FOCUS MEDIA NETWORK Limited

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立的有限公司)

STOCK CODE
股票代號 : 8112

2016

ANNUAL REPORT 年度報告

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Focus Media Network Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONTENTS

Corporate Information

Board of Directors

Executive Directors

An Xilei *(Chairman)*
(appointed on 1 December 2016)
Wong Hong Gay Patrick Jonathan
(CEO) (Note)
Chen Xiaoping
Mock Wai Yin
Lam Chun Yin
(resigned on 28 June 2016)
Lam Hoi Yu Nicki
(appointed on 28 June 2016)
Wang Jun
(appointed on 19 July 2016)

Note: Mr. Wong Hong Gay Patrick Jonathan was the Chairman up to 1 December 2016

Independent Non-Executive Directors

Chan Chi Keung Alan
Lee Chi Hwa Joshua
Lau Mei Ying

Audit Committee

Lee Chi Hwa Joshua *(Chairman)*
Chan Chi Keung Alan
Lau Mei Ying

Nomination Committee

Wong Hong Gay Patrick Jonathan
(Chairman)
(resigned on 1 December 2016)
Lee Chi Hwa Joshua *(Chairman)*
(appointed on 1 December 2016)
Chan Chi Keung Alan
Lau Mei Ying

Remuneration Committee

Lee Chi Hwa Joshua *(Chairman)*
Chan Chi Keung Alan
Wong Hong Gay Patrick Jonathan
(resigned on 1 December 2016)
Lau Mei Ying
(appointed on 1 December 2016)

Corporate Governance Committee

Wong Hong Gay Patrick Jonathan
(Chairman)
(resigned on 1 December 2016)
Mock Wai Yin *(Chairman)*
(re-designated as Chairman on 1 December 2016)
Lam Chun Yin
(resigned on 28 June 2016)
Lam Hoi Yu Nicki
(appointed on 28 June 2016)
Lau Mei Ying
(appointed on 1 December 2016)

Compliance Officer

Lam Chun Yin
(resigned on 28 June 2016)
Lam Hoi Yu Nicki
(appointed on 28 June 2016)

Company Secretary

Chan Sau Chee

Authorized Representatives

Mock Wai Yin
Lam Chun Yin
(resigned on 28 June 2016)
Lam Hoi Yu Nicki
(appointed on 28 June 2016)

Auditor

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

Legal Advisor

Robertsons
57th Floor, The Center
99 Queen's Road Central
Hong Kong

Registered Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

6th Floor, 603
Citicorp Centre
18 Whitfield Road
North Point
Hong Kong

Principal Place of Business in Singapore

79 Anson Road
#05-02/03
Singapore 079906

Principal Bankers

HSBC
1 Queen's Road Central
Hong Kong

HSBC
21 Collyer Quay
#06-01 HSBC Building
Singapore 049320

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

DBS Bank Limited
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

Industrial and Commercial Bank of China Limited
99 Nanjing East Road
Shanghai
People's Republic of China

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KYI-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Company's Website

www.focusmedia.com

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

8112

Financial Highlights & Summary

FINANCIAL SUMMARY

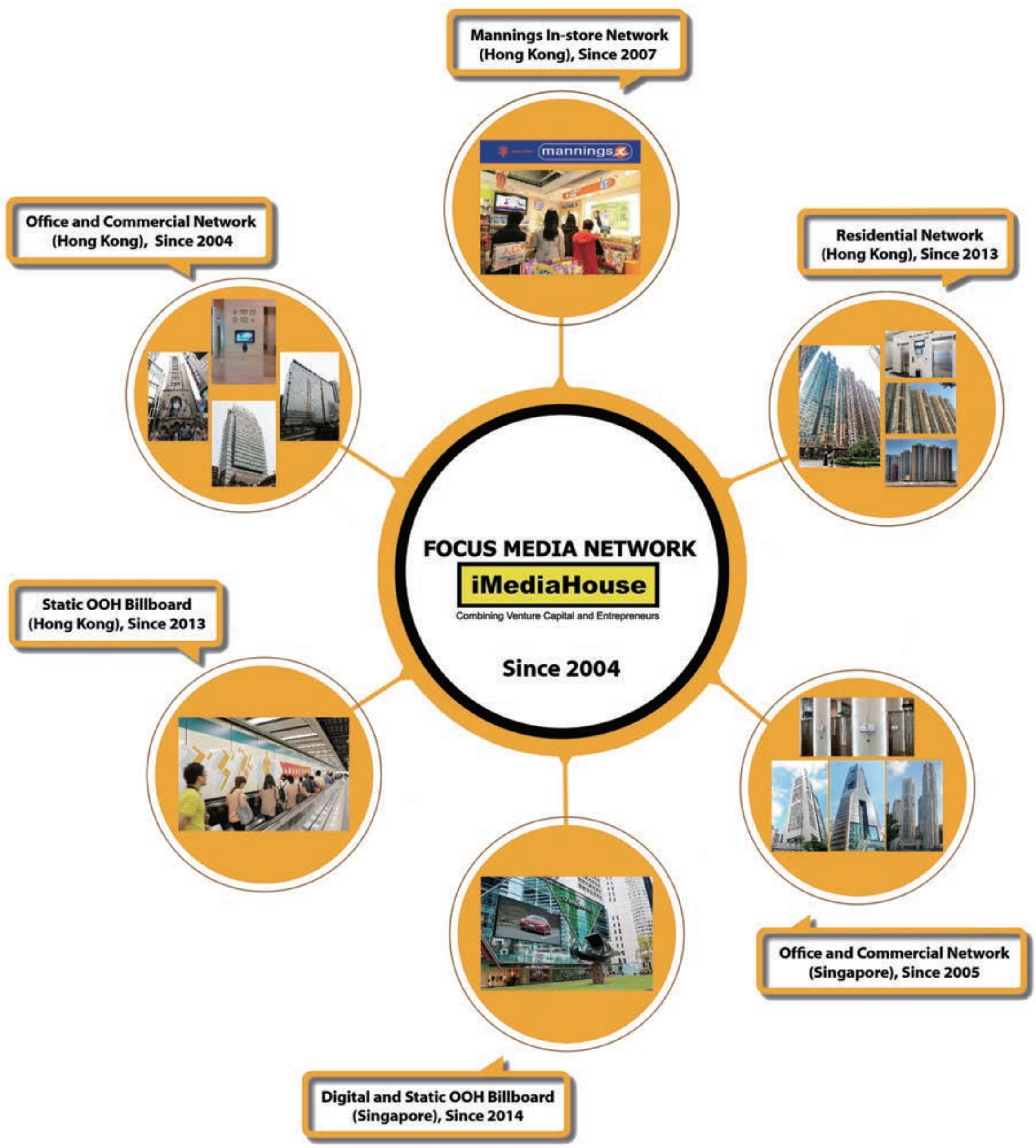
	For the year ended 31 December						
	2016 HK$	2015 HK$	2014 HK$	2013 HK$	2012 HK$	2011 HK$	2010 HK$
RESULTS							
Revenue	**80,646,748**	72,306,609	76,304,823	72,253,333	53,661,805	60,032,678	48,545,921
EBITDA	**(10,031,487)**	(6,656,831)	(6,405,116)	8,562,397	(21,323,630)	8,342,882	13,746,000
(Loss)/Profit for the year	**(20,430,775)**	(18,936,258)	(13,192,850)	4,016,035	(27,327,804)	2,036,599	11,747,177
Attributable to:							
Owners of the Company	**(19,460,622)**	(18,139,328)	(13,003,482)	4,016,035	(27,049,208)	2,036,599	11,747,177
Non-controlling interests	**(970,153)**	(796,930)	(189,368)	—	(278,596)	—	—

	As at 31 December						
	2016 HK$	2015 HK$	2014 HK$	2013 HK$	2012 HK$	2011 HK$	2010 HK$
ASSETS AND LIABILITIES							
Total assets	**287,046,724**	222,585,301	79,056,327	90,502,180	86,837,688	107,788,298	56,316,683
Total liabilities	**(47,533,641)**	93,887,346	19,095,021	16,646,693	16,439,654	13,910,142	12,578,130
Net assets	**239,513,083**	128,697,955	59,961,306	73,855,487	70,398,034	93,878,156	43,738,553

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Focus Media Network Limited (the "Company") and its subsidiaries (the "Group") was principally engaged in (i) provision of out-of-home ("OOH") advertising services, (ii) securities brokerage services, and (iii) film development, production and distribution during the year ended 31 December 2016 ("YUR"). During the YUR, the advertising and media business remained the main contributor to the Group's revenue, accounted for approximately 93.4% of the Group's consolidated revenue.



ADVERTISING AND MEDIA BUSINESS

The Group is a well-established digital OOH media company in Hong Kong and Singapore, with an operating history since April 2004. It had pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings to sell advertisement. In terms of the number of venues in which the Group deploys its branded flat-panel displays, the Group is the largest digital OOH media company in Hong Kong and Singapore.

Number of venues

The total number of venues in which the Group deployed its branded flat-panel displays continued to experience growth. The table below shows the growth of the Group's network size:

Region	Network	2016	2015
Hong Kong	Office and Commercial Network	**604**	612
Hong Kong	In-store Network (Mannings)	**242**	250
Hong Kong	Residential Network	**221**	197
Singapore	Office and Commercial Network	**519**	520
Total number of venues		**1,586**	1,579

Business model and strategy

As of 31 December 2016, the Group has deployed its branded flat-panel displays at 1,123 office and commercial buildings in Hong Kong and Singapore under its Office & Commercial Building digital OOH media network, at 221 residential apartments in Hong Kong under its Residential Complex digital OOH media network, and at 242 Mannings retail chain-stores in Hong Kong under its In-store digital OOH media network.

Under its Static OOH Billboard media network, the Group has renewed and continues to hold the exclusive advertising sales rights to both the Tsim Sha Tsui ("TST") Interchange Subways and the Middle Road Subway (total three subways); this underground transport hub beneath one of the busiest tourists and business districts in Hong Kong connects the TST MTR station and the East TST MTR station. In addition, the Group continues to hold the exclusive advertising sales rights to the billboard along the super-long pedestrian walkway leading to Knutsford Terrace at TST. Knutsford Terrace has been dubbed the "Lan Kwai Fong" of Kowloon, a popular dining/nightlife place and an entertainment hub in the heart of TST, with a strip of international/local restaurants and bars catering to both locals and tourists.

Business model and strategy (Continued)

The Group also holds the exclusive advertising sales rights to a brand new billboard on the rooftop and sidewall of the pedestrian subway between Charter Road and Connaught Road Central in Hong Kong. This new billboard is located right next to the iconic Mandarin Oriental Hotel at the heart of the Central District, the financial hub of Hong Kong; it faces all vehicle traffic passing through Central towards the east and west side of Hong Kong Island.

As for its large format LED OOH media network, the Group continues to hold the exclusive operating and advertising sales rights to the mega-size LED screen at One Raffles Place ("ORP"), fronting Raffles Green; ORP is one of the three tallest buildings in Singapore and is a beacon in the heart of Singapore's financial district. As well, the Group continues to hold the exclusive advertising sales rights (for static and digital) to the new walkway at Orchard Gateway. It forms part of the underpass that links directly to the Somerset MRT station and also to both sides of Orchard Road. Orchard Gateway is the one-and-only shopping mall that straddles both sides of Orchard Road and is linked by a glass tubular bridge and an underpass — forming a "gateway" to the bustling shopping belt in Singapore.

In addition, the Group had secured the exclusive advertising sales rights to a brand new billboard at Fortune Center in Singapore; it is located in the middle of the bustling Bugis District and faces all vehicle traffic at the cross junction of Middle Road and Waterloo Street. The Group had further secured the exclusive advertising sales rights to a new large format LED illuminated billboard at The Arcade in Singapore as well as the exclusive sales rights to the venue for event marketing. The Arcade faces the busy Raffles Green, just above the Raffles MRT station, located right in the heart of Singapore's financial district.

Lastly, the Group has decided not to renew the partnership with HDB Shopping Centres and Watson In-store Network in Singapore in order to better deploy its resources to pursue new static OOH sites, which the Group will announce progressively in due course.

The Group will continue to pursue the expansion of its digital OOH media networks, adding progressively one venue at a time as well as pursue new static OOH sites under its Static OOH billboard media network.

SECURITIES BROKERAGE

On 8 August 2016, the Company entered into a disclosable transaction for the acquisition of Glory Creator Limited ("GCL") and its 80% owned subsidiary, Cornerstone Securities Limited ("CSL"), collectively "GCL Group", which is a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance. CSL is principally engaged in the provision of securities brokerage service for products offered by the Stock Exchange to its customers.

After the completion of the acquisition which took place on 22 November 2016, the Company has started the footprint in the financial services industry. Following with the launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, it is expected that the securities market in Hong Kong can benefit from these mutual market access schemes, in which more capital will flow into the securities market of Hong Kong, hence the market turnover will increase significantly. Based on the above, it is believed that the Group's securities brokerage business would be benefited from this market trend.

SECURITIES BROKERAGE (Continued)

CSL commenced business operations in July 2016 and achieved a promising start in the securities trading business. During these few months of operation, CSL recorded an average monthly securities trading revenue of HK$12.3 million, which generated brokerage revenue and other income of approximately HK$0.3 million (of which approximately HK$38,000 was consolidated into the Group accounts after completion of the acquisition took effect in November 2016). Following its success in 2016, the securities trading business continues its strong business momentum in 2017, in particular, the business recorded significant growth in the number of securities trading accounts, securities trading revenue and increase in brokerage revenue and other income. Shortly after obtaining the approval from the Securities and Futures Commission ("SFC") for providing margin financing business in March 2017, CSL started its margin financing business and up to the date of this annual report, the total margin loan granted by CSL reached HK$14 million and there is still a strong demand for the margin loan from other clients. Provision of margin financing services requires high capital input and as CSL has just commenced its business operation in 2016 and did not have solid business track record, it is not possible to obtain any banking facilities. Accordingly, CSL requires financial support from its shareholders either in form of capital injection or provision of shareholders' loans to ensure CSL have sufficient funds under the Financial Resources Rules to expand its margin financing business. The Company will closely monitor the utilization rate of margin financing of CSL and the needs of clients of CSL and to decide whether any additional capital injection is required to accelerate the business growth of CSL.

Backed up by the experienced CSL management team with sound reputation in the industry, the Directors are optimistic that CSL will continue to widen its customer base through the extensive business platform and will enlarge its presence in the industry with advantage synergies aiming to optimize returns to the Company and its shareholders.

FILM DEVELOPMENT, PRODUCTION AND DISTRIBUTION

Since the founding of the Group in April 2004, the Group has been in the business of media, advertising and content production. In February 2012, the Group has also been involved in the production of micro-movies for leading gaming, integrated resorts, and tourism brands around the regions, for media placements on Youku Tudou Inc., China's largest online television company, and other leading online video portals and social media platforms in China. The Group has since been exploring possible strategies to further extend the Group's media business, as well as identifying and acquiring suitable investment or business projects related to the field of mass media, film production and distribution, new media content production and entertainment related projects. In view of the increasing needs for media contents in China due to the increasing popularity of social media networks, increasing number of IMAX cinemas and improved accessibility to media contents and also the outstanding box office records in relation to "superhero" genre of motion pictures worldwide, the Company has attempted to make a big step forward to expand its business scope and transform itself into a media content provider.

In August 2015, the Group successfully secured its first-ever acquisition — the acquisition of Ricco Media Investments Limited ("RMI") which indirectly holds a 75% equity interest in Stan Lee Global Entertainment, LLC ("SLGE"). The remaining 25% of SLGE is owned by POW! Entertainment, Inc. ("POW!"), a company publicly-listed in the United States of America ("U.S.A."), in which Mr. Stan Lee ("Stan") is the founder, chairman and chief creative officer. It is an extremely rare opportunity to be able to partner with Stan, the co-creator of many of Marvel's superheroes for the production of superhero motion pictures. Stan's co-creations include Spider-Man™, The Incredible Hulk™, X-Men™, The Fantastic Four™, Iron Man™, Avengers™* and hundreds of others. Stan currently remains the Chairman Emeritus of Marvel Entertainment, LLC, a wholly-owned subsidiary of The Walt Disney Company.

* These are the registered trademarks and characters of Marvel Characters, Inc.

FILM DEVELOPMENT, PRODUCTION AND DISTRIBUTION (Continued)

POW! is a multimedia production and licensing company that creates and licenses animated and live-action fantasy and superhero entertainment content and merchandise, leveraging the creative output and brand image of Stan. POW! develops Stan's originally created projects for traditional entertainment media including feature length films in live action and animation, DVD, live entertainment, television programming, merchandising and new media such as online digital programming and video games.

In partnership with Stan and POW!, SLGE is engaged in the business of film development, production and distribution and holds intellectual property rights for motion picture development in the form of concept, treatment and/or film script among which three are already in the script development phase with a view to commence formal shooting in the next two to three years, namely Realm (written by Alex Litvak of "The Three Musketeers" and "Predators"), The Annihilator (written by Jim Hecht of "Ice Age: Melt Down" and "Thundercats"), and Replicator & Antilight (written by Chris Shafer and Paul Vicknair of "Before We Go" and "Playing It Cool"). Having witnessed the phenomenal success of Stan's superhero characters as well as the upcoming schedule of new releases of superhero motion pictures, the Company is highly confident that superhero motion pictures and Stan's superhero characters will continue to be in demand.

To better elaborate the Company's business model in relation to its investment in SLGE, the Company does not participate in the actual production or filming of the motion pictures being developed, such is left to the collaborating partners, which are the studios in Hollywood and/or China, which the Company believes to have the requisite credibility, experience and track record in film making. Neither would the Company participate in the actual distribution or marketing of the motion pictures. All the Company does is to develop the intellectual properties, i.e. the superhero characters that SLGE owns. Once the motion picture projects have been developed, the Company will partner with the leading studios, and the Company will only participate as one of the production equity investors of the production cost.

Pursuant to the above arrangement for financial resources, the Company will have to bear all the development costs of the motion picture projects and part of the production costs in the form of production equity. Not more than HK$45 million from the funds raised from the rights issue in May 2016 is intended to be applied to the film projects. As at 31 December 2016, development costs incurred from the film projects amounted to approximately HK$12.8 million, comprising approximately HK$6.5 million, HK$4.2 million and HK$2.1 million attributable to "Realm", "Replicator & Antilight" and "The Annihilator" respectively. The Company will consider various capital raising alternatives, such as equity or debt financing, to meet the funding requirements of the Group for the furtherance of the film projects.

