribution to the Group (the "2002 Scheme").

The 2002 Scheme was terminated on 11 June 2012 and a new share option scheme (the "2012 Scheme") was adopted by the shareholder of the Company on the same date. All share option granted under 2002 Scheme remain effective until the end of the exercise period. The general terms and conditions of the two share option schemes are the same and listed as follow:

The directors may grant options to the Participants to subscribe for shares in the Company for a consideration of HK$10 for each lot of share options granted. Options granted must be taken up within 28 days of date of grant. The exercise price is determined by the directors and shall not be less than the highest of:

(i) the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of the grant which must be a business day;

(ii) the average of the official closing prices of the shares as stated in the daily quotation sheet of the Stock Exchange for the 5 business days immediately preceding the offer date; and

(iii) the nominal value of a share.

The maximum number of shares in the Company in respect of which options may be granted under the 2002 Scheme and 2012 Scheme when aggregated with any other share option scheme of the Company is not permitted to exceed 10% of the issued share capital of the Company as at 16 August 2002 and 11 June 2012 respectively. Subject to the approval of the shareholders of the Company in general meeting and such other requirements prescribed under the Listing Rules from time to time, the directors may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meetings. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and 2012 Scheme and any other share option scheme of the Company at any time shall not exceed 30% of the shares in issue from time to time.

28. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTION *(Continued)*

(ii) Share Option Schemes *(Continued)*

(a) General terms and conditions of the share option scheme *(Continued)*

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the approval of the shareholders in general meetings, such Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the directors are empowered to impose at their discretion any such minimum period at the time of grant of any particular options. The period during which an option may be exercised will be determined by the directors at their absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

(b) Movement of share options

The following table discloses movements of the share options held by directors and employees:

For the year ended 31 December 2013

2002 Scheme

	Grant date	Vesting period	Fair value of share option at grant date HK$	Outstanding at 1 January 2013	Granted during the year	Cancelled during the year (Note i)	Outstanding at 31 December 2013
Directors	13 April 2011	13/4/2011 to 12/4/2014	0.164	1,000,000	–	–	**1,000,000**
		13/4/2011 to 12/4/2015	0.178	500,000	–	–	**500,000**
		13/4/2011 to 12/4/2016	0.191	500,000	–	–	**500,000**
	2 April 2012	2/4/2012 to 31/3/2013	0.0536	30,000,000	–	–	**30,000,000**
		2/4/2012 to 31/3/2014	0.0596	30,000,000	–	–	**30,000,000**
		2/4/2012 to 31/3/2015	0.0673	20,000,000	–	–	**20,000,000**
Employees	21 August 2009	21/8/2009 to 30/9/2010	0.144	417,160	–	–	**417,160**
	13 April 2011	13/4/2011 to 12/4/2014	0.160	3,460,000	–	(2,960,000)	**500,000**
		13/4/2011 to 12/4/2015	0.175	1,730,000	–	(1,480,000)	**250,000**
		13/4/2011 to 12/4/2016	0.187	1,730,000	–	(1,480,000)	**250,000**
				89,337,160	–	(5,920,000)	**83,417,160**

28. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTION *(Continued)*

(ii) Share Option Schemes *(Continued)*

(b) Movement of share options *(Continued)*

For the year ended 31 December 2012

2002 Scheme

	Grant date	Vesting period	Fair value of share option at grant date HK$	Outstanding at 1 January 2012	Granted during the year (Note ii)	Cancelled during the year (Note i)	Outstanding at 31 December 2012
Directors	13 April 2011	13/4/2011 to 12/4/2014	0.164	26,000,000	–	(25,000,000)	1,000,000
		13/4/2011 to 12/4/2015	0.178	13,000,000	–	(12,500,000)	500,000
		13/4/2011 to 12/4/2016	0.191	13,000,000	–	(12,500,000)	500,000
	2 April 2012	2/4/2012 to 31/3/2013	0.0536	–	30,000,000	–	30,000,000
		2/4/2012 to 31/3/2014	0.0596	–	30,000,000	–	30,000,000
		2/4/2012 to 31/3/2015	0.0673	–	20,000,000	–	20,000,000
Employees	21 August 2009	21/8/2009 to 30/9/2010	0.144	417,160	–	–	417,160
	13 April 2011	13/4/2011 to 12/4/2014	0.160	5,340,000	–	(1,880,000)	3,460,000
		13/4/2011 to 12/4/2015	0.175	2,670,000	–	(940,000)	1,730,000
		13/4/2011 to 12/4/2016	0.187	2,670,000	–	(940,000)	1,730,000
				63,097,160	80,000,000	(53,760,000)	89,337,160

Exercise price for the share options are as follows:

Grant date	**Exercise price** HK$
21 August 2009	0.755 per share
13 April 2011	0.368 per share
02 April 2012 (Note ii)	0.173 per share

Notes:

(i) During the current reporting period, 1,016,000 and 4,904,000 share options were cancelled prior to the vesting of relevant share options as a result of the resignation of employees and grantees ceased to be Participants upon completion of disposal of TE Group (2012: 50,000,000 and 3,760,000 share options were cancelled as a result of the resignation of a director and employees respectively). The impact of the revision of the estimates during the vesting period was recognised in the profit or loss, with a corresponding adjustment to the share option reserve.

