China Digital Culture (Group) Limited
中國數碼文化（集團）有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8175)

ANNUAL REPORT 2020

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CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Hsu Tung Chi *(Chairman)*
Zhang Jing
Lai Kwok Fai, Franki (resigned on 13 March 2020)
Ng Fung Tai (appointed on 9 February 2021)

Independent Non-executive Directors

Kwok Chi Sun, Vincent
Wong Tak Shing
Gou Yanlin

CHIEF EXECUTIVE OFFICER

Jiang Chao

AUDIT COMMITTEE

Kwok Chi Sun, Vincent
Wong Tak Shing
Gou Yanlin

REMUNERATION COMMITTEE

Kwok Chi Sun, Vincent
Hsu Tung Chi
Gou Yanlin

NOMINATION COMMITTEE

Kwok Chi Sun, Vincent
Hsu Tung Chi
Wong Tak Shing

COMPANY SECRETARY

Tung Sze Ho, Dicky

COMPLIANCE OFFICER

Hsu Tung Chi

AUTHORISED REPRESENTATIVES

Hsu Tung Chi
Tung Sze Ho, Dicky

AUDITOR

Elite Partners CPA Limited
Certified Public Accountants
10/F, 8 Observatory Road
Tsim Sha Tsui
Kowloon
Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 17B, 17/F
United Centre
95 Queensway
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Bank of Communications Co., Ltd

WEBSITE ADDRESS

www.cdculture.com

STOCK CODE

08175

FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
RESULTS					
Revenue	206,214	349,816	290,231	181,367	**56,358**
Profit/(loss) for the year attributable to:					
Equity holders of the Company	5,103	22,917	(101,728)	(419,868)	**(360,414)**
Non-controlling interests	161	(1,047)	(2,693)	(1,994)	**(1,520)**
Profit/(loss) for the year	5,264	21,870	(104,421)	(421,862)	**(361,934)**

ASSETS AND LIABILITIES

	As at 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Total assets	1,192,365	1,703,381	1,514,346	839,408	**464,988**
Total liabilities	(350,271)	(806,612)	(740,825)	(514,028)	**(531,005)**
Non-controlling interests	(24,336)	1,180	(1,248)	5,740	**8,115**
Net assets (liabilities) attributable to owners of the Company	817,758	897,949	772,273	331,120	**(57,902)**

Note:

The Company was incorporated in the Cayman Islands on 10 October 2002 and continued in Bermuda on 19 December 2012. The Company has become the holding company of the Group since 15 January 2003 as a result of the Group reorganisation.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board"), we hereby present the annual report of China Digital Culture (Group) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2020 ("2020").

RESULTS PERFORMANCE

For the year ended 31 December 2020, the revenue of the Group was approximately HK$56,358,000, representing a decrease of approximately 69% as compared with the revenue of approximately HK$181,367,000 for the year ended 31 December 2019 ("2019").

For the year ended 31 December 2020, the Company recorded a loss attributable to owners of the Company of approximately HK$360,414,000 compared to a loss attributable to equity holders of the Company of approximately HK$419,868,000 in 2019. The loss attributable to owners of the Company in 2020 was primarily attributable to (i) impairment on goodwill and intangible assets; (ii) provisions on inventory and doubtful debts as a result of decreased revenue and collectability on accounts receivables; and (iii) economic contraction caused by the Novel Coronavirus pandemic during 2020.

OUTLOOK

Looking ahead at the rest of 2021, the Group will continue to expand the E-sports business. Although there is still a possibility of the Coronavirus Disease 2019 ("COVID-19") causing continued economic downturn in the world, the Group is optimistic that the E-sports industry will continue to grow and prosper in the long-term. The Group will continue to build on the aggressive expansion of the E-sports industry in the PRC and we are committed to creating an ecosystem that surrounds the E-sports industry including businesses in education, e-commerce, event operations and real estate development.

Finally, on behalf of the Board, I would like to express my heartfelt thanks to all our shareholders, investors and customers for their support, and all members of the Board and staff for their dedication and contribution to the Group.

Hsu Tung Chi
Chairman

Hong Kong, 31 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2020, the Company recorded revenue of approximately HK$56,358,000 (2019: HK$181,367,000) and a loss before taxation of approximately HK$370,415,000 (2019: loss before taxation of HK$441,257,000).

The decrease in revenue is primarily attributable to poor market sentiment and economic contraction caused by the COVID-19 pandemic during 2020.