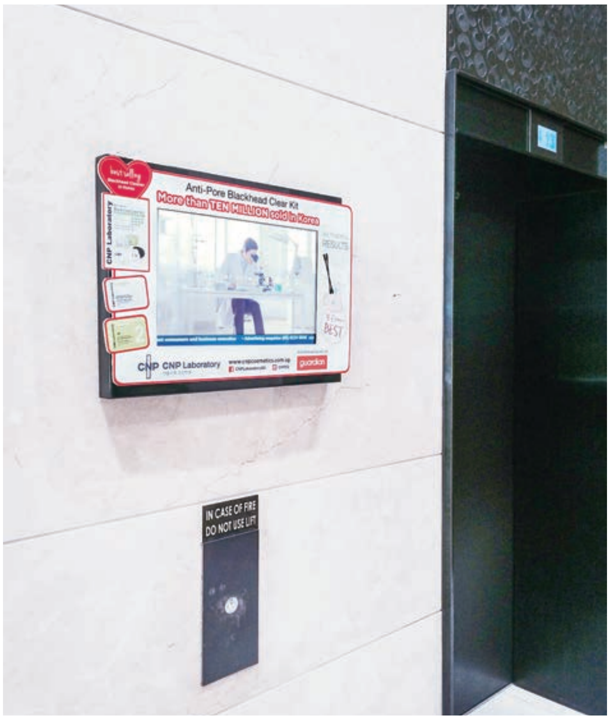
BUSINESS REVIEW (Continued)

Annual General Meeting May 2016

BUSINESS REVIEW (Continued)

Office and commercial building digital OOH media network in Hong Kong and Singapore

Hong Kong



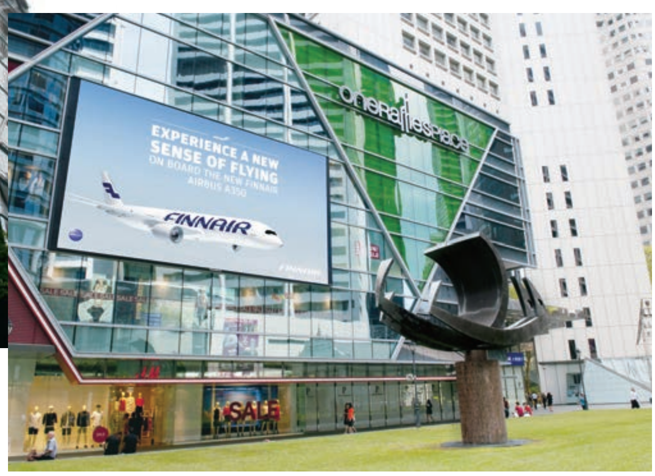
Singapore

In-store digital OOH media network in Hong Kong and Singapore

Mannings in-store network in Hong Kong

BUSINESS REVIEW (Continued)

Digital OOH billboard media solutions in Singapore



LED at One Raffles Place — one of Singapore's three tallest buildings

BUSINESS REVIEW (Continued)

Digital and Static OOH billboard media solutions in Singapore

LED and Wall Stickers at Orchard Gateway

The Arcade

Fortune Centre

BUSINESS REVIEW (Continued)

Static OOH billboard media solutions in Hong Kong

Tsim Sha Tsui interchange Subways and the Middle Road Subway (total three subways)

Tsim Sha Tsui Knutsford Terrace Billboard

BUSINESS REVIEW (Continued)

Static OOH billboard media solutions in Hong Kong

Rooftop and Sidewall of the Pedestrian Subway between Charter Road and Connaught Road Central

BUSINESS REVIEW (Continued)

Residential digital OOH media network at major private residential complexes

Corporate social responsibility

As a good corporate citizen, the Group strives to improve society through community commitment. We continue to find ways to align citizenship initiatives on our platform and we take an active role in participating in various communities, charitable and national building events in Singapore and Hong Kong to help and support the local communities. Remarkable events in 2016 included:

1. Sponsorship of Singapore's National Day Parade 2016 (Singapore)
2. Sponsorship of Chingay 2016 (Singapore)
3. Sponsorship of Rehab Power Day 2016 (Hong Kong)
4. Sponsorship of SPCA's Dogathon 2016 (Hong Kong)
5. Sponsorship of Hong Chi Charity Stair Run 2016 (Hong Kong)

1. Sponsorship of Singapore's National Day Parade 2016 (Singapore)

BUSINESS REVIEW (Continued)

Corporate social responsibility

2. Sponsorship of Chingay 2016 (Singapore)

3. Sponsorship of Rehab Power Day 2016 (Hong Kong)

4. Sponsorship of SPCA's Dogathon 2016 (Hong Kong)

5. Sponsorship of Hong Chi Charity Stair Run 2016 (Hong Kong)

FINANCIAL REVIEW

	2016 HK$	2015 HK$	2014 HK$	2013 HK$	2012 HK$	2011 HK$	2010 HK$
Revenue	**80,646,748**	72,306,609	76,304,823	72,253,333	53,661,805	60,032,678	48,545,921
Gross profit	**47,568,521**	41,630,172	38,763,986	48,545,536	36,511,072	48,596,827	38,783,624
EBITDA (Note 1)	**(10,031,487)**	(6,656,831)	(6,405,116)	8,562,397	(21,323,630)	8,342,882	13,746,000
Net (loss)/profit	**(20,430,775)**	(18,936,258)	(13,192,850)	4,016,035	(27,327,804)	2,036,599	11,747,177

excluding RMI Group and GCL Group	2016 HK$	2015 HK$	2014 HK$	2013 HK$	2012 HK$	2011 HK$	2010 HK$
Revenue	**80,608,131**	72,306,609	76,304,823	72,253,333	53,661,805	60,032,678	48,545,921
Gross profit	**47,529,904**	41,630,172	38,763,986	48,545,536	36,511,072	48,596,827	38,783,624
EBITDA (Note 1)	**(2,848,991)**	(3,700,804)	(6,405,116)	8,562,397	(21,323,630)	8,342,882	13,746,000
Net (loss)/profit	**(12,738,017)**	(16,006,674)	(13,192,850)	4,016,035	(27,327,804)	2,036,599	11,747,177

Note:

1 EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipment, amortisation of equity-based compensation, share of profit/(loss) of joint ventures, impairment of property, plant and equipment, impairment of investment in joint venture, fair value gain/(loss) on financial asset at fair value through profit or loss, gain on partial disposal of a joint venture, amortization of intangible assets and net of the total comprehensive loss for the year attributable to non-controlling interest. While EBITDA is commonly used in the advertising and media industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

The Group's revenue for the year ended 31 December 2016 was approximately HK$80.6 million, representing an increase of approximately 12% over the previous year.

The Group's gross profit for the year ended 31 December 2016 was approximately HK$47.6 million, representing an increase of approximately 14% over the previous year. Gross profit margin slightly increased from approximately 58% to 59% due to lower cost-of-sales associated with the better performing media network.

The Group's administrative expenses for the year ended 31 December 2016 was approximately HK$65.8 million, representing an increase of approximately 16% over the previous year. The increase in administrative expenses was mainly due to the office rental and headcount of new business acquired.

For the year ended 31 December 2016, the Group's negative EBITDA, including RMI Group and GCL Group, amounted to approximately HK$10.0 million. Excluding RMI Group and GCL Group, the Group's negative EBITDA amounted to approximately HK$2.8 million as compared to the Group's negative EBITDA amounted to approximately HK$3.7 million for the previous year.

FINANCIAL REVIEW (Continued)

The Group recorded a loss attributable to owners of the Company of approximately HK$19.5 million (including RMI Group and GCL Group) and a loss attributable to owners of the Company of approximately HK$12.1 million (excluding RMI Group and GCL Group) for the year ended 31 December 2016 as compared to a loss attributable to owners of the Company of approximately HK$15.2 million for the previous year.

Liquidity and financial resources

During the YUR, the Group financed its daily operations with internally generated resources, short-term loans and net proceeds from the rights issue completed on 26 May 2016 (the "Rights Issue"). As at 31 December 2016, the Group had net current assets of approximately HK$76.8 million (2015: net current liabilities of HK$29.7 million) and cash and cash equivalents amounted to approximately HK$73.2 million (2015: HK$28.2 million), mainly attributing to net proceeds from the Rights Issue after full repayment of its short-term loans and accrued interests. The Group had no borrowings outstanding as at 31 December 2016.

To cope with the needs for business operations and development, particularly the securities brokerage business and the film projects, the Company will from time to time review its funding requirement and explore fund raising opportunities including but not limited to equity financing/debt financing opportunities in the market as and when required.

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was nil as at 31 December 2016 (2015: approximately 51%).

Foreign exchange

For the year ended 31 December 2016, the Group was exposed to foreign currency risk with respect to its operations in Singapore where most of the business transactions, assets and liabilities were denominated in Singapore dollars. Despite most of RMI Group's business transactions, assets and liabilities were denominated in US dollars, the foreign currency risk associated with RMI Group was not significant due to the linked exchange rate system. The Group will monitor its foreign currency exposure closely. During the year ended 31 December 2016, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

The shares of the Company were listed on GEM of the Stock Exchange on 28 July 2011. The capital of the Company comprises ordinary shares and capital reserves. As at 31 December 2016, the Company had 229,418,448 shares of HK$0.10 each in issue. Please refer to sections headed "Capital Raising" and "Share Consolidation" in the Report of the Directors and Note 24 to the Consolidated Financial Statements on pages 45 and 113 respectively for details of capital raising activity and changes in capital structure of the Company during the year ended 31 December 2016.

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

FINANCIAL REVIEW (Continued)

Information on employees

As at 31 December 2016, the Group had 96 employees (2015: 84), including the Executive Directors. Total staff costs (including Directors' emoluments) were approximately HK$37.2 million for the year ended 31 December 2016 as compared to approximately HK$28.7 million for the year ended 31 December 2015. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options.

Significant investments held

Except for investment in subsidiaries, joint ventures and an associate, the Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2016.

Material acquisitions and disposals of subsidiaries and future plans for material investments

On 22 November 2016, the Company completed the acquisition of the entire issued share capital of GCL, hence 80% shareholding stake of CSL, resulting in GCL and CSL became an indirect wholly-owned subsidiary and an indirect subsidiary of the Company respectively. Please refer the Company's announcement dated 8 August 2016 for details of the above acquisition.

Save as disclosed herein, the Group did not make any material acquisition or disposal, nor had other plans for material investments and capital assets during the year.

Charges of assets

As at 31 December 2016, the Group did not have any charges on its assets (2015: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2016 (2015: Nil).

EXECUTIVE DIRECTORS

Mr. AN Xilei, aged 36, was appointed as an executive director and the chairman of the Board of the Company on 1 December 2016. He is currently the chairman and chief executive officer of 鄭州金易誠投資有限公司 (Zhengzhou Jinyicheng Investment Limited*) in the People's Republic of China. Mr. An has extensive experience in business investments in various fields including real estate, financial services and internet industries over a span of different markets like Hong Kong and the U.S.A.. Mr. An is primarily responsible for the overall strategic planning for business development of the Group.

* The English name of the PRC entity is for information purpose only. In case of any inconsistency, the Chinese name shall prevail.

Mr. WONG Hong Gay Patrick Jonathan, aged 52, co-founded the Group in April 2004 and led its listing on the Stock Exchange of Hong Kong in July 2011. Mr. Wong was appointed a director of the Company on 24 March 2011 and re-appointed as an executive director on 9 June 2011. At listing he assumed the roles of the chairman of the Board and a member of the Remuneration Committee, and subsequently the chairman of each of the Nomination Committee and the Corporate Governance Committee of the Company until 1 December 2016. Mr. Wong currently serves as the CEO of the Company and has been CEO of the Group since its founding. Apart from charting the Group's vision and mission and meeting the Group's overall business objectives, Mr. Wong is also responsible for key client/partnership development and new business initiatives and overall management of advertising sales and business development functions.

Mr. Wong is an entrepreneur with over 25 years of start-up and operational experience with a wide range of global and regional media and entertainment, broadcasting, mobile and satellite telecommunications, Internet and digital Out-of-Home ventures. After completing six years of military service in Singapore, Mr. Wong started his career in publishing and in 1991 joined the founding team that launched Star TV. He went on to establish the regional satellite broadcaster's regional office in Singapore and served as its regional director, advertising sales for the Southeast Asia region. A year after the network was acquired by News Corporation, Mr. Wong was invited to rejoin the founders of Star TV to work on the launch of Pacific Century Group's Corporate Access where he served as the satellite-based corporate communications services provider's vice president for sales and advertising & promotions. When Corporate Access was acquired by Hutchison Whampoa, Mr. Wong was transferred to Hutchison Telecommunications where he served as its vice president, business development for the Asia region. While at Hutchison Telecommunications, Mr. Wong developed the desire to join the race to provide the world's first global mobile personal communications service or GMPCS. That led to his joining of Silicon Valley-based Loral Space & Communications' Globalstar where he subsequently established the constellation's regional office in Hong Kong and served as its regional director for the Southeast Asia region.

In 1999, Mr. Wong embraced the Asian Internet boom and became the founding managing director for 24/7 Media Asia, one of the three founding business units of Chinadotcom. At 24/7 Media Asia, Mr. Wong built a pan-Asian interactive advertising sales network that stretches across nine Asian countries within its first year of operations. Shortly afterwards, Mr. Wong founded the AdSociety Group, a venture that eventually became a part of the PCCW Group. As founder and group CEO, Mr. Wong established offices across nine major cities and formed joint ventures with Tokyu Agency Inc. (a member of Tokyu Corporation), LG Advertising Inc. (a member of LG Group) and the People's Daily Group, in Japan, South Korea and China, respectively, and worked with numerous sales and technology partners in the United States and Europe to establish a global advertising sales network and provided integrated online, broadband and mobile advertising, marketing and sales services to a diverse spectrum of premium online media properties. Following the burst of the technology bubble and the events of September 11, the Internet and mobile advertising venture was divested by PCCW on 3 October 2001. Soon afterwards, Mr. Wong was invited to rejoin the founders of PCCW to serve as the CEO of NOW Satellite TV.

Mr. Wong has been a senior advisor on overseas investment and business development for the People's Daily Group since 2002; served thirteen consecutive years as a Council of Governor of CASBAA, the region's leading industry based advocacy group that represents over 125 Asia-based corporations to promote multi-channel TV via cable, satellite, broadband, mobile and wireless video networks across the Asia-Pacific; and an advisor to The Media Evangelism, a charitable Christian organisation committed to building a Christian media presence using every modern means of communications.

Mr. CHEN Xiaoping, aged 65, was appointed as an executive director of the Company on 27 November 2015. Mr. Chen holds a Master of Arts Degree. He worked at senior management positions in banking and other business fields in the past thirty years, such as Director of Kleinwort Benson Group, Senior Adviser of Global Interactive Technology AG and Financial Adviser of CNT Group. Mr. Chen is an independent non-executive director and the chairman of the nomination committee, as well as a member of each of the audit committee and remuneration committee of The Grande Holdings Limited (a company listed on the Stock Exchange with stock code: 186). He was an executive director (from September 2007 to December 2013) and a non-executive director (from December 2013 to December 2014) of China Minsheng Drawin Technology Group Limited (a company listed on the Stock Exchange with stock code: 726). Mr. Chen currently serves as a director of Ricco Entertainment Investments Inc. and a manager of the managing board of Stan Lee Global Entertainment, LLC and Magic Storm Entertainment, LLC respectively, all of them are subsidiaries of the Company involving in the business of film development, production and distribution.

Mr. MOCK Wai Yin, aged 44, was appointed as an executive director, an authorised representative (pursuant to Rule 5.24 of the GEM Listing Rules) and a member of the corporate governance committee of the Company on 27 November 2015; and was re-designated to the chairman of the corporation governance committee of the Company on 1 December 2016. Mr. Mock holds a Master of Philosophy degree in Biochemistry from The Chinese University of Hong Kong and a Master of Science degree in Hazard Analysis and Critical Control Point from University of Salford. He also holds a Postgraduate Diploma in Professional Accounting. Mr. Mock has over 15 years of experience in research analysis and over three years of world-wide experience in natural resources, project investment and property development as well as project valuation and budget management. Mr. Mock is the chairman and executive director of Ngai Shun Holdings Limited (a company listed on the Stock Exchange with stock code: 1246). He was an executive director of China Minsheng Drawin Technology Group Limited (a company listed on the Stock Exchange with stock code: 726) from December 2013 to February 2015.

Ms. LAM Hoi Yu Nicki, aged 29, was appointed as an executive director, an authorised representative (pursuant to Rule 5.24 of the GEM Listing Rules), the compliance officer (pursuant to Rule 5.19 of the GEM Listing Rules) and a member of the corporate governance committee of the Company, on 28 June 2016. Ms. Lam graduated from London School of Economics and Political Science, University of London with a Bachelor of Science degree in Actuarial Science. She has experiences in business management, financial and corporate secretarial services.

Mr. WANG Jun, aged 49, was appointed as an executive director of the Company on 19 July 2016. Mr. Wang has about 30 years of experience in business management in a wide range of industrial and commercial fields including textile, real estate and property, mining, business and financial investments. He is also dedicated to social and community welfare services and has been appointed as an executive vice president of the Guangdong Province Anhui Chamber of Commerce since 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Chi Keung Alan, aged 53, was appointed an independent non-executive director of the Company on 9 June 2011. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chan is a qualified solicitor admitted in England & Wales in October 1991 and in Hong Kong SAR in February 1992 and has practiced corporate and commercial law for more than two decades. He is presently the General Counsel of Imperial Pacific International (CNMI) LLC, a subsidiary of Imperial Pacific International Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange, which owns an exclusive casino gaming license in Saipan, Commonwealth of Northern Mariana Islands. Mr. Chan is an Independent Non-executive Director, and a member of each of the Audit Committee and Nomination Committee of Fortunet e-Commerce Group Limited, a company listed on the main board of the Hong Kong Stock Exchange (Stock Code: 1039) and was an Independent Non-executive Director of L & A International Holdings Limited from September 2014 to October 2015, a company listed on the GEM Board of the Hong Kong Stock Exchange (Stock Code: 8195). Previously, Mr. Chan was the Vice President, Legal of NagaCorp Limited; a company listed on the Main Board of the Hong Kong Stock Exchange which owns, manages and operates the largest integrated gaming, leisure and entertainment hotel complex in the Kingdom of Cambodia, as well as the Head of Legal Services for the Hong Kong Jockey Club. Mr. Chan started his career in 1992 in Hong Kong as a corporate finance lawyer with Stephenson Harwood & Lo. He later acted as the senior assistant director, legal department, of the Land Development Corporation (now known as Urban Renewal Authority). Mr. Chan was the legal counsel for one of the leading US information technology companies, Sun Microsystems for Greater China, the Asia Pacific legal director for St. Jude Medical, and the vice president of Legal Affairs, at Celestial Pictures Limited, a subsidiary of Astro All Asia Networks plc., a Malaysian company that carries out business relating to crossmedia, in particular, direct-to-home television services, commercial radio and television programming. Celestial Pictures Limited is a commercial media company that owns and distributes the largest film library in Asia, including the Shaw Brothers film library, with worldwide entertainment assets in the motion picture, television, and new media industries. Mr. Chan obtained a Bachelor of Science degree in Civil Engineering from the Aston University of Birmingham, England in July 1986 and a LLB in China Law from the China University of Political Science and Law, Beijing, PRC in June 1999. He is a registered civil celebrant in Hong Kong and served as a board director (and former chairman) of Theatre Space Foundation Limited, a theatrical drama performance charitable institution. In July 2012, Mr. Chan was appointed a Committee Member by Special Appointment of the Eighth Zhuhai Committee of the Chinese People's Political Consultative Conference. In September 2012, he was appointed a director of the Hong Kong Chiu Chow Chamber of Commerce Limited, and in 4th Quarter 2013, he was appointed a director of the China Overseas Friendship Association.