28. SHARE-BASED PAYMENT TRANSACTIONS/OTHER OPTION *(Continued)*

(ii) Share Option Schemes *(Continued)*

(b) Movement of share options *(Continued)*

Notes: *(Continued)*

(ii) On 2 April 2012, the Company granted an aggregate of 80,000,000 share options to a director of the Company in accordance with 2002 Scheme.

The exercise price of the above share options is HK$0.173 per share. The market price of the Company's shares on the date of the grant is HK$0.166.

The above share options, which were accepted on 2 April 2012, are to be vested in the following manner:

- 30,000,000 share options will be vested on 1 April 2013 and will be exercisable until the expiration of a three year period from the vesting date of such share option ("4 year Options");
- 30,000,000 share options will be vested on 1 April 2014 and will be exercisable until the expiration of a three year period from the vesting date of such share option ("5 year Options"); and
- 20,000,000 share options will be vested on 1 April 2015 and will be exercisable until the expiration of a three year period from the vesting date of such share option ("6 year Options").

The aggregate fair value of the above share options on the date of grant, determined by Greater China using the Binomial Option Pricing Model, is approximately HK$4,742,000 which will be charged to profit or loss over the vesting period.

The following assumptions were used to calculate the fair value of the options:

	4 year Options	**5 year Options**	**6 year Options**
Exercise price	HK$0.173	HK$0.173	HK$0.173
Life to expiration	within 4 years	within 5 years	within 6 years
Expected volatility	42.86%	42.44%	43.83%
Expected dividend rate	0%	0%	0%
Risk free interest rate	0.474%	0.649%	0.819%

(iii) Recognition of share-based payment expenses

During the year, the Group recognised equity-settled share-based payment expenses of HK$1,408,000 (2012: HK$782,000), analysed as follows:

	2013 **HK$'000**	2012 HK$'000
Directors' emoluments	**1,839**	583
Other staff cost	**(431)**	199
Amount charged to profit or loss	**1,408**	782

29. DISPOSAL OF SUBSIDIARIES

As referred to in Note 14(a), on 21 October 2013, the Group discontinued its operation related to licensing and management of cartoon character trademarks and copyrights and all related activities at the time of disposal of TE Group. The net assets of TE Group at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	634,200
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	1,891
Intangible assets	577,128
Deferred tax assets	1,180
Inventories	7
Trade and other receivables, deposits and prepayments	86,849
Tax recoverable	522
Bank balances and cash	18,003
Trade, other payables and liabilities	(44,716)
Unearned revenue	(3,053)
Deferred tax liabilities	(146,805)
Net assets disposed of	491,006
Gain on disposal of subsidiaries:	
Consideration received	634,200
Net assets disposed of	(491,006)
Legal fees	(9,343)
Cumulative translation reserve in respect of the net assets of TE Group reclassified from equity to profit or loss on loss of control of the subsidiaries	17,293
Gain on disposal	151,144
Net cash inflow arising on disposal:	
Cash consideration	634,200
Less: bank balances and cash disposed of	(18,003)
Less: legal and professional fees paid	(8,409)
	607,788

29. DISPOSAL OF SUBSIDIARIES *(Continued)*

Pursuant to the relevant tax laws in the PRC, the directors evaluated the probability of whether or not that a capital gain has arisen from the disposal of TE Group. Taking into account the advice obtained from tax advisor, the directors are of the opinion that its overall investment loss position is justifiable and accordingly, no capital gain tax needs to be recognised in respect of the disposal of TE Group.

The impact of TE Group on the Group's results and cash flows in the current and prior years is disclosed in Note 14(a).

A writ was issued on 15 June 2013 by King Jun Chih Joseph ("Joseph King") (the "Writ") against Infoport and So Wing Lok Jonathan ("Jonathan So"). The claims set out in the Writ relate to the transaction in April 2011 whereby the Company completed the acquisition of Infoport (the "Acquisition") from its sole shareholder, PGBBW Limited, of which Jonathan So was an indirect shareholder. In the Statement of Claim contained in the Writ, Joseph King claims that in or around March/April 2009, Joseph King and Jonathan So entered into an oral agreement whereby Joseph King was engaged by Jonathan So and by Infoport as a consultant/agent to assist with fundraising and the terms of the alleged oral agreement provided that in the event Joseph King effected an introduction of investors to Infoport resulting in a sale of Infoport's shares, a success fee of 5% of consideration for the Acquisition would be payable by Jonathan So and the other indirect shareholders of Infoport to Joseph King. It is claimed that based on the consideration for the Acquisition being HK$1,046,500,000, Joseph King is entitled to receive payment of a success fee of HK$52,325,000 from Jonathan So and/or Infoport, and that Jonathan So and Infoport are jointly liable to pay this amount.