Mr. LEE Chi Hwa Joshua, aged 44, was appointed as an independent non-executive director, the chairman of each of the audit committee and the remuneration committee of the Company on 27 November 2015; and as the chairman of the nomination committee of the Company on 1 December 2016. Mr. Lee is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has extensive experience in the fields of auditing, accounting and financing. Mr. Lee currently serves as an executive director of China Healthcare Enterprise Group Limited (Stock Code: 1143) which is listed on the Main Board of the Stock Exchange, an independent non-executive director of Hao Tian Development Group Limited (Stock Code: 474), Clear Lift Holdings Limited (Stock Code: 1341) and Jin Bao Bao Holdings Limited (Stock Code: 1239), which are listed on the Main Board of the Stock Exchange; and China Fortune Investments (Holding) Limited (Stock Code: 8116) and Code Agriculture (Holdings) Limited (Stock Code: 8153), which are listed on the GEM Board of the Stock Exchange. He was an independent non-executive director of China Minsheng Drawin Technology Group Limited (Stock Code: 726) from December 2013 to February 2015 and King Stone Energy Group Limited (Stock Code: 663) from January 2012 to April 2013.

Ms. LAU Mei Ying, aged 34, was appointed as an independent non-executive director, a member of each the audit committee and the nomination committee of the Company on 27 November 2015; and as a member of each of the remuneration committee and the corporate governance committee of the Company on 1 December 2016. Ms. Lau graduated from The Chinese University of Hong Kong with a bachelor degree of Social Science in Economics. Ms. Lau has extensive experiences in the financial market and insurance underwriting. She has been a fellow member of Life Management Institute issued by Life Office Management Association since November 2008. She is an independent non-executive director of Ngai Shun Holdings Limited (a company listed on the Stock Exchange with Stock Code: 1246).

CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board of Directors of the Company (the "Board") believes that good corporate governance is one of the areas that leads to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

For the year ended 31 December 2016, the Company had complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "Corporate Governance Code") as contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") except for the following:

Code Provision A.2.1 provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. During the year up to 1 December 2016, the positions of Chairman of the Board and Chief Executive Officer (the "CEO") of the Company were both taken up by Mr. WONG Hong Gay Patrick Jonathan ("Mr. Wong"). Having regard to the recent business expansion of the Group, on 1 December 2016, Mr. Wong resigned as the Chairman of the Board as he would like to devote more time on the management and business operations and development of the Group, but remained as the CEO of the Company. Of even date, Mr. An Xilei was appointed as an executive director of the Company as well as the Chairman of the Board in place of Mr. Wong. Accordingly, the Company has complied with Code Provision A.2.1 since 1 December 2016.

BOARD OF DIRECTORS

Composition and Responsibilities

The Board comprised the following directors during the year ended 31 December 2016 and up to the date of this report:

Executive directors:
Mr. AN Xilei *(Chairman)* (appointed on 1 December 2016)
Mr. WONG Hong Gay Patrick Jonathan *(CEO)* (Note)
Mr. CHEN Xiaoping
Mr. MOCK Wai Yin
Mr. LAM Chun Yin (resigned on 28 June 2016)
Ms. LAM Hoi Yu Nicki (appointed on 28 June 2016)
Mr. WANG Jun (appointed on 19 July 2016)

Independent non-executive directors:
Mr. CHAN Chi Keung Alan
Mr. LEE Chi Hwa Joshua
Ms. LAU Mei Ying

Note: Mr. Wong Hong Gay Patrick Jonathan was the Chairman of the Board up to 1 December 2016. He resigned as Chairman as he would like to devote more time on the management and business operations and development of the Group.

The relationship among members of the Board and biographical details of the directors of the Company (the "Director(s)") who are currently serving the Board are set out in the section headed "Directors' Profile" on pages 21 to 24. Save for the Directors' business relationships as a result of their respective directorships in the Company and its subsidiaries or else as disclosed in each of their respective biographies as aforementioned, there are no financial, business, family or other material or relevant relationships among members of the Board.

The Board is accountable to shareholders for the Company's performance and activities. While the Board is primarily overseeing and managing the Company's affairs, the Chairman of the Board provides leadership to the Board in carrying out its duties. The Executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The Non-executive Directors (including Independent Non-executive Directors) contribute valuable views and proposals for the Board's deliberation and decisions.

Board Meetings

The Board has drawn up a schedule to meet regularly at least four times a year at approximately quarterly intervals, to consider and approve quarterly, half-yearly and annual results of the Group, as well as to discuss the overall strategy, business operations and development of the Group. Notice is given to all Directors at least 14 days in advance for a regular board meeting. For the sake of flexibility, the Board may also hold meetings whenever necessary other than the regular meetings; in such case, reasonable notice will be given. For the year ended 31 December 2016, the Board has convened six meetings (including four regular Board meetings but excluding the committee meetings) that required directors' attendance in person or through electronic means of communication. It has also passed resolutions by circulation of documents in other circumstances during the year.

Directors' Attendance at Board/General Meetings

During the year ended 31 December 2016, the Company has held three general meetings (including the annual general meeting for 2016). The individual attendance record of each Director at the meetings of the Board (including circulation of written resolutions) and general meetings is as follows:

	Number of Board Meetings Attended/Held	Board written resolutions	General Meetings Attended/Held
Executive Directors:			
Mr. AN Xilei (appointed on 1 December 2016)	N/A	N/A	N/A
Mr. WONG Hong Gay Patrick Jonathan	6/6	12/12	3/3
Mr. CHEN Xiaoping	5/6	12/12	1/3
Mr. MOCK Wai Yin	6/6	12/12	3/3
Mr. LAM Chun Yin (resigned on 28 June 2016)	3/3	5/5	2/2
Ms. LAM Hoi Yu Nicki (appointed on 28 June 2016)	3/3	6/6	1/1
Mr. WANG Jun (appointed on 19 July 2016)	3/3	5/5	1/1
Independent Non-executive Directors:			
Mr. CHAN Chi Keung Alan	6/6	12/12	3/3
Mr. LEE Chi Hwa Joshua	6/6	12/12	3/3
Ms. LAU Mei Ying	6/6	12/12	3/3

As stated above, appropriate notices are given to all Directors in advance for attending regular and other Board or Board committee meetings. Meeting agenda and other relevant information are provided to the Directors in advance of the Board or Board committee meetings. All Directors are consulted to include additional matters in the agenda for such meetings.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Draft of the minutes will be circulated to all Directors and/or all members of the relevant Board committees for their comment within a reasonable time after convening of the pertaining meeting. Minutes of Board and Board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

The Company has arranged for appropriate liability insurance cover for its Directors. The insurance coverage is reviewed on an annual basis.

Chairman and Chief Executive

As disclosed under the section headed "Corporate Governance Practices" above, the roles of the Chairman and the CEO are both performed by Mr. Wong Hong Gay Patrick Jonathan ("Mr. Wong") during the year under review up to 1 December 2016. Having regard to the recent business expansion of the Group, on 1 December 2016, Mr. Wong resigned as the Chairman of the Board as he would like to devote more time on the management and business operations and development of the Group, but remained as the CEO of the Company. Of even date, Mr. An Xilei was appointed as an executive director of the Company as well as the Chairman of the Board in place of Mr. Wong; accordingly the Company has complied with the relevant requirement of the Corporate Governance Code therefrom. The Chairman is responsible for the management of the Board; while the CEO heads the management team for implementing the strategies and polices adopted by the Board and focuses on the day-to-day management of business and overall operations of the Group.

Appointment and Re-election of Directors

Mr. Wong Hong Gay Patrick Jonathan, an executive Director, has entered into a service contract with the Company for an initial fixed term of one year and shall continue thereafter until terminated by not less than six months' notice in writing served by either party on the other; yet has to comply with the relevant provisions of the Corporate Governance Code and the Company's articles of association (the "Articles of Association") as regards the requirements for directors to retire by rotation and be re-elected at annual general meeting. Mr. Chan Chi Keung Alan, an independent non-executive Director, has entered into a service contract with the Company for a term of one year renewable automatically for successive terms of one year, subject to retirement by rotation and re-election at annual general meeting and until terminated by not less than one months' notice in writing served by either party on the other. Each of the remaining Directors, namely Mr. An Xilei, Mr. Chen Xiaoping, Mr. Mock Wai Yin, Ms. Lam Hoi Yu Nicki and Mr. Wang Jun, all being executive Directors; and Mr. Lee Chi Hwa Joshua and Ms. Lau Mei Ying, both being independent non-executive Directors; has entered into a letter of appointment with the Company for a service term which is subject to retirement by rotation and re-election at annual general meeting in accordance with the provisions of the Articles of Association, which may be terminated by not less than three months' notice in writing served by either party on the other.

In accordance with Article 83(3) of the Articles of Association, all Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election. Further, in accordance with Article 84 of the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. Accordingly, Mr. An Xilei and Mr. Wang Jun shall retire from office at the 2017 Annual General Meeting pursuant to Article 83(3) of the Articles of Association; and Mr. Chen Xiaoping, Mr. Mock Wai Yin and Ms. Lau Mei Ying shall retire by rotation at the 2017 Annual General Meeting pursuant to Article 84 of the Articles of Association. All of them being eligible, will offer themselves for re-election at such annual general meeting.

Confirmation of Independence of Independent Non-executive Directors

Each of the existing Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all existing Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Specific enquiry had been made to all existing Directors who confirmed that they had complied with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the year ended 31 December 2016.

Directors' Participation in Continuous Professional Trainings

Newly appointed Directors are provided with necessary induction and information to ensure that they have a proper understanding of the Company's business and operations, as well as director's responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

The Company will provide the Directors with updates on laws, rules and regulations which may be relevant to their roles, duties and functions as director of a listed company from time to time. Directors are also encouraged to attend relevant training courses at the Company's expense. During the year under review, the Directors have been provided with updates on the Company's performance, position and prospects as and when appropriate to enable the Board as a whole and each Director individually to discharge their duties. Certain Directors also attended professional trainings delivered by law firm or certified public accountants. All existing Directors have confirmed that they have had suitable directors' training through attendance of training courses and seminars; or else by reading materials to refresh their knowledge and skills.

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Company was established with written terms of reference in compliance with the relevant Code Provisions from time to time. The terms of reference of the Audit Committee adopted on 26 March 2012 were amended in January 2016 to reflect the additional responsibilities of the Audit Committee in view of the requirements on risk governance in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules applicable to accounting periods beginning on or after 1 January 2016. The latest version of the terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting system, risk management and internal control procedures. It reports to the Board and has held regular meetings to review and make recommendations to improve the Group's financial reporting and internal control matters.

The composition of the Audit Committee during the year ended 31 December 2016 and up to the date of this report is as follows:

Independent Non-executive Directors:
Mr. LEE Chi Hwa Joshua *(Chairman)*
Mr. CHAN Chi Keung Alan
Ms. LAU Mei Ying

During the year, the Audit Committee has held four meetings, and the attendance of each of its members is set out below:

Name of member	Number of meetings Attended/Held
Mr. LEE Chi Hwa Joshua *(Chairman)*	4/4
Mr. CHAN Chi Keung Alan	4/4
Ms. LAU Mei Ying	4/4

The summary of work of the Audit Committee during the year is as follows:

— met with the external auditors and reviewed the annual, interim and quarterly reports of the Company;

— reviewed the effectiveness of the Company's internal control and risk management systems;

— reviewed and approved audit fee; and

— recommended the re-appointment of auditors. .

Remuneration Committee

The Board established the Remuneration Committee with written terms of reference in compliance with the relevant Code Provisions from time to time. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for, inter alia, making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy.

The composition of the Remuneration Committee during the year ended 31 December 2016 and up to the date of this report is as follows:

Independent Non-executive Directors:
Mr. LEE Chi Hwa Joshua *(Chairman)*
Mr. CHAN Chi Keung Alan
Ms. LAU Mei Ying (appointed on 1 December 2016)

Executive Director:
Mr. WONG Hong Gay Patrick Jonathan (resigned on 1 December 2016)

During the year, the Remuneration Committee has held one meeting and has passed resolutions in writing one time; the attendance of each of its members is set out below:

Name of member	**Number of meetings Attended/Held**	**Written resolutions**
Mr. LEE Chi Hwa Joshua *(Chairman)*	1/1	1/1
Mr. CHAN Chi Keung Alan	1/1	1/1
Mr. WONG Hong Gay Patrick Jonathan (resigned on 1 December 2016)	1/1	1/1
Ms. LAU Mei Ying (appointed on 1 December 2016)	N/A	N/A

The summary of work of the Remuneration Committee during the year is as follows:

— recommended to the Board the discretionary bonus, if any, payable to the Executive Directors for the year of 2016;

— reviewed the remuneration packages of the Executive Directors for the year of 2016, as well as recommended to the Board for approval such remuneration packages upon appointment of new Executive Directors; and

— reviewed the directors' fees of the Non-executive Directors (including the Independent Non-executive Directors) for the year of 2016, as well as recommended to the Board for approval such directors' fees upon appointment of new Non-executive Directors (including Independent Non-executive Directors).

Nomination Committee

The Board established the Nomination Committee with written terms of reference in compliance with the relevant Code Provisions from time to time. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the Nomination Committee during the year ended 31 December 2016 and up to the date of this report is as follows:

Executive Director:
Mr. WONG Hong Gay Patrick Jonathan *(Chairman)* (resigned on 1 December 2016)

Independent Non-executive Directors:
Mr. LEE Chi Hwa Joshua *(Chairman)* (appointed on 1 December 2016)
Mr. CHAN Chi Keung Alan
Ms. LAU Mei Ying

During the year, the Nomination Committee has held two meetings and has passed resolutions in writing two times; the attendance of each of its members is set out below:

Name of member	Number of meetings Attended/Held	Written resolutions
Mr. WONG Hong Gay Patrick Jonathan *(Chairman)* (resigned on 1 December 2016)	2/2	2/2
Mr. LEE Chi Hwa Joshua *(Chairman)* (appointed on 1 December 2016)	N/A	N/A
Mr. CHAN Chi Keung Alan	2/2	2/2
Ms. LAU Mei Ying	2/2	2/2

The summary of work of the Nomination Committee during the year is as follows:

— reviewed the structure, size and composition of the Board;

— reviewed the independence of the Independent Non-executive Directors;

— evaluated and made recommendations on individuals nominated for directorship; and

— made recommendation on the retiring Directors at the 2017 Annual General Meeting of the Company.

Board Diversity Policy

The Company recognizes the benefits of diversity of Board members. The board diversity policy of the Company (the "Board Diversity Policy") has been published on the Company's corporate website (http://www.focusmedia.com) for public information. According to the Board Diversity Policy, in designing the Board's composition and selecting candidates to the Board, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has monitored the implementation of the Board Diversity Policy since its adoption in August 2013. It carries out annual review of the Board Diversity Policy to ensure its effectiveness.

Corporate Governance Committee

The Board established the Corporate Governance Committee with written terms of reference in compliance with the relevant Code Provisions from time to time. The written terms of reference of the Corporate Governance Committee are available on the websites of the Company and the Stock Exchange.

The composition of the Corporate Governance Committee during the year ended 31 December 2016 and up to the date of this report is as follows:

Executive Directors:
Mr. WONG Hong Gay Patrick Jonathan *(Chairman)* (resigned on 1 December 2016)
Mr. MOCK Wai Yin *(Chairman)* (re-designated from a member to the Chairman on 1 December 2016)
Mr. LAM Chun Yin (resigned on 28 June 2016)
Ms. LAM Hoi Yu Nicki (appointed on 28 June 2016)

Independent Non-executive Director:
Ms. LAU Mei Ying (appointed on 1 December 2016)

The primary duties of the Corporate Governance Committee include, among others, to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of directors and senior management; and to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

During the year, the Corporate Governance Committee has held one meeting, and the attendance of each of its members is set out below:

Name of member	Number of meetings Attended/Held
Mr. WONG Hong Gay Patrick Jonathan *(Chairman)* (resigned on 1 December 2016)	1/1
Mr. MOCK Wai Yin *(Chairman)* (re-designated from a member to the Chairman on 1 December 2016)	1/1
Mr. LAM Chun Yin (resigned on 28 June 2016)	N/A
Ms. LAM Hoi Yu Nicki (appointed on 28 June 2016)	1/1
Ms. LAU Mei Ying (appointed on 1 December 2016)	N/A

The summary of work of the Corporate Governance Committee during the year is as follows:

— reviewed the corporate governance practices of the Group;

— reviewed the training programmes for Directors and senior management of the Company;

— reviewed the Company's policies such as human resources policy, code of conduct and grievance policy;

— reviewed the current practices on compliance with legal and regulatory requirements;

— provided latest updates on laws, rules and regulations to Directors; and

— reviewed the compliance with the Code Provisions and disclosures in the Corporate Governance Report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Emolument Policy

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of Executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions. The remuneration policy of Non-executive Directors (including Independent Non-executive Directors) is to ensure that the Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of Non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and suitable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable; and the financial statements are prepared on a going concern basis.

Auditor's Remuneration

During the year, the Company engaged PricewaterhouseCoopers ("PwC") as the external auditors. The fee in respect of audit services provided by PwC for the year ended 31 December 2016 approximately amounted to HK$1,500,000 (2015: HK$2,036,075). The fee in respect of audit-related services provided by PwC for the year ended 31 December 2016 approximately amounted to HK$470,000 (2015: Nil).

The reporting responsibilities of PwC are set out in the Independent Auditors' Report on pages 56 to 60.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for establishing, maintaining and monitoring of the Group's systems of risk management and internal control, which should cover all material controls including financial, operational and compliance controls. The systems include a defined management structure with limits of authority, and are designed to help the Group identify and manage significant risks to achieve its business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulation. Such systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate the risk of failure to achieve business objectives.

The Heads of each core business segment monitor compliance with policies and procedures and the effectiveness of internal control systems in respect of their responsible business segments. The Company also engaged an independent external consulting firm to review and assess the effectiveness of the risk management and internal control systems of the Group during the year ended 31 December 2016. The assessment covers all material controls including financial, operational and compliance controls, as well as risk management functions during the year under review. The Audit Committee has reviewed the assessment report with the management, and noted that no significant areas of improvement are brought to its attention. The Company also conducted a review on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year under review. Accordingly, the Board was satisfied that the prevailing risk management and internal control systems of the Group are effective and adequate.

DELEGATION BY THE BOARD

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

With the establishment of the Audit Committee, Remuneration Committee and Nomination Committee (the majority of such committee members must be the Independent Non-executive Directors), the Independent Non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees that they are serving.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the Executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

COMPLIANCE OFFICER

During the year up to 28 June 2016, Mr. Lam Chun Yin ("Mr. Lam") assumed responsibility for acting as the compliance officer of the Company (the "Compliance Officer"). Mr. Lam ceased acting as the Compliance Officer upon his resignation as an Executive Director on 28 June 2016. Of even date, Ms. Lam Hoi Yu Nicki was appointed as the Compliance Officer pursuant to Rule 5.19 of the GEM Listing Rules and remains in such position as at the date of this annual report.

COMPANY SECRETARY

Ms. Chan Sau Chee ("Ms. Chan") is the company secretary of the Company. She reports to the executive Directors and is responsible for advising the Board on corporate governance and other company secretarial matters. In compliance with Rule 5.15 of the GEM Listing Rules, Ms. Chan has undertaken not less than 15 hours of relevant professional training to update her skill and knowledge during the year ended 31 December 2016.

CONSTITUTIONAL DOCUMENTS

During the year, there are no changes in the constitutional documents of the Company.

SHAREHOLDERS’ RIGHTS

The Way by Which Shareholders Can Convene Extraordinary General Meeting (“EGM”)/Put Forward Proposal

According to the Articles of Association of the Company, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

And, if a shareholder wishes to propose a person other than a Director retiring for election as a Director at an annual general meeting (“AGM”), the shareholder should deposit a written notice of nomination at the head office of the Company or at the office of the Company’s Branch Share Registrar within a period of at least seven (7) days commencing from the day after the dispatch of the AGM notice and ending no later than seven (7) days prior to the date of the AGM. The relevant procedures will be set out in the circular regarding, among others, the 2017 Annual General Meeting of the Company, which will be delivered together with this annual report to the shareholders of the Company..

The Procedures for Sending Enquiries to the Board

Specific enquiries from shareholders to the Board can be sent in writing to the Company at our head office in Hong Kong or by email through InvestorRelations@focusmedia.com stated on the Company’s website.

COMMUNICATION WITH SHAREHOLDERS

Save as mentioned under the section headed “The Procedures for Sending Enquiries to the Board” above, in order to provide more relevant information to our shareholders, the Company has published all corporate information, news and events about the Group on its website for easy access by the shareholders.

Hong Kong, 27 March 2017

Environmental, Social and Governance Report

The Group is committed to the principles of good corporate governance, and strives to integrate corporate social responsibility ("CSR") into its business strategy and management approach. This report aims to provide the Group's stakeholders with an overview of the Group's efforts regarding environmental, social and governance ("ESG") impacts arising from its daily operations.

The Group is dedicated to cultivating a green, health and safety culture through the concerted efforts of all staff. Aiming to promote environmental, health and safety culture in the workplace, the Board has provided a balanced framework for the ESG measures in order to achieve the following objectives:

— Ensure compliance with all applicable ESG legislation;

— Reduce quantities of waste and pollutants reaching the sea, land and atmosphere;

— Promote ESG awareness among staff through training, workshops and programs;

— Provide a green, healthy and safe workplace for staff, visitors and contractors;

— Optimise energy use efficiency; and

— Continuously improve ESG performance.

The Board of the Group is responsible for fostering employee ESG participation in the workplace. It also plays a vital role in the development of ESG policies and programs.

KEY RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group continues to engage with its employees, customers, suppliers, investors, Shareholders, and other stakeholders through different channels to develop mutually beneficial relationships and promote sustainability.

Employees are remunerated equitably and competitively. Details of continuing training and development opportunities provided to them are set out in the "Development and Training" section below.

The Group is committed to delivering excellent customer services to its customers. For details, please refer to the "Customer Services" section below.

The Group partners with service providers that reflect its values and commitment. For details, please refer to the "Supply Chain Management" section below.

The Company maintains ongoing dialogues with its investors and Shareholders. For details, please refer to the section "Communication with Shareholders" of the Corporate Governance Report as contained in this annual report.

A. ENVIRONMENTAL PROTECTION

Environmental Policies and Performance

During the Year, the Group has continued to make its best endeavours to protect the environment from its business activities and workplace. The Group also educates its employees on their awareness of promoting a "green" environment. The Group seeks to identify and manage environmental impacts attributable to its operation, in order to minimise these impacts if possible. Various measures have been adopted to reduce energy and other resource use, minimise waste and increase recycling, and promote environmental protection in its supply chain and marketplace. These measures are discussed in the "Use of Resources" and "The Environment and Natural Resources" sections below.

Use of Resources

The Group aims to maximise energy conservation in its branches and offices by promoting efficient use of resources and adopting green technologies. For instance, the Group continues to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. In the head office, air-conditioning systems are equipped with smart sensors to automatically adjust the temperature and cooling speed, resulting in a comfortable working environment while saving energy. Traditional fluorescent tubes have been replaced with energy-efficient LED light strips in the LED advertising panel. In addition, LED advertising panels are switched off during non-business hours, to minimise light pollution and reduce energy consumption. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

The Environment and Natural Resources

Creating a paperless working environment not only reduces environmental damage but also fits commercial goals, as it can save physical space, facilitate information sharing via online networks, and reduce complicated documentation procedures. In recent years, the Group has implemented paperless processing in its internal communications, including for employee time sheets, payrolls and memorandum, etc. Moreover, duplex printing and copying has become the norm within the Group, greatly reducing paper consumption and saving costs. Usage data of office printing machines is regularly collected and assessed, to monitor the efficiency of a paperless environment.

The Group aims to promote environmental awareness, not only within the organisation, but also through engaging customers, encouraging a co-operative approach to minimising its environmental impact. The formalities for opening a securities account involve a considerable amount of paperwork. In view of this, the account opening form has been modified to minimise paper usage. To encourage the migration of customers' account statements from a print format to electronic version, a surcharge is applied if clients opt to receive paper statements. In addition, the Group distributes the latest promotion information and notices via email and SMS instead of printed mails.

B. WORKPLACE QUALITY

Workforce

The Group believes that a motivated and balanced workforce is crucial for building a sustainable business model and delivering long-term returns.

As at 31 December 2016, the permanent employees of the Group totalled 96 working in the headquarters and branches in Hong Kong and Singapore.

The demographics of the Group's workforce (as at 31 December 2016) are summarised below:

The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competencies that contribute to the Group's success. The Group is firmly committed to gender equality, and therefore particularly encourages female participation in the Board, and at managerial and operational levels. Staff turnover rate among managerial positions is relatively low, reflecting a high level of employee satisfaction and engagement with the Group.

The Group was founded in April 2004. The management believes that employees are important assets for the Group, and remains committed to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. As at 31 December 2016, approximately 21% of the staff had worked for the Group for five years or more and approximately 5% of the staff had worked for the Group for ten years or more.

Health and Safety

The Group values the health and well-being of staff. In order to provide employees with health coverage, staff are entitled to benefits including medical and life insurance, provident funds and other competitive fringe benefits.

The Group prides itself on providing a safe, effective and congenial work environment for its staff. Adequate arrangements, training courses and guidelines are implemented to ensure the working environment is healthy and safe. During the Year, the Group has offered a range of activities and initiatives to enhance the health and well-being of its employees, and has taken out work injury insurance to cover its employees.

Every case of injury (if any) is required to be reported to the Group and be individually assessed under the internal guideline procedures. The Group is pleased to report that the rate of accidents and injuries during the Year was extremely low.

The Group believes that maintaining a work-life balance is essential for sustainability and a sound body and mind for every employee. To support employees in maintaining work-life balance, the Group actively provides a variety of charitable and staff activities for employees, such as sports programs, voluntary visits, rural outings and team-building activities. All these activities help to strengthen relationships between employees, and foster a healthy and harmonious working environment.

Development and Training

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Given the growing complexity and sophistication of the marketplace, the Group supports its staff to develop and enhance their knowledge, skills and work capability. The Group encourages and provides subsidies to employees at all levels to pursue educational or training opportunities that achieve personal growth and professional development.

The Group provides on-the-job training and development opportunities to the staff to enhance their technical knowledge and to keep abreast of the latest development as well as their own career progression. Through such practicable training, professional knowledge of the staff in operations, occupational and management skills are enhanced.

C. OPERATING PRACTICE

Supply Chain Management

The Group values mutually beneficial and longstanding relationships with its suppliers. The Group works closely with a number of suppliers in providing financial data information solutions in its securities business. The selection of suppliers is based on criteria such as price, stability of the trading platform, customer service team responsiveness, capability and experience, with preference given to potential suppliers that demonstrate their commitment to the environment.

Customer Services

The Group has earned trusted relationships with its broad customer base through providing dedicated customer services.

The Group makes every effort to promptly and fairly investigate and resolve all disputes and complaints lodged by customers, according to clearly written internal procedures.

The Group has set up designated channels — including hotline, facsimile and email — for clients to lodge complaints. All complaints received through these channels are diverted to and handled by the Customer Service Officer. The hotline numbers and email address are shown on the daily and monthly client statements, to ensure clients are aware of the communication channels for lodging complaints. Upon receipt of a complaint, the Customer Service Officer will investigate in a timely manner and report the findings to senior management. Senior management shall review the complaint and determine whether internal controls and procedures need to be enhanced or other appropriate action is required to be taken.

The Group places its utmost importance on protecting the privacy of its customers, partners and staff in the collection, processing and use of their personal data. The Group adheres to the applicable data protection regulations and ensures appropriate technical measures are in place to protect personal data against unauthorised use or access. The Group also ensures that customers' personal data is securely kept and processed only for the purposes for which it has been collected. Staff are provided with adequate training in compliance with the Personal Data (Privacy) Ordinance, to strengthen their knowledge regarding safeguarding of personal data.

Protection of Intellectual Property

The Group builds up and protects its intellectual property rights by prolonged use and registration of domain names and various trademarks. The Group has registered trademarks in various classes in Hong Kong, Singapore and other relevant jurisdictions. In addition, the Group's trademarks and domain names are constantly monitored and renewed upon their expiration.

Anti-corruption/Anti-money Laundering

In order to build up an ethical corporate culture and practices, the Group has established policies and procedures for anti-corruption and anti-money laundering. This policy sets forth procedures for customer screening and monitoring requirements, "know your customer" policies, record keeping requirements, and reporting suspicious circumstances in accordance with the relevant laws, codes and guidelines issued by the regulatory authorities.

Employees have been given training and briefings organised by the Group and seminars that were organised by the Independent Commission Against Corruption of Hong Kong; while employees responsible for carrying out transactions, or initiating or establishing business relationships have received anti-money laundering training. The Group has also adopted a whistleblowing policy and procedures for all levels and operations under the Group to raise concerns, in confidence, about possible improprieties in any matter related to the Group such as misconduct and malpractice. Such policy and procedures can be found in the employee handbook and the Company's intranet.

During the Year, no legal case regarding corrupt practices was brought against the Group or its employees. Also, no whistleblowing concerning a criminal offence or misconduct was reported.

The Group takes many measures to prevent any money laundering activities in the Group. At the time of account opening, the Group will perform a name search in an antimoney laundering database system maintained and provided by a third party vendor, in order to screen each new client against current terrorist and sanction designations, and check whether the client is a Politically Exposed Person (PEP). New account applications lodged by terrorists or sanctioned entities would be rejected. Regular name checks of existing clients against the latest terrorist and sanction list issued by US Treasury Department, as recommended by the regulators, are also conducted. The Group performs regular reviews on transactions by high-risk clients, in order to identify suspicious transactions. In the event any suspicious transactions are noted, we will report them to the Joint Financial Intelligence Unit in due course.

Compliance with Laws and Regulations

During the year, the Group has complied with the requirements under the Companies Ordinance in Hong Kong and the applicable laws in the Cayman Islands, the GEM Listing Rules and the SFO for, among others, the disclosure of information and corporate governance.

Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. The Group holds relevant required licence for provision of services.

The management must ensure that business is conducted in accordance with the applicable laws and regulations.

D. COMMUNITY INVOLVEMENT

The Group is committed to the improvement of community well-being and social services. As a good corporate citizen, the Group strives to improve society through community commitment. We continue to find ways to align citizenship initiatives on our platform and we take an active role in participating in various communities and charitable events in Singapore and Hong Kong to help and support the local communities.

Events of corporate social responsibility undertaken by the Group during the year are set out in the section "Management Discussion and Analysis" of this annual report.

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Consolidated Financial Statements").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of the principal subsidiaries of the Company are set out in Note 36 to the Consolidated Financial Statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the loss from operations by principal activities and geographical area of operations for the year ended 31 December 2016 is set out in Note 5 to the Consolidated Financial Statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 and its future business development as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the "Management Discussion and Analysis" on pages 5 to 20 of this annual report. Description of the principal risks and uncertainties facing the Group are set out in the section headed "Risk and Uncertainties" below.

The Board has not identified any important events affecting the Group that have occurred since the end of the year up to the date of this annual report.

In addition, discussion on the Group's environmental policies and performance, key relationships with the Group's key stakeholders as well as compliance with relevant laws and regulations which have a significant impact on the Company are set out in the "Environmental, Social and Governance Report" on pages 37 to 42 of this annual report.

RISK AND UNCERTAINTIES

The followings are the principal risks and uncertainties identified by the Group which may affect the Group's financial condition, operating results and business prospects. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Economic risks

— A sever or prolonged downturn of the global economy.

— Fluctuations in foreign currency exchange rate, inflation and fluctuations of interest rates would adversely affect the customers' spending sentiment and the Group's profit margin.

Operational risks

— Failure to compete in the competitive environment which the Group operated in;

— Unable to keep pace with the technological advances in timely and cost-efficient manner; and

— Failure to attract, train, retain, and motivate qualified managerial, sales, marketing, operating, and technical personnel, the loss of key personnel, or the inability to find additional qualified personnel.

Regulatory risks

— Failure to adhere to laws, regulations and rules, or to obtain or maintain all applicable permits and approvals;

— Infringement of valid patents, copyrights or other intellectual property rights held by third parties; and

— Any change in laws and regulations in different customers' and suppliers' countries.

Financial risks

— Details of financial risks are set out in Note 3 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Group as at 31 December 2016 are set out in the Consolidated Financial Statements on pages 61 to 128.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2016 (2015: Nil).

SEVEN YEARS FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last seven financial years is set out on page 4. This summary does not form part of the Consolidated Financial Statements.

CAPITAL RAISING

On 26 May 2016, the Company completed a rights issue of five rights shares for every one existing share held by shareholders of the Company at the record date of 3 May 2016 at the subscription price of HK$0.068 per rights share and a total of 1,911,820,400 rights shares of the Company were issued (the "Rights Issue"). The Group raised a total of approximately HK$130 million from the Rights Issue, after deducting related expenses of approximately HK$4.2 million, net proceeds of approximately HK$125.8 million was received. The Group has utilised approximately HK$83.5 million for full repayment of the principal amounts and accrued interests of its short term loans due in May 2016. Not more than HK$45 million from the Rights Issue is intended to be applied to the film projects, and the remaining (if any) for general and corporate working capital of the Group. For details of the Rights Issue, please refer to the Company's announcements dated 16 March 2016, 22 April 2016 and 25 May 2016; its circular dated 5 April 2016 and prospectus dated 4 May 2016 respectively.

To cope with the needs for business operations and development, particularly the securities brokerage business and the film projects, the Company will from time to time review its funding requirement and explore fund raising opportunities including but not limited to equity financing/debt financing opportunities in the market as and when required.

SHARE CONSOLIDATION

In order to attract a broader range of institutional and professional investors to support the on-going and long term financing activities and business development of the Group, the Board implemented a share consolidation involving the consolidation of every ten shares of HK$0.01 each in the issued and unissued share capital of the Company into one consolidated share of HK$0.10 each (the "Consolidated Share(s)") in the issued and unissued share capital of the Company (the "Share Consolidation"). The Share Consolidation was approved by the shareholders of the Company (the "Shareholders") by way of an ordinary resolution at an extraordinary general meeting of the Company held on 1 November 2016, hence has become effective from 2 November 2016. For details of the Share Consolidation, please refer to the Company's announcements dated 6 October 2016 and 1 November 2016, and its circular dated 14 October 2016 respectively.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 24 to the Consolidated Financial Statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in Note 33(b) to the Consolidated Financial Statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$320,668,000 (2015: HK$229,968,000).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 16.5% of the total sales for the year and sales to the largest customer included therein amounted to approximately 4.5%. Purchases from the Group's five largest suppliers accounted for approximately 52.2% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 25.6%.

To the best knowledge of the Directors, neither the Directors, their close associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 13 to the Consolidated Financial Statements.

BORROWING

Particulars of borrowing of the Group as at the balance sheet date are set out in Note 28 to the Consolidated Financial Statements. As at 31 December 2016, the Group did not have any charges on its assets (2015: Nil).

DIRECTORS

The directors of the Company (the "Director(s)") who hold office during the year and up to the date of this report are:

Executive Directors:
Mr. AN Xilei *(Chairman)* (appointed on 1 December 2016)
Mr. WONG Hong Gay Patrick Jonathan (CEO) (Note)
Mr. CHEN Xiaoping
Mr. MOCK Wai Yin
Mr. LAM Chun Yin (resigned on 28 June 2016)
Ms. LAM Hoi Yu Nicki (appointed on 28 June 2016)
Mr. WANG Jun (appointed on 19 July 2016)

Independent Non-executive Directors:
Mr. CHAN Chi Keung Alan
Mr. LEE Chi Hwa Joshua
Ms. LAU Mei Ying

Note: Mr. Wong Hong Gay Patrick Jonathan was the Chairman of the Board up to 1 December 2016. He resigned as Chairman as he would like to devote more time on the management and business operations and development of the Group.

In accordance with Article 83(3) of the Company's articles of association (the "Articles of Association"), any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting. Accordingly, Mr. An Xilei and Mr. Wang Jun shall retire from office at the AGM and, being eligible, offer themselves for re-election.

In accordance with Article 84 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Chen Xiaoping, Mr. Mock Wai Yin and Ms. Lau Mei Ying shall retire by rotation at the AGM and, being eligible, offer themselves for re-election.

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

The Company has received annual confirmation of independence from each of its existing independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all of them are considered to be independent.

PERMITTED INDEMNITY PROVISIONS

The Company has put in place appropriate insurance cover in respect of Directors' liability.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Hong Gay Patrick Jonathan has entered into a service contract with the Company for an initial fixed term of one year and shall continue thereafter until terminated by, not less than six months' notice in writing served by either party on the other. Mr. Chan Chi Keung Alan has entered into a service contract with the Company for a term of one year renewable automatically for successive terms of one year, subject to retirement by rotation and re-election at annual general meeting and until terminated by not less than one month's notice in writing served by either party on the other.

Each of the remaining Directors, namely Mr. An Xilei, Mr. Chen Xiaoping, Mr. Mock Wai Yin, Ms. Lam Hoi Yu Nicki and Mr. Wang Jun, all being executive Directors; and Mr. Lee Chi Hwa Joshua and Ms. Lau Mei Ying, both being independent non-executive Directors; has entered into a letter of appointment with the Company for a service term which is subject to retirement by rotation and re-election at annual general meeting in accordance with the provisions of the Articles of Association, which may be terminated by not less than three months' notice in writing served by either party on the other.

No Director has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as aforesaid, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

UPDATE OF DIRECTORS' INFORMATION

Save as disclosed elsewhere in this annual report, changes in information of Directors since the publication of the Company's interim report 2016 were as below pursuant to Rule 17.50A(1) of the GEM Listing Rules:

On 28 February 2017, Mr. Lee Chi Hwa Joshua, an independent non-executive Director, was appointed as an independent non-executive director, a member of each of the audit committee, remuneration committee and nomination committee of Clear Lift Holdings Limited (Stock Code: 1341).

DIRECTORS' BIOGRAPHY

The biographical details of the Directors are disclosed in the section headed "Directors' Profile" on pages 21 to 24 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 9 and 8 to the Consolidated Financial Statements respectively.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" below, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

As at 31 December 2016, the Company did not enter into or have any management and administrative contracts in respect of the whole or any principal business of the Company.

CONNECTED TRANSACTIONS

During the year, the Company had not entered into any connected transaction which is subject to the disclosure requirements under the GEM Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are disclosed in Note 35 to the Consolidated Financial Statements. Such transactions are exempt from the reporting requirement in accordance with Chapter 20 of the GEM Listing Rules in respect of connected transactions.

SHARE OPTION SCHEMES

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") on 26 March 2011. The principal terms of the aforementioned share option schemes of the Company were summarised in the sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix V to the prospectus of the Company dated 30 June 2011.

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution made by certain then executive Directors and employees of the Group and to aid the Company in retaining key and senior employees who have assisted in the development and growth of the Group and for their contribution in connection with the Listing thereat; whilst the purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentive or rewards for their contribution or future contribution to the Group.