Pursuant to the sale and purchase agreement dated 16 September 2013 relating to the disposal of TE Group, the Company indemnified in full any cost and damages payable by Infoport under a final and enforceable judgement from a court. After seeking legal advice, the Company believes Infoport has meritorious defenses and will defend the case vigorously. The management does not believe that the outcome of such proceeding will have a material effect on the Group's financial position, results of operations or cash flows.

30. DISPOSAL OF AN ASSOCIATE AND CANCELLATION OF RELATED OPTIONS AND LIABILITIES

	2013	2012
	HK$'000	HK$'000
Interest in an associate:		
Cost of investment in an associate — unlisted	–	29,602
Share of accumulated losses	–	(8,069)
Disposal	–	(21,533)
	–	–

During the year ended 31 December 2012, the Group's entire interest in Sino Light was disposed of and the related options and liabilities were cancelled.

On 2 March 2012, the Group entered into deeds and agreements with various parties which involved (i) the transfer of its entire interest in Sino Light Enterprises Limited ("Sino Light") to one of the other shareholders of Sino Light; (ii) the cancellation of the Sino Light subscription option with carrying value of HK$6,798,000, TE Group's put options and other shareholders' call options and (iii) the cancellation of business support agreement with carrying value of approximately HK$26,918,000 as a result of which all relevant parties were released of their rights and obligations arising therefrom. The Group received a net consideration of HK$9,100,000 in relation to the aforesaid arrangement. The disposal was completed on 14 March 2012.

As a result of the above transactions, the Group recognised a gain of HK$7,687,000 in profit or loss, calculated as follows:

	HK$'000
Cash proceeds	9,100
Less: carrying amount of the 20.63% investment on the date of loss of influence over Sino Light	(21,533)
carrying amount of Sino Light subscription option	(6,798)
Add: carrying amount of management services obligations under the business support agreement	26,918
Gain recognised in profit or loss (Note 14)	7,687

31. DISSOLUTION OF SUBSIDIARIES

During the current year, the Group dissolved six (2012: seven) subsidiaries, all of which had nil net asset value at the date of dissolution.

32. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases in respect of rented premises were approximately HK$4,494,000 (2012: HK$6,389,000).

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

	2013	2012
	HK$'000	HK$'000
Within one year	**–**	615

Operating lease payments for the years ended 31 December 2013 and 2012 represent rentals payable by the Group for office premises and warehouses. As at 31 December 2012, leases were negotiated for an average term of two years and rentals were fixed for an average term of two years. As at 31 December 2012, one of the operating leases was non-cancellable and fell due in one year subject to further renewal of the operating lease contract. The other operating leases were cancellable of which the Group had no operating lease commitments.

33. CAPITAL COMMITMENTS

	2013	2012
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of properties located in Hong Kong contracted for but not provided in the consolidated financial statements	**78,197**	–

34. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their basic payroll to such retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

35. RELATED PARTY TRANSACTIONS

On 16 September 2013, the Company entered into an agreement with Luminary Capital Limited, a company controlled by Mr. Leung Pak To, a director of the Company, for the provision of financial advisory services in relation to the disposal of subsidiaries set out in Note 29 for a fee of HK$5,000,000. Such amount was paid on the completion of the relevant transaction and was recognised as an expense for the year ended 31 December 2013.

During the current reporting year, the following emoluments and compensations were paid to the directors of the Company and the Group's other key management personnel, having regard to the performance of individuals and market trends:

	2013 **HK$'000**	2012 HK$'000
Salaries and other benefits	**12,799**	15,523
Contributions to pension schemes	**208**	97
Equity-settled share-based payments	**1,612**	581
Compensation for loss of office	**–**	2,708
	14,619	18,909

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2013 HK$'000	2012 HK$'000
Investment in subsidiaries		–	753,454
Amounts due from subsidiaries	(a)	184,505	40,941
Other assets		740,067	228,224
Total assets		**924,572**	1,022,619
Total liabilities		**(2,401)**	(1,394)
		922,171	1,021,225
Capital and reserves			
Share capital		**10,013**	10,020
Reserves	(b)	**912,158**	1,011,205
		922,171	1,021,225

Notes:

(a) The amounts due from subsidiaries are unsecured, non-trade related, interest free and repayable on demand, except for the amount of HK$130,756,000 is interest-bearing at HK$ prime rate minus 1%.