Pre-IPO Share Option Scheme

During the year of 2011, options to subscribe for 12,300,000 shares were granted under the Pre-IPO Share Option Scheme. A nominal consideration of HK$1.00 is payable on acceptance of the option within 7 days from the date of grant. The exercise period of the option shall not be more than 10 years from the date of grant of the option. The exercise price per share for each option so granted is HK$0.72, being the placing price of the shares of the Company on the Listing. As at 1 January 2016, the number of shares comprised in the outstanding options was 3,608,000. As a result of the completion of the Rights Issue, adjustments have been made to the outstanding options in accordance with the terms and conditions of the Pre-IPO Share Option Scheme, so that with effect from 26 May 2016, the exercise price has been adjusted from HK$0.72 to HK$0.29 and the number of shares entitled to be subscribed for under the outstanding options has been adjusted from 3,608,000 to 8,957,793. The exercise price of and the number of shares entitled to be subscribed for under the outstanding options have been further adjusted as a result of the Share Consolidation which became effective on 2 November 2016. Accordingly, the exercise price has been adjusted from HK$0.29 to HK$2.90 and the number of shares entitled to be subscribed for under the outstanding options has been adjusted from 8,957,793 to 895,778. Save as the adjustments to the share options as referred to above, no options have been granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme during the year ended 31 December 2016. Accordingly, the number of shares comprised in the outstanding options under the Pre-IPO Share Option Scheme was 895,778 as at 31 December 2016. For details of adjustments to share options under the Pre-IPO Share Option Scheme, please refer to the Company's announcements dated 25 May 2016 and 1 November 2016 respectively.

Share Option Scheme

During the year of 2011, options to subscribe for 11,640,000 shares were granted under the Share Option Scheme. The exercise price per share for each option so granted is HK$0.724. As at 1 January 2016, the number of shares comprised in the outstanding options is 1,772,000. As a result of the completion of the Rights Issue, adjustments have been made to the outstanding options in accordance with the terms and conditions of the Share Option Scheme, so that with effect from 26 May 2016, the exercise price has been adjusted from HK$0.724 to HK$0.292 and the number of shares entitled to be subscribed for under the outstanding options has been adjusted from 1,772,000 to 4,399,449. The exercise price of and the number of shares entitled to be subscribed for under the outstanding options have been further adjusted as a result of the Share Consolidation which became effective on 2 November 2016. Accordingly, the exercise price has been adjusted from HK$0.292 to HK$2.92 and the number of shares entitled to be subscribed for under the outstanding options has been adjusted from 4,399,449 to 439,942. Save as the adjustments to the share options as referred to above, no options have been granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2016. Accordingly, the number of shares comprised in the outstanding options under the Share Option Scheme was 439,942 as at 31 December 2016. For details of adjustments to share options under the Share Option Scheme, please refer to the Company's announcements dated 25 May 2016 and 1 November 2016 respectively.

A summary of the movements of the share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme during the year under review is as follows:

Grantees	Date of grant	Vesting period	Exercise period	Exercise price at 1 January 2016	Exercise price at 31 December 2016	Number of share options: Outstanding at 1 January 2016	Granted during the Year	Exercised during the Year	Cancelled/ Lapsed during the Year	Outstanding at 31 December 2016	Market value per share immediately before the date of grant of option	Approximate % of the Company's total issued share capital as at 31 December 2016
Wong Hong Gay Patrick Jonathan	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK$0.724	HK$2.92 (adjusted)	328,000	–	–	–	81,434 (adjusted)	0.72	0.04%
Chan Chi Keung Alan	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK$0.724	HK$2.92 (adjusted)	328,000	–	–	–	81,434 (adjusted)	0.72	0.04%
Employees	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK$0.724	HK$2.92 (adjusted)	1,116,000	–	–	–	277,074 (adjusted)	0.72	0.12%
	30 Jun 2011	Note 2	28 Jul 2011 to 27 Jul 2021	HK$0.72	HK$2.90 (adjusted)	3,608,000	–	–	–	895,778 (adjusted)	N/A	0.39%
Total						5,380,000	–	–	–	1,335,720 (adjusted)		

Additional particulars of the Company's Pre-IPO Share Option Scheme and Share Option Scheme are set out in Note 25 to the Consolidated Financial Statements.

Notes:

1. The options granted under Share Option Scheme shall vest in the relevant option holders in tranches in the following manner:

   (i) 33% of the option shall vest after first twelve months after date of acceptance

   (ii) 33% of the option shall vest after twenty four months after date of acceptance

   (iii) 34% of the option shall vest after thirty six months after date of acceptance

2. The options granted under the Pre-IPO Share Option Scheme shall vest in the relevant option holders in tranches in the following manner:

    (i) 50% of the option shall vest on 28 January 2012

    (ii) 8% of the option shall vest on 28 February 2012

    (iii) 8% of the option shall vest on 28 March 2012

    (iv) 8% of the option shall vest on 28 April 2012

    (v) 8% of the option shall vest on 28 May 2012

    (vi) 8% of the option shall vest on 28 June 2012

    (vii) 10% of the option shall vest on 28 July 2012

3. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 229,418,448 shares in issue as at 31 December 2016.

Apart from the aforesaid share option schemes, at no time during the year ended 31 December 2016 was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the Ordinary Shares of HK$0.10 each of the Company (the "Shares"), Underlying shares and Debentures of the Company

	Nature/Capacity of Interests						
Name of directors	Personal interests	Family interests	Corporate interests	Total interests in Shares	Total interests in underlying Shares	Aggregate interests	Approximate % of the Company's issued share capital
Wong Hong Gay Patrick Jonathan	—	—	13,815,960 (Note 1)	13,815,960	81,434*	13,897,394	6.06%
Chan Chi Keung Alan	—	—	—	—	81,434*	81,434*	0.04%

* Being personal interests attributable to interests in the share options granted by the Company pursuant to the Share Option Scheme adopted on 26 March 2011, particulars of the Directors' interests in such share options are set out in the section headed "Share Option Schemes" above.

1. These shares are directly held by iMediaHouse Asia Limited ("iMHA") which is owned as to approximately 67.09% by iMediaHouse.com Limited which is in turn wholly owned by Mr. Wong Hong Gay Patrick Jonathan ("Mr. Wong"). The remaining interest in iMHA is held by entities ultimately wholly owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in these shares by virtue of the SFO.

2. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 229,418,448 shares in issue as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, as far as the Directors or chief executives of the Company are aware, the following persons (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions, in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Shares

Name of shareholders	Capacity	Number of Shares held	Approximate % of shareholding in the Company
Ricco Media (Holdings) Limited (Notes 1 & 2)	Beneficial owner	22,483,008	9.80%
Ricco Capital (Holdings) Limited (Notes 1 & 2)	Interest of controlled corporation	22,483,008	9.80%
Wu Siu Chung (Notes 1 & 2)	Interest of controlled corporation	22,483,008	9.80%
iMediaHouse Asia Limited (Notes 3 & 4)	Beneficial owner	13,815,960	6.02%
iMediaHouse.com Limited (Notes 3 & 4)	Interest of controlled corporation	13,815,960	6.02%

Notes:

1. These shares are directly held by Ricco Media (Holdings) Limited ("RML") which is wholly owned by Ricco Capital (Holdings) Limited ("RCL"), which is in turn wholly owned by Mr. Wu Siu Chung ("Mr. Wu"). RCL and Mr. Wu are therefore deemed to be interested in these shares by virtue of the SFO.

2. The interests of RCL, RML and Mr. Wu are duplicated.

3. These shares are directly held by iMediaHouse Asia Limited ("iMHA") which is owned as to approximately 67.09% by iMediaHouse.com Limited ("iMH") which is in turn wholly owned by Mr. Wong Hong Gay Patrick Jonathan ("Mr. Wong"). The remaining interest in iMHA is held by entities ultimately wholly owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in these shares by virtue of the SFO, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.

4. The interests of iMH and IMHA are duplicated.

5. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 229,418,448 shares in issue as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, no other person (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETITION AND CONFLICT OF INTERESTS

During the year, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group, as defined in the GEM Listing Rules.

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

During the year, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 25 to 36 in this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from 9 May 2017 (Tuesday) to 12 May 2017 (Friday), both days inclusive, during which period no transfer of shares of the Company shall be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 8 May 2017 (Monday).

AUDITOR

A resolution to re-appoint the retiring auditor, PricewaterhouseCoopers, is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
Focus Media Network Limited

Wong Hong Gay Patrick Jonathan
CEO and Executive Director

Hong Kong, 27 March 2017

羅兵咸永道

To the Shareholders of Focus Media Network Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Focus Media Network Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 128, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of film deposits and rights	
Refer to note 2.9, note 2.14, note 4(a) and note 15 to the consolidated financial statements	
The Group had film deposits and rights with carrying value of HK$138,912,831 as at 31 December 2016. Management assesses on each statement of financial position date whether the Group's film deposits and rights are impaired in accordance with the Group's accounting policies. The recoverable amounts are supported by value-in-use calculations prepared for each film deposits and rights that have taken into account the estimated future cash flows, the development status and the cost of funding to complete the development and production of each of the relevant films. Management concluded that there was no impairment in respect of the carrying values of the Group's film deposits and rights as at 31 December 2016. We focused on this area as the impairment assessment involves the use of significant management judgements to estimate the key assumptions, including box office earnings to production costs multiples, projected film production costs and discount rates, underlying management's value-in-use calculations and impairment assessment.	Our procedures in relation to management's judgements used in the impairment assessment of the Group's film deposits and rights included: — Understanding, evaluating and testing the key controls over the preparation and approval of the cash flows forecast relating to each film deposits and rights; — Evaluating the reasonableness of the key assumptions, including box office earnings to production costs multiples, projected film production costs and discount rates, underlying management's value-in-use calculations with reference to historical box office performance of films in the same genre available in the public domain, our knowledge of the industry and the Group's business; — Testing the source data of the estimated future cash flows to supporting evidence, such as approved budgets and available market data, to consider the reasonableness of box office earnings to production costs multiples and projected film production costs; and — Testing management's sensitivity analysis with respect to variations in box office earnings to production costs multiples and discount rates, to evaluate the extent to which reasonably possible adverse changes, both individually and in aggregate, would result in an impairment. We found the management judgements used in the impairment assessment of the Group's film deposits and rights were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Hang, Benson.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 HK$	2015 HK$
Revenue	5	**80,646,748**	72,306,609
Cost of sales	7	**(33,078,227)**	(30,676,437)
Gross profit		**47,568,521**	41,630,172
Other income/(loss) — net	6	**1,624,940**	(734,066)
Administrative expenses	7	**(65,807,238)**	(56,891,090)
Operating loss		**(16,613,777)**	(15,994,984)
Finance costs	10	**(3,698,644)**	(2,250,526)
Share of losses of joint ventures	20	**—**	(690,748)
Share of loss of an associate	19	**(118,354)**	—
Loss before income tax		**(20,430,775)**	(18,936,258)
Income tax expenses	11	**—**	—
Loss for the year		**(20,430,775)**	(18,936,258)
Other comprehensive loss:			
Item that may be reclassified to profit or loss			
Currency translation differences		**(523,789)**	(1,527,740)
Total comprehensive loss for the year		**(20,954,564)**	(20,463,998)
Loss for the year attributable to:			
Owners of the Company		**(19,460,622)**	(18,139,328)
Non-controlling interests		**(970,153)**	(796,930)
		(20,430,775)	(18,936,258)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(19,984,259)**	(19,667,094)
Non-controlling interests		**(970,305)**	(796,904)
		(20,954,564)	(20,463,998)
Loss per share attributable to owners of the Company			
— Basic and diluted	12	**(HK cents 12.1)**	(As restated) (HK cents 32.4)

The notes on pages 67 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	2016 HK$	2015 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	13	**11,239,747**	10,467,956
Intangible assets	14	**3,500,050**	1,138,572
Film deposits and rights	15	**138,912,831**	136,845,195
Available-for-sale financial asset	16	**3,000,000**	3,000,000
Deposits and prepayments	18	**4,621,740**	6,398,707
Pledged bank deposits	21	**285,184**	548,000
Interest in an associate	19	**1,131,646**	—
		162,691,198	158,398,430
Current assets			
Inventories	17	**1,107,786**	730,187
Trade and other receivables	18	**28,945,149**	34,944,296
Financial asset at fair value through profit or loss	22	**388,500**	—
Pledged bank deposits	21	**—**	291,569
Cash held on behalf of brokerage clients	23	**20,665,616**	—
Cash and cash equivalents	21	**73,248,475**	28,220,819
		124,355,526	64,186,871
Total assets		**287,046,724**	222,585,301
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	24	**22,941,845**	3,823,641
Share premium		**440,528,546**	333,877,058
Other reserves		**(177,639,160)**	(177,115,523)
Accumulated losses		**(81,788,809)**	(62,328,187)
Equity attributable to owners of the Company		**204,042,422**	98,256,989
Non-controlling interests	37	**35,470,661**	30,440,966
Total equity		**239,513,083**	128,697,955

Consolidated Statement of Financial Position (Continued)

As at 31 December 2016

	Note	2016 HK$	2015 HK$
LIABILITIES			
Current liabilities			
Trade and other payables	26	**24,328,754**	37,135,965
Accounts payable to brokerage clients	27	**20,678,343**	—
Borrowing and interest payable	28	**—**	52,219,178
Deferred revenue		**2,526,544**	4,532,203
		47,533,641	93,887,346
Total equity and liabilities		**287,046,724**	222,585,301
Net current assets/(liabilities)		**76,821,885**	(29,700,475)
Total assets less current liabilities		**239,513,083**	128,697,955

The financial statement on page 61 to 128 were approved by the Board of Directors on 27 March 2017 and were signed on its behalf

Wong Hong Gay Patrick Jonathan
Director

Chen Xiaoping
Director

The notes on pages 67 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$	Share premium HK$	Capital reserve HK$	Exchange reserve HK$	Warrant reserve HK$	Share option reserve HK$	Accumulated losses HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2016	3,823,641	333,877,058	(176,467,450)	(2,668,609)	–	2,020,536	(62,328,187)	98,256,989	30,440,966	128,697,955
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(19,460,622)	(19,460,622)	(970,153)	(20,430,775)
Other comprehensive loss										
Currency translation differences	–	–	–	(523,637)	–	–	–	(523,637)	(152)	(523,789)
Total comprehensive loss	–	–	–	(523,637)	–	–	(19,460,622)	(19,984,259)	(970,305)	(20,954,564)
Transactions with owners										
Rights issue (Note a)										
– Proceeds from rights issue	19,118,204	110,885,583	–	–	–	–	–	130,003,787	–	130,003,787
– Rights issue expenses	–	(4,234,095)	–	–	–	–	–	(4,234,095)	–	(4,234,095)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	6,000,000	6,000,000
Total transactions with owners	19,118,204	106,651,488	–	–	–	–	–	125,769,692	6,000,000	131,769,692
Balance at 31 December 2016	22,941,845	440,528,546	(176,467,450)	(3,192,246)	–	2,020,536	(81,788,809)	204,042,422	35,470,661	239,513,083

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$	Share premium HK$	Capital reserve HK$	Exchange reserve HK$	Warrant reserve HK$	Share option reserve HK$	Accumulated losses HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2015	3,280,000	274,344,873	(176,467,450)	(1,140,843)	67,900	4,455,455	(44,389,291)	60,150,644	(189,338)	59,961,306
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(18,139,328)	(18,139,328)	(796,930)	(18,936,258)
Other comprehensive loss										
Currency translation differences	–	–	–	(1,527,766)	–	–	–	(1,527,766)	26	(1,527,740)
Total comprehensive loss	–	–	–	(1,527,766)	–	–	(18,139,328)	(19,667,094)	(796,904)	(20,463,998)
Transactions with owners										
Share option scheme										
– Proceeds from shares issued	78,924	7,898,856	–	–	–	(2,283,756)	–	5,694,024	–	5,694,024
– Transfer upon forfeiture of share options	–	–	–	–	–	(151,163)	151,163	–	–	–
Warrants (Note b)										
– Proceeds from shares issued	90,000	11,538,631	–	–	(18,631)	–	–	11,610,000	–	11,610,000
– Transfer upon lapse of warrants	–	–	–	–	(49,269)	–	49,269	–	–	–
Issue of ordinary shares related to acquisition of subsidiaries	374,717	40,094,698	–	–	–	–	–	40,469,415	–	40,469,415
Non-controlling interests arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	31,427,208	31,427,208
Total transactions with owners	543,641	59,532,185	–	–	(67,900)	(2,434,919)	200,432	57,773,439	31,427,208	89,200,647
Balance at 31 December 2015	3,823,641	333,877,058	(176,467,450)	(2,668,609)	–	2,020,536	(62,328,187)	98,256,989	30,440,966	128,697,955

Note:

(a) On 26 May 2016, the Company completed a rights issue of five rights shares of every one existing share held by shareholders of the Company at the record date of 3 May 2016 at the subscription price of HK$0.068 per rights share and a total of 1,911,820,400 rights shares of the Company were issued.

(b) On 30 November 2012, the Company entered into the Warrant Subscription Agreement with Credit Suisse (Hong Kong) Limited and Orchard Makira Multi Strategy Master Fund Limited (the "Subscribers"), pursuant to which the Company agreed to issue and the Subscribers agreed to subscribe for 32,800,000 warrants conferring the right to subscribe for up to HK$42,312,000 in aggregate for the shares of the Company at an issue price of HK$0.0125 per warrant. Each warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.29 per share. The subscription right can be exercised during a period of 36 months from the date of issue of the warrants. During the year ended 31 December 2015, 9,000,000 warrants were exercised and the remaining warrants lapsed on 5 December 2015.

The notes on pages 67 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 HK$	2015 HK$
Cash flows from operating activities			
Cash used in operations	30	**(15,072,639)**	(19,530,818)
Income tax paid		**—**	—
Net cash used in operating activities		**(15,072,639)**	(19,530,818)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(6,454,002)**	(4,419,230)
Prepayment for plant and equipment		**—**	(4,024,322)
Payments for film deposits and rights		**(2,051,248)**	(4,512,672)
Proceeds from disposal of property, plant and equipment		**200,000**	—
Purchase of available-for-sale financial asset		**—**	(3,000,000)
Acquisition of an associate		**(1,250,000)**	—
Disposal of a joint venture		**—**	1
Pledged deposit		**562,000**	(19,638)
Interest received		**393**	1,425
Acquisition of subsidiaries, net of cash acquired		**(6,493,925)**	(40,525,152)
Net cash used in investing activities		**(15,486,782)**	(56,499,588)
Cash flows from financing activities			
Proceeds from borrowings		**30,000,000**	50,000,000
Repayment of borrowings		**(80,000,000)**	—
Interest paid		**(5,917,822)**	—
Proceeds from Rights Issue		**130,003,787**	—
Rights Issue expenses		**(4,234,095)**	—
Proceeds from issuance of ordinary shares		**—**	17,304,024
Capital contribution from non-controlling interests		**6,000,000**	—
Net cash generated from financing activities		**75,851,870**	67,304,024
Increase/(decrease) in cash and cash equivalents		**45,292,449**	(8,726,382)
Cash and cash equivalents at beginning of year	21	**28,220,819**	37,890,563
Exchange losses on cash and cash equivalents		**(264,793)**	(943,362)
Cash and cash equivalents at end of year	21	**73,248,475**	28,220,819
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**73,533,659**	29,060,388
Less: Pledged bank deposits		**(285,184)**	(839,569)
Cash and cash equivalents per consolidated statement of cash flows		**73,248,475**	28,220,819

For significant non-cash transaction arising during the year ended 31 December 2015, refer to Note 24(a) of the Notes to the consolidated financial statements.

The notes on pages 67 to 128 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Focus Media Network Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 6th Floor, 603, Citicorp Centre, 18 Whitfield Road, North Point, Hong Kong.

The principal activities of the Company and its subsidiaries (together, the "Group") are set out in Note 36.

The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through profit or loss and available-for sale financial asset, which are carried at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

(a) The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2016. The adoption of the standards have no material effect on the Group's results and financial position:

HKAS 1 (Amendments)	Disclosure initiative
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 27 (Amendments)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception
HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferred accounts
Annual improvements project	Annual improvements 2012–2014 cycle

(b) The following new and amended standards and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2016 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKAS 7 (Amendments)	Statement of cashflows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) The following new and amended standards and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2016 and which the Group has not early adopted: (Continued)

None of the above is expected to have a significant effect on the Group's consolidated financial statements, except the following:

HKFRS 9 "Financial instruments"

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) The following new and amended standards and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2016 and which the Group has not early adopted: (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" — This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The major revenue stream for the Group is provision of services, the performance obligations of this revenue is currently recognised in accordance with Note 2.25. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) The following new and amended standards and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2016 and which the Group has not early adopted: (Continued)

HKFRS 16 "Leases"

HKFRS 16 "Leases" — The Group is a lessee of its office buildings which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.26. The Group's future operating lease commitments, which are not reflected in the consolidated balance sheets, are set out in Note 34. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheets. Instead, all long-term leases must be recognised in the balance sheets in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments currently disclosed in Note 34. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ended 31 December 2019.

The Group is in the process of making an assessment of what the impact of these new standards and amendments to existing standards would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

Business combinations (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associate

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associate (Continued)

The group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Gains or losses on dilution of equity interest in associates are recognised in the statement of profit or loss.

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint ventures are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's executive directors that make strategic decisions.

2.6 Foreign currency transaction

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is also the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents, trade and other receivables and trade and other payables are presented in the consolidated statement of comprehensive income within "other income/(loss) — net".

Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group Companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as below:

LCD monitors	5 years
Furniture and office equipment	3–5 years
Computer equipment	3–5 years
Leasehold improvements	3–5 years or over the term of lease, whichever is shorter
Motor vehicles	3–5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income/(loss) — net" in the consolidated statement of comprehensive income.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (continued)

(a) Goodwill (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Intellectual properties and licences

Separately acquired rights to use intellectual properties and licences are shown at historical cost. Rights to use intellectual properties and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of rights to use intellectual properties and licences over their estimated useful lives of 5 and 10 years respectively.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

(a) Classification

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

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(a) Classification (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "pledged bank deposits" and "cash and cash equivalents" in the consolidated statement of financial positions (see Notes 2.15 and 2.16).

(iii) Available-for-sale financial asset

Available-for-sale financial asset is non-derivative that is either designated in this category or not classified in any of the other categories. It is included in non-current asset unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and available-for-sale financial asset are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income within "other income/(loss) — net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of non-monetary securities classified as available for sale are recognised in other comprehensive income.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Film deposits and rights

Film deposits and rights comprise fees paid and payable under agreements and direct expenses incurred during the development and production of films. The film deposits paid to counterparties are initially recognised at cost.

Film rights purchased through acquisition are initially measured as the fair value of the consideration given for the recognition of the film rights.

Film deposits and rights are stated at cost less accumulated amortisation and accumulated impairment losses. The cost of film deposits and rights are amortised over their estimated useful lives upon release of the film. Film deposits and rights for films not ready for release are not subject to amortisation and are tested annually for impairment.

The carrying amount of film deposits and rights is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (see Note 2.9).

2.15 Trade and other receivables

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

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

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Trade and other payables (Continued)

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

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

2.20 Borrowing costs

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

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

Hong Kong

The Group operates a defined contribution plan, the mandatory provident fund scheme ("MPF") in Hong Kong, the assets of which are generally held in separate trustee-administered funds.

Singapore

Pursuant to the relevant local regulations in Singapore, the Singapore subsidiaries of the Group are required to contribute to the Central Provident Fund based on the statutory funding requirement. The Group's contributions to the defined contribution plan are charged to the consolidated statement of comprehensive income in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

(b) Other employee benefits

Salaries, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. The amount recognised as a liability and an expense should he measured at the cost of providing the benefits.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2.24 Provisions

Provisions are recognised when (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Revenue from advertising services is recognised when the related advertisements are telecasted. Barter revenue on advertising is recognised only when the goods or services being exchanged are of a dissimilar nature. Barter revenue is measured at the fair value of the goods or services rendered, adjusted by the amount of any cash or cash equivalents received or paid. If the fair value of the goods or services rendered cannot be reliably measured, the revenue is measured at the fair value of the goods or services received, again adjusted by the amount of cash or cash equivalents received.

(b) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(c) Revenue from early childhood education is recognised in the accounting period in which the services are rendered.

(d) Brokerage commission income is recognised on a trade date basis when the related transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(e) Interest income is recognised using the effective interest method.

2.26 Leases

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.27 Government grants

Grants from the government are recognised at their fair value in the consolidated statement of comprehensive income where there is a reasonable assurance that the grant will be received and the Group has complied with all attached conditions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

Foreign exchange risk

The Group operates in Hong Kong, Singapore and the United States and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("US$") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operation.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group mitigates this risk by maintaining HK$ and US$ bank accounts to pay for the transactions denominated in these currencies. The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the government of the People's Republic of China (the "PRC"). The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

In the opinion of the directors, HK$ are reasonably stable with US$ under the Linked Exchange Rate System, and accordingly, the Group does not have any significant foreign exchange risk in respect of transactions or balances as denominated in US$. Accordingly, no sensitivity analysis is performed on US$.

As at 31 December 2016, if HK$ had weakened/strengthened by 10% (2015: 10%) against RMB, with all other variables held constant, the Group's results for the year would have decreased/increased by approximately HK$1,086 (2015: HK$139,342), mainly as a result of foreign exchange gains/losses on translation of RMB denominated monetary assets and liabilities.

(b) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and trade and other receivables. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

Trade receivables have an average credit period of 60 to 90 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. Individual credit evaluations are performed by the Group on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 18.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group also places its deposits with reputable banks to mitigate the risk arising from banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial positions.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year or on demand HK$	**1 to 2 years** HK$	**2 to 5 years** HK$	**Total contractual undiscounted cash flows** HK$	**Carrying amount** HK$
At 31 December 2016					
Trade and other payables	**23,891,496**	**–**	**–**	**23,891,496**	**23,891,496**
Accounts payable to brokerage clients	**20,678,343**	**–**	**–**	**20,678,343**	**20,678,343**
Total	**44,569,839**	**–**	**–**	**44,569,839**	**44,569,839**
At 31 December 2015					
Borrowing and interest payable	52,219,178	–	–	52,219,178	52,219,178
Trade and other payables	36,758,282	–	–	36,758,282	36,758,282
Total	88,977,460	–	–	88,977,460	88,977,460

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including "current borrowing" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 HK$	2015 HK$
Total borrowing (Note 28)	**–**	50,000,000
Less: cash and cash equivalents (Note 21)	**(73,248,475)**	(28,220,819)
Net (cash)/debt	**(73,248,475)**	21,779,181
Total equity	**239,513,083**	128,697,955
Total capital	**166,264,608**	150,477,136
Gearing ratio	**N/A**	14.47%

3.3 Fair value estimation

The carrying value less impairment provision of current receivables and payables are a reasonable approximation of their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016 and 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2016 and 2015.

	Level 1 HK$	**Level 2** HK$	**Level 3** HK$	**Total** HK$
As at 31 December 2016				
Asset				
Available-for-sale financial asset	**—**	**—**	**3,000,000**	**3,000,000**
As at 31 December 2015				
Asset				
Available-for-sale financial asset	—	—	3,000,000	3,000,000

There were no transfers between levels 1, 2 and 3 during the year.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of financial asset at fair value through profit or loss that is not quoted in an active market is referenced to the net asset value of investment.

The fair value of available-for-sale financial asset is measured by comparing with comparable companies that are listed in the same sector.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Financial instrument in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2016.

	Financial asset at fair value through profit or loss HK$	Available-for-sale financial asset HK$	Total HK$
Opening balance	—	3,000,000	3,000,000
Fair value loss recognised in other income/(loss) — net	388,500	—	388,500
Closing balance	388,500	3,000,000	3,388,500
Total gains or losses for the year included in the consolidated statement of comprehensive income for assets held at the end of the year, under "Other income/(loss) — net"	388,500	—	388,500
Changes in unrealised gains or losses for the year included in the consolidated statement of comprehensive income at the end of the year	388,500	—	388,500

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Financial instrument in level 3 (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

	Financial asset at fair value through profit or loss HK$	Available-for-sale financial asset HK$	Total HK$
Opening balance	1,898,734	—	1,898,734
Additions	—	3,000,000	3,000,000
Fair value loss recognised in other income/(loss) — net	(1,898,734)	—	(1,898,734)
Closing balance	—	3,000,000	3,000,000
Total gains or losses for the year included in the consolidated statement of comprehensive income for assets held at the end of the year, under "Other income/(loss) — net"	(1,898,734)	—	(1,898,734)
Changes in unrealised gains or losses for the year included in the consolidated statement of comprehensive income at the end of the year	(1,898,734)	—	(1,898,734)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of film deposits and rights

The Group assesses annually whether there is any indication for impairment on film deposits and rights and further assess if it has suffered any impairment, in accordance with the accounting policy stated in Note 2.14. Such annual assessment is performed specifically for each film deposit and right at each statement of financial position date with reference to the cast or scale of each film and on the assumption that funding for development and production of the film are available. According to the management's cash inflow forecast in respect of each film deposit, no impairment losses and no write-off of film deposits and rights (2015: Nil) was recognised respectively in the consolidated statement of comprehensive income to reduce the carrying amounts of film deposits and rights to its recoverable amounts. If projected cash inflow from these films were to deteriorate, additional provision for impairment may be required.

(b) Provision for impairment of trade and other receivables

Significant judgement is exercised in the assessment of the collectability of trade and other receivables from customers. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customers' payment pattern including subsequent payments and customers' financial position. If the financial conditions of the customers are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) Revenue recognition

The Group recognises revenue when the significant risks and rewards of ownership of any goods and services have been transferred, in accordance with the accounting policies for revenue recognition as set out in Note 2.25. The assessment of when the Group has transferred the significant risks and rewards of ownership to customers and whether the Group acts as a principal requires the examination of the circumstance of the transaction. The Group's advertising clients include advertisers that directly purchase advertisements from the Group and third-party advertising agencies that are retained by some advertisers to place advertisements on the advertisers' behalf. In arrangements where the Group pays variable fees or share revenue with landlords, and insofar as the Group bears the risks and rewards incidental to the activity, the Group recognises all gross advertising income as revenue and records the fees paid or revenue shared as cost of sales. As part of the industry practice, the Group offers agency commissions to these third-party advertising agencies. The agency commissions in which the advertising agencies are entitled to are based on certain percentage of revenue generated by the Group. The Group records revenues on a net basis and the associated agency commissions are recorded as a deduction from the revenue because the advertising agencies are acting on behalf of the advertisers and are also considered as the Group's customers.

5 SEGMENT INFORMATION

The CODM has been identified collectively as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

Management regularly reviews the operating results from a perspective of different activities. Management assesses the performance of the following operating segments:

— Advertising and media

— Retail of skin care products

— Provision of early childhood education

— Film development, production and distribution

— Securities brokerage business

Management assesses the performance of the operating segments based on a measure of gross profits.

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2016 and 2015 is as follows:

	Advertising and media	Retail of skin care products	Provision of early childhood education	Film development, production and distribution	Securities brokerage business	Total
	HK$	HK$	HK$	HK$	HK$	HK$
For the year ended 31 December 2016						
Segment revenue	**75,293,554**	**4,448,511**	**866,066**	**—**	**38,617**	**80,646,748**
Segment results	**45,086,959**	**1,594,085**	**848,860**	**—**	**38,617**	**47,568,521**
For the year ended 31 December 2015						
Segment revenue	69,171,714	2,629,776	505,119	—	—	72,306,609
Segment results	40,365,844	768,792	495,536	—	—	41,630,172

5 SEGMENT INFORMATION (Continued)

A reconciliation of segment results to loss before income tax is provided as follows:

	2016 HK$	2015 HK$
Segment results	**47,568,521**	41,630,172
Other income/(loss) — net	**1,624,940**	(734,066)
Administrative expenses	**(65,807,238)**	(56,891,090)
Operating loss	**(16,613,777)**	(15,994,984)
Finance costs	**(3,698,644)**	(2,250,526)
Share of losses of joint ventures	**—**	(690,748)
Share of loss of an associate	**(118,354)**	—
Loss before income tax	**(20,430,775)**	(18,936,258)

The total non-current assets by the reportable segments as at 31 December 2016 and 2015 are as follow:

	Advertising and media HK$	Retail of skin care products HK$	Provision of early childhood education HK$	Film development, production and distribution HK$	Securities brokerage business HK$	Total HK$
As at 31 December 2016						
Non-current assets	**17,911,490**	**122,620**	**626,231**	**138,912,831**	**5,118,026**	**162,691,198**
As at 31 December 2015						
Non-current assets	18,738,132	8,826	853,438	138,798,034	—	158,398,430

5 SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong, Singapore and the United States.

The Group's segment revenue from external customers determined based on location of operation of the Group and information about its non-current assets by geographical location of the assets are detailed below:

	Hong Kong HK$	Singapore HK$	United States HK$	Total HK$
For the year ended 31 December 2016				
Segment revenue	**45,944,122**	**36,656,689**	**—**	**82,600,811**
Inter-segment revenue	**(605,623)**	**(1,348,440)**	**—**	**(1,954,063)**
Revenue (from external customers)	**45,338,499**	**35,308,249**	**—**	**80,646,748**
Segment results	**25,310,643**	**22,257,878**	**—**	**47,568,521**
For the year ended 31 December 2015				
Segment revenue	48,255,833	24,541,671	—	72,797,504
Inter-segment revenue	(399,392)	(91,503)	—	(490,895)
Revenue (from external customers)	47,856,441	24,450,168	—	72,306,609
Segment results	26,139,054	15,491,118	—	41,630,172

The total non-current assets located in Hong Kong, Singapore and the United States are HK$19,824,478 (2015: HK$13,984,343), HK$3,953,889 (2015: HK$5,616,053) and HK$138,912,831 (2015: HK$138,798,034) respectively.

None of the customers accounted for 10% or more of the Group's total revenue for the year ended 31 December 2016 (2015: Nil).

6 OTHER INCOME/(LOSS) — NET

	2016 HK$	2015 HK$
Net exchange gains/(losses)	**150,975**	(7,695)
Government grants	**481,707**	638,971
Interest income	**393**	1,425
Sundry income	**333,610**	192,842
Gain on disposal of a joint venture	**—**	1
Gain on disposal of property, plant and equipment	**9,013**	—
Production income	**260,742**	94,763
Recovery of impaired receivables	**—**	244,361
Financial asset at fair value through profit or loss		
— Fair value gain/(loss) (Note 22)	**388,500**	(1,898,734)
	1,624,940	(734,066)

7 EXPENSES BY NATURE

	2016 HK$	2015 HK$
Revenue sharing with landlords of Office and Commercial Networks (Note)	**9,229,901**	7,759,448
Revenue sharing with landlords of In-store Networks (Note)	**2,405,555**	2,264,199
Revenue sharing with owners of Online Video Streaming Platforms (Note)	**77,259**	1,645,109
Revenue sharing with owners of Residential Networks (Note)	**327,878**	248,188
Cost of inventories	**2,672,793**	1,685,924
Sales commission	**5,344,817**	4,979,089
Production and installation	**2,367,954**	3,084,256
Auditor's remuneration	**1,594,144**	2,071,099
Depreciation (Note 13)	**5,581,633**	4,902,545
Amortisation (Note 14)	**419,004**	839,448
Operating lease payments		
— Outdoor billboards	**10,153,014**	8,080,488
— In-store Networks	**499,056**	509,292
— Land and building	**8,255,046**	6,242,637
Employee benefit expenses excluding equity-based compensation (Note 8)	**37,170,403**	28,673,414
Marketing and promotion expenses	**2,382,324**	2,838,595
Travelling expenses	**1,558,420**	1,383,603
Provision for impairment of trade receivables (Note 18)	**—**	194,998
Professional fees	**1,205,120**	1,109,680
Impairment of amount due from a joint venture (Note 20)	**—**	488,290
Impairment of investment in a joint venture (Note 20)	**—**	412,206
Other expenses	**7,641,144**	8,155,019
Total cost of sales and administrative expenses	**98,885,465**	87,567,527
Representing:		
Cost of sales	**33,078,227**	30,676,437
Administrative expenses	**65,807,238**	56,891,090
	98,885,465	87,567,527

Note: There are no minimum lease payments to landlords of Office and Commercial Networks and In-store Networks, owners of Residential Networks and owners of Online Video Streaming Platforms. Revenue sharing with landlords of Office and Commercial Networks and In-store Networks, owners of Residential Networks and owners of Online Video Streaming Platforms was calculated based on the rates agreed between the Group and landlords and owners and is recognised as cost of sales when the related advertisements are telecasted.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 HK$	2015 HK$
Salaries, wages and allowances	**33,643,260**	25,549,827
Pension costs — defined contribution plans	**2,244,987**	2,069,379
Other post-employment benefits	**1,282,156**	1,054,208
	37,170,403	28,673,414

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2015: three) directors whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining three (2015: two) individuals during the year are as follows:

	2016 HK$	2015 HK$
Basic salaries and allowances	**3,840,455**	1,323,939
Pension costs — defined contribution plans	**54,000**	136,395
	3,894,455	1,460,334

The emoluments fell within the following bands:

	Number of individuals	
	2016 HK$	2015 HK$
Nil to HK$1,000,000	**—**	2
HK$1,000,001— HK$1,500,000	**3**	—

9 DIRECTORS' AND SENIOR EXECUTIVE'S EMOLUMENTS

The remuneration of directors of the Company for the year ended 31 December 2016 is set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking						
Name	**Fee HK$**	**Salary HK$**	**Housing allowance HK$**	**Estimated money value of other benefits HK$**	**Employer's contribution to a retirement benefit scheme HK$**	**Total HK$**
Chief Executive Director						
An Xilei (Note a)	–	–	–	–	–	–
Executive Directors						
Wong Hong Gay Patrick Jonathan (Note b)	–	1,950,000	768,000	–	18,000	2,736,000
Chen Xiaoping	–	2,158,000	–	–	16,500	2,174,500
Mock Wai Yin	–	520,000	–	–	–	520,000
Lam Hoi Yu Nicki (Note c)	–	284,000	–	–	–	284,000
Wang Jun (Note d)	–	128,387	–	–	–	128,387
Lam Chun Yin (Note e)	–	237,333	–	–	–	237,333
Independent Non-executive Directors						
Chan Chi Keung Alan	260,000	–	–	–	–	260,000
Lee Chi Hwa Joshua	260,000	–	–	–	–	260,000
Lau Mei Ying	260,000	–	–	–	–	260,000
Total emoluments	780,000	5,277,720	768,000	–	34,500	6,860,220

Notes:

(a) Appointed on 1 December 2016.

(b) Redesignated on 1 December 2016.

(c) Appointed on 28 June 2016.

(d) Appointed on 19 July 2016.

(e) Resigned on 28 June 2016.