(b) Reserves of the Company

	Contributed surplus HK$'000	Share option reserve HK$'000	Option shares reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	1,037,593	2,301	6,060	(2,030)	1,043,924
Loss for the year	–	–	–	(33,501)	(33,501)
Recognition of equity-settled share-based payments	–	782	–	–	782
At 31 December 2012	1,037,593	3,083	6,060	(35,531)	1,011,205
Loss for the year	–	–	–	(99,870)	(99,870)
Shares repurchased and cancelled	(585)	–	–	–	(585)
Transfer of option shares reserve upon expiry of option shares	6,060	–	(6,060)	–	–
Recognition of equity-settled share-based payments	–	1,408	–	–	1,408
At 31 December 2013	**1,043,068**	**4,491**	**–**	**(135,401)**	**912,158**

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The particulars of principal subsidiaries of the Company for the years ended 31 December 2013 and 2012 are listed as follow:

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital	Proportion of ownership interest and voting power held by the Company Directly 31 December 2013 %	Indirectly 31 December 2013 %	Proportion of ownership interest and voting power held by the Company Directly 31 December 2012 %	Indirectly 31 December 2012 %	Principal activities
Diamond Century International Limited (Notes i & iv)	BVI/Hong Kong	US$4	–	100	–	100	Investment holding
Great Trend International Limited (Notes i & iv)	BVI/Hong Kong	US$4	100	–	100	–	Investment holding
iDream Production Limited (Notes i & iii)	Hong Kong	HK$2	–	100	–	100	Inactive
Imagi Animation Studios Limited (Notes i & iv)	Hong Kong	HK$2	–	100	–	100	Inactive
Imagi Character Licensing B.V. (Note i)	Netherlands	EUR18,100	–	100	–	100	Sub-licensing of intellectual property rights in respect of CGI animation pictures
Imagi Crystal Limited (Note i)	Hong Kong	HK$1	–	100	–	100	Holding and licensing of intellectual property rights in respect of CGI animation pictures
Imagi Diamond Limited (Notes i & iii)	Hong Kong	HK$1	–	100	–	100	Inactive
Imagi Platinum Limited (Note i)	Hong Kong	HK$1	–	100	–	100	Holding and licensing of intellectual property rights in respect of CGI animation pictures
Imagi Services Limited	Hong Kong	HK$2	–	100	–	100	Provision of administrative services

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital	Proportion of ownership interest and voting power held by the Company 31 December 2013 Directly %	Indirectly %	Proportion of ownership interest and voting power held by the Company 31 December 2012 Directly %	Indirectly %	Principal activities
Imagi Wealth Limited	Hong Kong	HK$1	–	100	–	–	Investment in securities
Sky Field Holdings Limited	BVI/Hong Kong	US$1	100	–	100	–	Investment holding
Infoport Management Limited (Note ii)	BVI/Hong Kong	US$499,990	–	–	100	–	Investment holding and holding of intellectual property rights
Toon Express Hong Kong Limited (Note ii)	Hong Kong	HK$10,000	–	–	–	100	Licencing and management of cartoon character trademarks and copyrights and all related activities
廣州新原動力動漫形象管理有限公司 (Note ii)	PRC	HK$1,500,000	–	–	–	100	Licencing and management of cartoon character trademarks and copyrights and all related activities

Notes:

(i) During the year ended 31 December 2012, the directors discontinued operations of these companies, which was primarily engaged in the Segment A business (as defined in Note 8).

(ii) During the year ended 31 December 2013, the Company disposed of these companies, which are primarily engaged in the Segment B business (as defined in Note 8).

(iii) During the year ended 31 December 2013, the shareholders passed a resolution to wind up these companies voluntarily.

(iv) Subsequent to the year ended 31 December 2013, the shareholders passed a resolution to wind up these companies voluntarily.

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

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

FINANCIAL SUMMARY

Results

	Year ended 31 March		Period from 1 April 2011 to 31 December	Year ended 31 December	
	2010	2011	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	107,123	8,616	117,233	155,213	**92,806**
Loss before tax	(1,367,911)	(625,881)	(74,997)	(105,996)	**(89,612)**
Income tax credit	825	2,257	7,642	14,429	**67,728**
Loss for the year/period	(1,367,086)	(623,624)	(67,355)	(91,567)	**(21,884)**
Attributable to owners of the Company	(1,367,086)	(623,624)	(67,355)	(91,567)	**(21,884)**

Assets and Liabilities

	At 31 March		At 31 December		
	2010	2011	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	87,650	184,873	1,334,906	1,193,014	**926,640**
Total liabilities	(252,493)	(16,315)	(308,085)	(245,000)	**(3,904)**
	(164,843)	168,558	1,026,821	948,014	**922,736**
Equity attributable to owners of the Company	(164,843)	168,558	1,026,821	948,014	**922,736**

www.imagi.com.hk