9 DIRECTORS' AND SENIOR EXECUTIVE'S EMOLUMENTS (Continued)

The remuneration of directors of the Company for the year ended 31 December 2015 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking					
Name	Fee HK$	Salary HK$	Housing allowance HK$	Estimated money value of other benefits HK$	Employer's contribution to a retirement benefit scheme HK$	Total HK$
Chief Executive Director						
Wong Hong Gay Patrick Jonathan	—	1,950,000	752,000	—	18,000	2,720,000
Executive Directors						
Chen Xiaoping (Note e)	—	188,133	—	—	1,700	189,833
Mock Wai Yin (Note e)	—	45,333	—	—	—	45,333
Lam Chun Yin (Note e)	—	45,333	—	—	—	45,333
Ngan Toi Yuk (Note d)	—	861,864	—	—	16,332	878,196
Lee Sze Leong (Note d)	—	914,358	—	—	16,332	930,690
Chee Huiling Audrey (Note d)	—	515,814	—	—	78,236	594,050
Non-executive Director						
Chan Tsze Wah (Note c)	43,056	—	—	—	—	43,056
Independent Non-executive Directors						
Rosenkranz Eric Jon (Note d)	217,753	18,123	—	—	—	235,876
Lien Jown Jing Vincent (Note a)	74,000	5,000	—	—	—	79,000
Chan Chi Keung Alan	240,000	—	—	—	—	240,000
Chan Ming Sun Jonathan (Note b)	141,041	12,024	—	—	—	153,065
Lee Chi Hwa Joshua (Note e)	22,667	—	—	—	—	22,667
Lau Mei Ying (Note e)	22,667	—	—	—	—	22,667
Total emoluments	761,184	4,555,982	752,000	—	130,600	6,199,766

9 DIRECTORS' AND SENIOR EXECUTIVE'S EMOLUMENTS (Continued)

Notes:

(a) Resigned on 21 April 2015.

(b) Appointed on 21 April 2015 and resigned on 27 November 2015.

(c) Resigned on 10 November 2015.

(d) Resigned on 27 November 2015.

(e) Appointed on 27 November 2015.

During the year, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments (2015: nil).

(a) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2015: Nil).

(b) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: Nil).

(c) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2016, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2015: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

10 FINANCE COSTS

	2016 HK$	2015 HK$
Interest expense		
— Borrowing	**3,698,644**	2,219,178
— Licence fee liabilities	**–**	31,348
	3,698,644	2,250,526

11 INCOME TAX EXPENSES

	2016 HK$	2015 HK$
Current income tax	**–**	–
Deferred income tax (Note 29)	**–**	–
	–	–

No provision for Hong Kong and Singapore profits tax has been made in these consolidated financial statements as the tax losses brought forward from previous years exceed the estimated assessable profits (2015: same). The profits tax rates for Hong Kong and Singapore are 16.5% (2015: 16.5%) and 17% (2015: 17%) respectively.

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies comprising the Group as follows:

	2016 HK$	2015 HK$
Loss before income tax	**(20,430,775)**	(18,936,258)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(839,088)**	(3,066,771)
Income not subject to tax	**(174,870)**	(180,857)
Expenses not deductible for tax purpose	**775,268**	2,407,508
Tax losses for which no deferred income tax asset was recognised	**1,247,787**	1,416,274
Utilisation of previously unrecognised tax losses	**(1,009,097)**	(576,154)
Income tax expenses	**–**	–

12 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the consolidated loss attributable to owners for the year ended 31 December 2016 of HK$19,460,622 (2015: loss of HK$18,139,328) and on the weighted average number of 161,312,401 (2015: 56,058,286) of ordinary shares in issue during the year after the adjustment of the Rights Issue and share consolidation as set out in Note 24.

The comparative figures for the basic loss per share for the year ended 31 December 2015 are restated to take into account of the effect of the Rights Issue and share consolidation completed during the year as if they had been taken place since the beginning of the comparative period. The weighted average number of ordinary shares outstanding was retrospectively increased to reflect the discount in the Rights Issue and share consolidation. For the year ended 31 December 2015, the weighted average number of ordinary shares in issue was 358,150,163 before restatement.

	2016	2015
		(As restated)
Loss attributable to owners of the Company (HK$)	**(19,460,622)**	(18,139,328)
Weighted average number of ordinary share in issue	**161,312,401**	56,058,286
Basic loss per share	**(HK cents 12.1)**	(HK cents 32.4)

(b) Diluted

Diluted loss per share is the same as basic loss per share as potential dilutive ordinary shares outstanding during the year ended 31 December 2016 have no dilutive effect (2015: same).

13 PROPERTY, PLANT AND EQUIPMENT

	LCD monitors HK$	Furniture and office equipment HK$	Computer equipment HK$	Leasehold improvements HK$	Motor vehicles HK$	Total HK$
At 1 January 2015						
Cost	20,947,986	1,192,284	3,465,439	3,275,071	1,785,497	30,666,277
Accumulated depreciation	(13,987,534)	(1,067,337)	(2,851,905)	(1,376,153)	(441,394)	(19,724,323)
Net book amount	6,960,452	124,947	613,534	1,898,918	1,344,103	10,941,954
Year ended 31 December 2015						
Opening net book amount	6,960,452	124,947	613,534	1,898,918	1,344,103	10,941,954
Additions	1,401,427	44,234	234,139	392,876	2,690,049	4,762,725
Depreciation (Note 7)	(2,245,520)	(80,130)	(275,484)	(1,033,730)	(1,267,681)	(4,902,545)
Exchange difference on translation	(289,638)	(1,767)	(20,190)	(3,965)	(18,618)	(334,178)
Closing net book amount	5,826,721	87,284	551,999	1,254,099	2,747,853	10,467,956
At 31 December 2015						
Cost	21,667,962	1,211,692	3,613,412	3,636,414	4,450,722	34,580,202
Accumulated depreciation	(15,841,241)	(1,124,408)	(3,061,413)	(2,382,315)	(1,702,869)	(24,112,246)
Net book amount	5,826,721	87,284	551,999	1,254,099	2,747,853	10,467,956
Year ended 31 December 2016						
Opening net book amount	**5,826,721**	**87,284**	**551,999**	**1,254,099**	**2,747,853**	**10,467,956**
Additions	**516,875**	**236,444**	**427,316**	**4,605,030**	**696,000**	**6,481,665**
Acquisitions of subsidiaries (Note 31)	**–**	**–**	**463,817**	**–**	**–**	**463,817**
Disposals	**–**	**–**	**–**	**(358,575)**	**(190,987)**	**(549,562)**
Depreciation (Note 7)	**(1,970,483)**	**(63,801)**	**(301,476)**	**(1,747,175)**	**(1,498,698)**	**(5,581,633)**
Exchange difference on translation	**(33,930)**	**(75)**	**(6,579)**	**(395)**	**(1,517)**	**(42,496)**
Closing net book amount	**4,339,183**	**259,852**	**1,135,077**	**3,752,984**	**1,752,651**	**11,239,747**
At 31 December 2016						
Cost	**21, 951,709**	**1,439,895**	**4,561,192**	**7,699,499**	**4,502,057**	**40,154,352**
Accumulated depreciation	**(17,612,526)**	**(1,180,043)**	**(3,426,115)**	**(3,946,515)**	**(2,749,406)**	**(28,914,605)**
Net book amount	**4,339,183**	**259,852**	**1,135,077**	**3,752,984**	**1,752,651**	**11,239,747**

14 INTANGIBLE ASSETS

	Goodwill HK$	Rights to use intellectual properties HK$	Licence HK$	Total HK$
At 1 January 2015				
Cost	—	3,265,000	2,102,411	5,367,411
Accumulated amortisation	—	(1,707,424)	(1,681,967)	(3,389,391)
Net book amount	—	1,557,576	420,444	1,978,020
Year ended 31 December 2015				
Opening net book amount	—	1,557,576	420,444	1,978,020
Amortisation (Note 7)	—	(419,004)	(420,444)	(839,448)
Closing net book amount	—	1,138,572	—	1,138,572
At 31 December 2015				
Cost	—	3,265,000	2,102,411	5,367,411
Accumulated amortisation	—	(2,126,428)	(2,102,411)	(4,228,839)
Net book amount	—	1,138,572	—	1,138,572
Year ended 31 December 2016				
Opening net book amount	**—**	**1,138,572**	**—**	**1,138,572**
Acquisition of subsidiaries (Note 31)	**2,780,482**	**—**	**—**	**2,780,482**
Amortisation (Note 7)	**—**	**(419,004)**	**—**	**(419,004)**
Closing net book amount	**2,780,482**	**719,568**	**—**	**3,500,050**
At 31 December 2016				
Cost	**2,780,482**	**3,265,000**	**2,102,411**	**8,147,893**
Accumulated amortisation	**—**	**(2,545,432)**	**(2,102,411)**	**(4,647,843)**
Net book amount	**2,780,482**	**719,568**	**—**	**3,500,050**

14 INTANGIBLE ASSETS (Continued)

The Group acquired the securities brokerage business together with the relevant assets and liabilities, and the interest in Glory Creator Limited in November 2016. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the securities brokerage CGU (see Note 31).

The recoverable amounts of CGU are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash-flows beyond the five-year period are extrapolated using an estimated annual growth rate based on industry growth forecasts. Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are the CGU specific weighted average cost of capital, adjusted for the risks of the specific CGU.

As at 31 December 2016, the Group performed its annual goodwill impairment test. No impairments were recognised for the goodwill related to securities brokerage CGU since the recoverable amounts were greater than their carrying amounts.

15 FILM DEPOSITS AND RIGHTS

	Film deposits and rights HK$
Year ended 31 December 2015	
Opening net book amount	—
Acquisition of subsidiaries	132,336,077
Additions	4,512,672
Exchange difference on translation	(3,554)
Closing net book amount	136,845,195
At 31 December 2015	
Cost	136,845,195
Accumulated amortisation	—
Net book amount	136,845,195
Year ended 31 December 2016	
Opening net book amount	**136,845,195**
Additions	**2,051,248**
Exchange difference on translation	**16,388**
Closing net book amount	**138,912,831**
At 31 December 2016	
Cost	**138,912,831**
Accumulated amortisation	**—**
Net book amount	**138,912,831**

15 FILM DEPOSITS AND RIGHTS (Continued)

The recoverable amounts of the Group's film deposits and rights are supported by value-in-use calculations that have taken into account the estimated future cash flows, the status of each film and the availability of funding to complete the film.

The key assumptions used for value-in-use calculation in 2016 is as follows:

Box office earnings to production costs multiples	5.8–5.9
Discount rate	19.6%

These calculations use estimated future cash flows relating to each film deposits and rights based on financial budgets approved by the board of director. Management determined box office earnings to production costs multiples with reference to available market information and industry practice. The discount rate used is pre-tax and reflect specific risk relating to the relevant assets.

For the Group's film deposits and rights, the recoverable amount calculated based on value-in-use exceeded carrying value by HK$18,100,000. As such, there was no indication of impairment arising from the review on these as at 31 December 2016.

A decrease in box office earnings to production costs multiples to 5.68–5.78 or increase in discount rate by 2%, all changes taken in isolation, would remove the remaining headroom.

16 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2016 **HK$**	2015 HK$
At beginning of the year	**3,000,000**	—
Addition	**—**	3,000,000
At end of the year	**3,000,000**	3,000,000
Unlisted investment		
— Equity security	**3,000,000**	3,000,000

Available-for-sale financial asset is denominated in HK$.

17 INVENTORIES

	2016 **HK$**	2015 HK$
Finished goods	**1,107,786**	730,187

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$2,072,793 (2015: HK$1,685,924). No provision was made on the inventories as at 31 December 2016.

18 TRADE AND OTHER RECEIVABLES

	2016 **HK$**	2015 HK$
Trade receivables — third parties	**18,060,613**	19,091,369
Less: provision for impairment of trade receivables	**—**	(194,998)
Trade receivables — net	**18,060,613**	18,896,371
Prepayments, deposits and other receivables	**15,506,276**	22,446,632
	33,566,889	41,343,003
Less non-current portion:		
Rental deposit	**(4,121,740)**	(2,372,403)
Deposit with Hong Kong Exchanges and Clearing Limited	**(500,000)**	—
Prepayment for acquisition of plant and equipment	**—**	(4,026,304)
Current portion	**28,945,149**	34,944,296

The carrying amounts of trade and other receivables approximate their fair values.

18 TRADE AND OTHER RECEIVABLES (Continued)

The majority of the Group's sales are mainly on average credit terms of 60 to 90 days. Trade receivables of HK$12,828,284 (2015: HK$13,823,614) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. No provision for impairment of receivables has been provided for the remaining balance (2015: HK$194,998). The ageing analysis of these trade receivables is as follows:

	2016 **HK$**	2015 HK$
Neither past due nor impaired	**5,232,329**	5,072,757
0–30 days past due	**6,644,747**	8,126,101
31–60 days past due	**3,646,572**	1,300,767
Over 61 days past due	**2,536,965**	4,396,746
Past due but not impaired (Note a)	**12,828,284**	13,823,614
	18,060,613	18,896,371

Note:

(a) Past due but not impaired comprised of receivables from 71 (2015: 81) customers with 132 (2015: 197) campaign orders.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral over these balances.

18 TRADE AND OTHER RECEIVABLES (Continued)

	2016 **HK$**	2015 HK$
At 1 January	**194,998**	2,112,988
Provision for impairment (Note 7)	**–**	194,998
Receivables written off during the year as uncollectible	**(194,998)**	(1,884,609)
Recovery of impaired receivable during the year (Note 6)	**–**	(244,361)
Exchange difference	**–**	15,982
At 31 December	**–**	194,998

As of 31 December 2016, no trade receivables were impaired and provided for (2015: HK$194,998). The ageing analysis of these impaired receivables is as follows:

	2016 **HK$**	2015 HK$
Over 61 days past due	**–**	194,998

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	2016 **HK$**	2015 HK$
HK$	**21,135,825**	32,400,323
Singapore dollars ("SG$")	**12,349,931**	8,942,680
US$	**81,133**	–
	33,566,889	41,343,003

19 INTEREST IN AN ASSOCIATE

	2016 HK$	2015 HK$
Investment in an associate	**40,395**	—
Loan to an associate	**1,091,251**	—
	1,131,646	—

Movement in the investment in an associate is as follows:

	2016 HK$	2015 HK$
At beginning of the year	**—**	—
Addition	**1,250,000**	—
Share of loss of an associate	**(118,354)**	—
At end of the year	**1,131,646**	—

The following are the details of the investments in an associate as at 31 December 2016.

Name of company	Place of incorporation and operation	Proportion of ownership interest held by a subsidiary		Principal activities	Measurement method
		2016	2015		
Wisefit Smooth Limited	British Virgin Islands ("BVI")	**36%**	—	Retail of fruit drink in Hong Kong	Equity

Wisefit Smooth Limited is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investments in an associate, and there are no contingent liabilities of the associate itself as at 31 December 2016.

20 INTERESTS IN JOINT VENTURES

	2016 HK$	2015 HK$
Investments in joint ventures (Note a)	–	–
Amount due from a joint venture (Note b)	–	488,290
	–	488,290
Less: Impairment of amount due from a joint venture (Note 7)	–	(488,290)
	–	–

(a) Investments in joint ventures

Movements in the investments in joint ventures are as follows:

	2016 HK$	2015 HK$
At beginning of the year	–	1,124,132
Share of losses of joint ventures	–	(690,748)
Impairment of investment in a joint venture (Note 7)	–	(412,206)
Exchange difference	–	(21,178)
At end of the year	–	–

The following are the details of the investments in joint ventures as at 31 December 2016.

Name of company	Place of incorporation and operation	Proportion of ownership interest held by a subsidiary		Principal activities	Measurement method
		2016	2015		
Five Corners Limited (Note)	Hong Kong	–	–	Provision of out-of-home advertising services	Equity
OSG Capital Pte. Limited	Singapore	18%	18%	Provision of hospitality activities	Equity

20 INTERESTS IN JOINT VENTURES (Continued)

(a) Investments in joint ventures (Continued)

Note: During the year ended 31 December 2015, the Group disposed Five Corners Limited to the joint venture partner at HK$1 consideration. At date of disposal, the carrying amount of investment in Five Corners Limited is nil and resulted in HK$1 gain on disposal (Note 6).

There are no contingent liabilities relating to the Group's investment in a joint venture, and there are no contingent liabilities of the joint venture itself as at 31 December 2016.

(b) Amount due from a joint venture

During the year ended 31 December 2014, the Group entered into a shareholder loan agreement with its joint venture, OSG Capital Pte. Limited, to lend SG$100,000 (HK$621,000). The loan is interest free, unsecured and repayable on the third anniversary of the date of the opening of the first bar. The outstanding balance as at 31 December 2014 is HK$488,290. Full provision was made against this outstanding balance as at 31 December 2015 as there is no objective evidence to support that material amount can be recovered.

21 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2016 HK$	2015 HK$
Cash at bank	**73,248,475**	28,220,819
Cash and cash equivalents for the purposes of the consolidated statement of cash flows	**73,248,475**	28,220,819
Pledged bank deposits (Note a)	**285,184**	839,569
Maximum exposure to credit risk	**73,533,659**	29,060,388
Less non-current portion: Pledged bank deposits (Note a)	**(285,184)**	(548,000)
Current portion	**73,248,475**	28,512,388

21 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (Continued)

The carrying amounts of the cash and cash equivalents and pledged bank deposits are denominated in the following currencies:

	2016 **HK$**	2015 HK$
HK$	**64,428,514**	10,809,491
SG$	**6,647,295**	13,485,350
RMB	**103,382**	36,438
US$	**2,354,468**	4,729,109
	73,533,659	29,060,388

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

Notes:

(a) As at 31 December 2016, bank deposits of HK$285,184 (2015: HK$839,569) were pledged to a bank for guarantees issued by the bank.

(b) As at 31 December 2016, funds of the Group denominated in RMB amounting to HK$5,443 were kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2015: HK$8,595).

22 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 **HK$**	2015 HK$
At beginning of the year	**–**	1,898,734
Fair value gain/(loss) (Note 6)	**388,500**	(1,898,734)
At end of the year	**388,500**	–

23 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statements of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. Cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

24 SHARE CAPITAL

	Number of ordinary shares	**Share Capital** HK$
Authorised:		
Balance at beginning of the year (ordinary shares of HK$0.01 each)	**10,000,000,000**	**100,000,000**
Share Consolidation (Note c)	**(9,000,000,000)**	**—**
Balance at end of the year (ordinary shares of HK$0.1 (2015: HK$0.01) each)	**1,000,000,000**	**100,000,000**
Issued and fully paid:		
At 1 January 2015	328,000,000	3,280,000
Issue of shares upon exercises of:		
— Share options under Share Option Schemes	7,892,400	78,924
— Warrants	9,000,000	90,000
Issue of consideration shares (Note a)	37,471,680	374,717
At 31 December 2015	382,364,080	3,823,641
Issue of shares under Rights Issue (Note b)	**1,911,820,400**	**19,118,204**
Share Consolidation (Note c)	**(2,064,766,032)**	**—**
At 31 December 2016	**229,418,448**	**22,941,845**

24 SHARE CAPITAL (Continued)

Note:

(a) The Group issued 37,471,680 ordinary shares on 20 August 2015 as part of the purchase consideration for an acquisition of 100% equity interest in Ricco Media Investments Limited ("RMI"). The fair value of the shares issued amounted to approximately HK$40,469,415 (HK$1.08 per share).

(b) On 26 May 2016, the Company completed a rights issue of five rights shares for every one ordinary share then held by qualifying shareholders at a subscription price of HK$0.068 per rights share ("Rights Issue"), resulting in the allotment and issue of 1,911,820,400 rights shares. Accordingly, the number of shares of the Company in issue changed from 382,364,080 shares of HK$0.01 each to 2,294,184,480 shares of HK$0.01 each. The net proceeds from the Rights Issue, after deducting directly attributable costs, amounted to approximately HK$125.8 million.

(c) Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 1 November 2016, the shareholders of the Company have approved the consolidation of every ten shares of HK$0.01 each into one consolidated share of HK$0.1 each in the issued and unissued share capital of the Company with effect from 2 November 2016 ("Share Consolidation").

25 SHARE-BASED PAYMENTS

(a) Pre-IPO share option scheme

Pursuant to the written resolutions of the shareholders dated 26 March 2011, selected executive directors and employees are granted a total share option of 12,300,000 shares (the "Pre-IPO Share Option") under the Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme"). The exercise price per share under the Pre-IPO Share Option Scheme shall be equal to the placing price (i.e. HK$0.72 per share). Each of the Pre-IPO Share Option has a 10-year exercisable period, from 28 July 2011, and ending on the expiration of the tenth anniversary of the date of acceptance of the grant of options, on 27 July 2021 ("Expiry Date").

Commencing from the date on which trading in the shares of the Company first commenced on the Hong Kong Stock Exchange, being the Listing Date, the expiry of the first six months, each month thereafter up to the eleventh month and the twelfth month after the Listing Date, the relevant grantee may exercise options up to 50%, additional 8% each month and 100% respectively.

The fair value of the share options granted on 30 June 2011, determined using the binominal model (the "Model"), ranges from HK$0.31 to HK$0.36 per option. The significant inputs into the Model were share price of HK$0.72 at the grant date, exercise price shown above, expected dividend yield rate of 0%, an expected option life of ten years and expected volatility of 73%. The volatility measured is based on the average annualised standard deviations of the continuously compounded rates of return on the share prices of comparable companies with similar business operation.

See Note 7 for the total expense recognised in the consolidated statement of comprehensive income for share options granted to directors and employees. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

25 SHARE-BASED PAYMENTS (Continued)

(a) Pre-IPO share option scheme (Continued)

Movements in the number of share options outstanding and their related exercise prices are as follows:

	2016		2015	
	Average exercise price in HK$ per share option	**Number of share options**	Average exercise price in HK$ per share option	Number of share options
At 1 January	**0.720**	**3,608,000**	0.72	8,626,400
Exercised	**—**	**—**	0.72	(5,018,400)
Adjustments:				
— Rights Issue (Note a)	**0.290**	**5,349,793**	—	—
— Share Consolidation (Note b)	**2.900**	**(8,062,015)**	—	—
At 31 December	**2.920**	**895,778**	0.72	3,608,000

Notes:

(a) As a result of the completion of the Rights Issue in May 2016, adjustments as to the exercise price and the number of shares entitled to be subscribed for under the outstanding options have been made in accordance with the terms and conditions of the Pre-IPO Share Option Scheme. Accordingly, the exercise price has been adjusted from HK$0.72 to HK$0.29 and the number of shares entitled to be subscribed for under the outstanding options has been adjusted from 3,608,000 to 8,957,793.

(b) As a result of the completion of the Share Consolidation in November 2016, adjustments as to the exercise price and the number of shares entitled to be subscribed for under the outstanding options have been made in accordance with the terms and conditions of the Pre-IPO Share Option Scheme. Accordingly, the exercise price has been adjusted from HK$0.29 to HK$2.90 and the number of shares entitled to be subscribed for under the outstanding options has been adjusted from 8,957,793 to 895,778.

Out of the 895,778 (2015: 3,608,000) outstanding options, 895,778 (2015: 3,608,000) options were exercisable as at 31 December 2016.

25 SHARE-BASED PAYMENTS (Continued)

(b) Share option scheme

Pursuant to the written resolutions of the shareholders dated 26 March 2011, the Company conditionally approved and adopted a share option scheme (the "Share Option Scheme"). The Share Option Scheme became effective on 28 July 2011 when the Company's shares are listed on the Hong Kong Stock Exchange.

On 20 December 2011, selected executive directors, employees and financial advisor were granted a total share option of 11,640,000 shares under the Share Option Scheme. The exercise price per share under the Share Option Scheme shall be equal to the quoted market share price of HK$0.724 per share. Each of the share option has a 10-year exercisable period, from 20 December 2011, and ending on the expiration of the tenth anniversary of the date of acceptance of the grant of options, on 19 December 2021 ("Expiry Date").

Commencing from the date of acceptance of the grant (the "Acceptance Date"), the expiry of first, second and third anniversaries of the Acceptance Date, the relevant grantee may exercise options up to 33%, 66% and 100% respectively.

The fair value of the share options granted on 20 December 2011, determined using the binominal model (the "Model"), ranges from HK$0.19 to HK$0.21 per option. The significant inputs into the Model were share price of HK$0.724 at the grant date, exercise price shown above, expected dividend yield rate of 3%, an expected option life of ten years and expected volatility of 47.7%. The volatility measured is based on the average annualised standard deviations of the continuously compounded rates of return on the share prices of comparable companies with similar business operation.

See Note 7 for the total expense recognised in the consolidated statement of comprehensive income for share options granted to directors and employees. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

25 SHARE-BASED PAYMENTS (Continued)

(b) Share option scheme (Continued)

Movements in the number of share options outstanding and their related exercise prices are as follows:

	2016		2015	
	Average exercise price in HK$ per share option	**Number of share options**	Average exercise price in HK$ per share option	Number of share options
At 1 January	**0.724**	**1,772,000**	0.724	5,302,000
Forfeited	**—**	**—**	0.724	(656,000)
Exercised	**—**	**—**	0.724	(2,874,000)
Adjustments:				
— Rights Issue (Note a)	**0.292**	**2,627,449**	—	—
— Share Consolidation (Note b)	**2.920**	**(3,959,507)**	—	—
At 31 December	**2.920**	**439,942**	0.724	1,772,000

Notes:

(a) As a result of the completion of the Rights Issue in May 2016, adjustments as to the exercise price and the number of shares entitled to be subscribed for under the outstanding options have been made in accordance with the terms and conditions of the Share Option Scheme. Accordingly, the exercise price has been adjusted from HK$0.724 to HK$0.292 and the number of shares entitled to be subscribed for under the outstanding options has been adjusted from 1,772,000 to 4,399,449.

(b) As a result of the completion of the Share Consolidation in November 2016, adjustments as to the exercise price and the number of shares entitled to be subscribed for under the outstanding options have been made in accordance with the terms and conditions of the Share Option Scheme. Accordingly, the exercise price has been adjusted from HK$0.292 to HK$2.92 and the number of shares entitled to be subscribed for under the outstanding options has been adjusted from 4,399,449 to 439,942.

Out of 439,942 (2015: 1,772,000) outstanding options, 439,942 (2015: 1,772,000) options were exercisable as at 31 December 2016.

26 TRADE AND OTHER PAYABLES

	2016 HK$	2015 HK$
Trade payables	**294,665**	462,884
Licence fee payable	**739,745**	739,745
Other payables	**7,980,455**	25,831,926
Accruals	**15,313,889**	10,101,410
	24,328,754	37,135,965

The carrying amounts of the trade and other payables approximate their fair values.

Payment terms granted by suppliers ranged from 60 to 90 days after end of the month in which the relevant purchase occurred.

As at 31 December 2015, the balance of trade and other payables includes an amount due to a shareholder of HK$19,628,280, which is unsecured, interest-free and repayable on demand. The carrying amount approximates its fair value and majority of it is denominated in US$. During the year ended 31 December 2016, the amount due to a shareholder has been fully settled.

The ageing analysis of the trade payables based on the due date is as follows:

	2016 HK$	2015 HK$
Current	**294,665**	462,884
Over 60 days past due	**—**	—
	294,665	462,884

26 TRADE AND OTHER PAYABLES (Continued)

The carrying amounts of the trade and other payables are denominated in the following currencies:

	2016 HK$	2015 HK$
HK$	**14,812,273**	10,785,615
SG$	**4,575,833**	3,756,790
RMB	**115,837**	1,668,771
US$	**4,824,811**	20,924,789
	24,328,754	37,135,965

27 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

28 BORROWING AND INTEREST PAYABLE

	2016 HK$	2015 HK$
Short-term borrowing	**–**	50,000,000
Interest payable	**–**	2,219,178
	–	52,219,178

The Group had no borrowing and interest payable as at 31 December 2016.

In January 2016, the Group borrowed a further short-term loan of HK$30,000,000 to settle the accrued interest of HK$2,465,753 of the existing short-term loan HK$50,000,000, while the remaining loan proceeds of HK$27,534,247 are to be used to fund its operations. These short-term borrowings of HK$80,000,000 in total, together with their accrued interests of HK$3,452,055, were fully repaid on 26 May 2016.

The carrying amounts of borrowing and interest payable approximate their fair values.

The interest rate of the borrowing was 12% (2015: 12%) as at 31 December 2016.

The financier, Joy Wealth Finance Limited, is a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) and is an independent third party to the Group.

Interest expense on borrowing for the year ended 31 December 2016 is HK$3,698,644 (2015: HK$2,219,178).

29 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2016 HK$	2015 HK$
Deferred tax assets	**316,308**	233,721
Deferred tax liabilities	**(316,308)**	(233,721)
	–	–

29 DEFERRED INCOME TAX (Continued)

The gross movement on the deferred income tax account is as follows:

	2016 HK$	2015 HK$
At 1 January	**–**	–
Credited to the consolidated statement of comprehensive income arising from deferred income tax liabilities	**(82,587)**	(66,381)
Credited to the consolidated statement of comprehensive income arising from deferred income tax assets	**82,587**	66,381
At 31 December	**–**	–

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation	
	2016 HK$	2015 HK$
At 1 January	**233,721**	167,340
Charged to the consolidated statement of comprehensive income	**82,587**	66,381
At 31 December	**316,308**	233,721

Deferred income tax assets

	Tax loss	
	2016 HK$	2015 HK$
At 1 January	**233,721**	167,340
Credited to the consolidated statement of comprehensive income	**82,587**	66,381
At 31 December	**316,308**	233,721

29 DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$39,677,361 (2015: HK$35,768,761) to carry forward against future taxable income which is of no expiration date.

30 CASH USED IN OPERATIONS

	2016 HK$	2015 HK$
Loss before income tax	**(20,430,775)**	(18,936,258)
Adjustments for:		
Depreciation and amortisation charges	**6,000,637**	5,741,993
Share of loss of an associate	**118,354**	—
Share of losses of joint ventures	**—**	690,748
Gain on disposal of property, plant and equipment	**(9,013)**	—
Gain on disposal of a joint venture	**—**	(1)
Fair value (gain)/loss of financial asset at fair value through profit or loss	**(388,500)**	1,898,734
Impairment of investment in a joint venture	**—**	412,206
Impairment of amount due from a joint venture	**—**	488,290
Interest income	**(393)**	(1,425)
Finance costs	**3,698,644**	2,250,526
Operating loss before working capital changes	**(11,011,046)**	(7,455,187)
Changes in working capital:		
Inventories	**(363,182)**	(730,187)
Trade and other receivables	**11,292,652**	(13,758,710)
Cash held on behalf of brokerage clients	**(7,845,525)**	—
Trade and other payables	**(12,990,478)**	(918,965)
Accounts payable to brokerage clients	**7,858,252**	—
Deferred revenue	**(2,013,312)**	3,332,231
Cash used in operations	**(15,072,639)**	(19,530,818)

31 ACQUISITION OF SUBSIDIARIES

On 8 August 2016, the Group entered into a sale and purchase agreement to acquire 100% issued share capital of Glory Creator Limited and its 80%, owned subsidiary, Cornerstone Securities Limited (collectively, "GCL Group") at a total consideration of HK$12,850,000. The transaction was completed on 22 November 2016. GCL Group are principally engaged in the provision of securities brokerage service for products offered by the Stock Exchange to its customers.

The following table summarises the consideration paid for GCL Group, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

Recognised amounts of identifiable assets acquired and liabilities assumed

	HK$
Plant and equipment	463,817
Deposit with Hong Kong Exchanges and Clearing Limited	500,000
Other receivables and deposit	3,049,959
Cash held on behalf of brokerage clients	12,820,091
Cash and cash equivalents	6,356,075
Trade and other payable	(300,333)
Account payable to brokerage clients	(12,820,091)
Shareholder loan	(12,002,249)
Total identifiable net liabilities	**(1,932,731)**
Satisfied by:	
Cash consideration paid	12,850,000
Less: Shareholder loan	(12,002,249)
Effective consideration	**847,751**
Effective consideration:	
Total identifiable net liabilities	(1,932,731)
Goodwill	2,780,482
	847,751

32 DIVIDENDS

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2016 HK$	2015 HK$
Assets			
Non-current assets			
Interests in subsidiaries		**236,160,008**	236,160,000
Current assets			
Deposits, prepayments and other receivables		**173,104**	325,587
Amount due from subsidiaries		**93,334,888**	50,000,000
Cash and cash equivalents		**15,671,011**	—
		109,179,003	50,325,587
Total assets		**345,339,011**	286,485,587
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	33(b)	**22,941,845**	3,823,641
Share premium	33(b)	**440,528,546**	333,877,058
Warrant reserve	33(b)	**—**	—
Share option reserve	33(b)	**2,020,536**	2,020,536
Accumulated losses	33(b)	**(121,880,866)**	(106,127,763)
Total equity		**343,610,061**	233,593,472
Current liabilities			
Accrued charges		**1,728,950**	672,937
Borrowing and interest payable		**—**	52,219,178
		1,728,950	52,892,115
Total equity and liabilities		**345,339,011**	286,485,587
Net current assets/(liabilities)		**107,450,053**	(2,566,528)
Total assets less current liabilities		**343,610,061**	233,593,472

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2017 and was signed on its behalf.

Wong Hong Gay Patrick Jonathan
Director

Chen Xiaoping
Director

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share capital	Share premium	Warrant reserve	Share option reserve	Accumulated losses	Total
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2015	3,280,000	274,344,873	67,900	4,455,455	(48,381,593)	233,766,635
Loss for the year	–	–	–	–	(57,946,602)	(57,946,602)
Share option scheme						
— Proceeds from shares issued	78,924	7,898,856	–	(2,283,756)	–	5,694,024
— Transfer upon forfeiture of share options	–	–	–	(151,163)	151,163	–
Warrants						
— Proceeds from shares issued	90,000	11,538,631	(18,631)	–	–	11,610,000
— Transfer upon lapse of warrants	–	–	(49,269)	–	49,269	–
Issue of ordinary shares related to acquisition of subsidiaries	374,717	40,094,698	–	–	–	40,469,415
At 31 December 2015	3,823,641	333,877,058	–	2,020,536	(106,127,763)	233,593,472
At 1 January 2016	**3,823,641**	**333,877,058**	**–**	**2,020,536**	**(106,127,763)**	**233,593,472**
Loss for the year	**–**	**–**	**–**	**–**	**(15,753,103)**	**(15,753,103)**
Rights issue						
— Proceeds from rights issue	**19,118,204**	**110,885,583**	**–**	**–**	**–**	**130,003,787**
— Rights issue expenses	**–**	**(4,234,095)**	**–**	**–**	**–**	**(4,234,095)**
At 31 December 2016	**22,941,845**	**440,528,546**	**–**	**2,020,536**	**(121,880,866)**	**343,610,061**

34 COMMITMENTS

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of its office buildings and outdoor billboard spaces are as follows:

	2016 **HK$**	2015 HK$
No later than 1 year	**19,141,842**	10,079,402
Later than 1 year and no later than 5 years	**22,619,553**	5,448,518
	41,761,395	15,527,920

(b) Other commitments

At 31 December 2016 and 2015, the Group had commitments contracted but not provided for in these consolidated financial statements as follows:

	2016 **HK$**	2015 HK$
Development of film rights	**–**	1,356,005

35 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with a related party:

	2016 **HK$**	2015 HK$
Purchases of services:		
— A joint venture	**–**	630,000

Services are bought from a joint venture on normal commercial terms and conditions.

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2016, the Company has direct and indirect interests in the following subsidiaries:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued share capital/paid up registered capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares directly held by group (%)	Proportion of ordinary shares directly held by non-controlling interests (%)
Direct subsidiaries						
Focus Media Network Limited	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	10,780,000 ordinary shares of HK$0.01 each	100	100	–
Multiple Truth Limited	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	1 ordinary share of US$1 each	100	100	–
Indirect subsidiaries						
Focus Media Hong Kong Limited	Hong Kong, limited liability company	Provision of out-of-home advertising services in Hong Kong	10,000 ordinary shares of HK$1 each	–	100	–
Creative Execution Limited	Hong Kong, limited liability company	Provision of out-of-home advertising services in Hong Kong	10,000 ordinary shares of HK$1 each	–	100	–
Babysteps Limited	Hong Kong, limited liability company	Provision of early childhood education in Hong Kong	100 ordinary shares of HK$1 each	–	70	30
鋭奕(上海)廣告有限公司	People's Republic of China, wholly foreign owned enterprise	Provision of out-of-home advertising services in People's Republic of China	RMB1,000,000	–	100	–
Focus Media Singapore Pte. Ltd.	Singapore, limited liability company	Provision of out-of-home advertising services in Singapore	10 ordinary shares of SG$1 each	–	100	–
Creative Execution (Pte.) Limited	Singapore, limited liability company	Provision of out-of-home advertising services in Singapore	10 ordinary shares of SG$1 each	–	100	–
CNP Cosmetics Singapore Pte. Limited	Singapore, limited liability company	Retail of skin care products in Singapore	1,000 ordinary shares of SG$1 each	–	100	–
Ricco Media Investments Limited	British Virgin Islands, limited liability company	Investment holding in United States	1 ordinary share of US$1 each	–	100	–
Ricco Entertainment Investments Inc.	United States, limited liability company	Investment holding in United States	US$100	–	100	–
Stan Lee Global Entertainment LLC	United States, limited liability company	Film development, production and distribution in United States	Nil	–	75	25
Magic Storm Entertainment LLC	United States, limited liability company	Film development, production and distribution in United States	US$3,000,000	–	75	25

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

As at 31 December 2016, the Company has direct and indirect interests in the following subsidiaries: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued share capital/paid up registered capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares directly held by group (%)	Proportion of ordinary shares directly held by non-controlling interests (%)
Indirect subsidiaries (Continued)						
Sino Shine Global Limited	British Virgin Islands, limited liability company	Investment holding in British Virgin Islands	1 ordinary share of US$1 each	–	100	–
Richgroup International Investment Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary shares of HK$1 each	–	100	–
Glory Creator Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary shares of HK$1 each	–	100	–
Cornerstone Securities Limited	Hong Kong, limited liability company	Securities brokerage business in Hong Kong	1 ordinary shares of HK$1 each	–	80	20

37 NON-CONTROLLING INTERESTS

The total non-controlling interest mainly relate to Stan Lee Global Entertainment LLC, a 75% owned subsidiary of the Group. As at 31 December 2016, the net assets of Stan Lee Global Entertainment LLC primarily comprised of film deposits and rights of HK$138,912,831 (2015: HK$136,845,195).

38 SUBSEQUENT EVENTS

Save disclosed elsewhere in the consolidated financial statements, there is no significant event that took place after the end of the reporting period.