SPORTS SEGMENT

The sports segment includes the sale of athlete's agency agreements, licensing and sale of sports content and marketing and promotional activities for professional athletes which are operated by Nova Dragon International Limited ("Nova Dragon") and Socle Limited ("Socle").

During the year ended 31 December 2020, the sports segment recorded revenue of approximately HK$5,596,000 (2019: HK$32,694,000) and a loss before taxation and unallocated income and expenses of approximately HK$43,186,000 (2019: loss before taxation and unallocated income and expenses of HK$53,403,000). The decrease in revenue is primarily attributable to general economic slowdown in the PRC caused by the COVID-19 pandemic. The sports segment also recorded impairment of goodwill of approximately HK$37,623,000 (2019: HK$52,229,000).

Nova Dragon is principally engaged in assisting professional athletes with marketing and promotional activities worldwide. Socle is principally engaged in the business of licensing and sale of sports content and is one of the foremost providers of sports and entertainment content in the PRC.

ENTERTAINMENT SEGMENT

The entertainment segment includes the licensing and sale of music and entertainment content which is primarily operated by Far Glory Limited ("Far Glory") and Orient Digital Entertainment Limited ("ODE"), respectively. The entertainment segment also includes the planning and design services for concerts, management and operations of the Group's E-sports teams and management of the Group's webcast celebrities.

During the year ended 31 December 2020, the entertainment segment recorded revenue of approximately HK$46,757,000 (2019: HK$137,562,000) and a loss before taxation and unallocated income and expenses of approximately HK$283,880,000 (2019: HK$190,678,000). The decrease in revenue was primarily due to poor market sentiment and economic contraction caused by the COVID-19 pandemic. The entertainment segment also recorded impairment of goodwill of approximately HK$86,891,000 (2019: HK$138,852,000).

ODE and its subsidiaries are principally engaged in the business of licensing and sale of entertainment content and products such as promotion, sales and distribution of movie and television licensed content worldwide and the management of webcast celebrities. ODE also invests in the production of movies, TV shows and musicals.

Far Glory and its subsidiaries are principally engaged in the business of licensing and sale of music content as well as the planning and design of music events.

The Group's E-sports business is primarily operated by Summer Eagle Limited ("Summer Eagle") and its subsidiaries ("Summer Eagle Group"). Summer Eagle is principally engaged in the management and operations of professional E-sports teams.

MANAGEMENT DISCUSSION AND ANALYSIS

THEME PARK SEGMENT

The theme park segment includes the film-based cultural theme park business and tourism focused projects which is operated by the Dream World Holdings Limited ("Dream World") and its subsidiaries (collectively, the "Dream World Group").

During the year ended 31 December 2020, the theme park segment recorded a revenue of approximately HK$4,005,000 (2019: HK$11,111,000) and loss before taxation and unallocated income and expenses of approximately HK$6,748,000 (2019: HK$127,908,000). The decrease in revenue was primarily attributable to the decrease in consultancy revenue. The decrease in loss before taxation and unallocated income and expenses from 2019 to 2020 was primarily due to decreased impairment of goodwill.

Dream World Group is principally engaged in the management and operations of film-based cultural theme parks and tourism focused projects. Dream World is currently operating the Huaqiao Dream World Movie and Cultural Theme Parks located in the Kunshan Huaqiao Economic Development Zone in the junction of Shanghai and Suzhou of the PRC.

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group recorded revenue of approximately HK$56,358,000, representing a decrease of approximately 68.9% from approximately HK$181,367,000 for the previous financial year. Cost of services rendered for 2020 was approximately HK$32,082,000 which represented a decrease of approximately 75.3% from approximately HK$129,758,000 in 2019. Gross profit margin in 2020 was approximately 43.1% which was higher than the gross profit margin of approximately 28.5% for the previous financial year.

During the year ended 31 December 2020, administrative expenses incurred by the Group were approximately HK$369,855,000 (2019: HK$770,906,000). The decrease in administrative expenses was primarily due to the decrease in impairment of goodwill, impairment of intangible assets and provision for doubtful debt on accounts receivable.

During the year ended 31 December 2020, the Group recorded approximately HK$2,245,000 (2019: HK$2,823,000) in selling and distribution costs. The decrease in selling and distribution costs was primarily due to the decrease in marketing expenses in 2020.

During the year ended 31 December 2020, the Group recorded approximately HK$33,546,000 (2019: HK$34,129,000) in finance costs.

As a result of the aforesaid figures, the Group reported a loss attributable to owners of the Company for the year ended 31 December 2020 of approximately HK$360,414,000 (2019: loss attributable to equity holders of the Company of HK$419,868,000).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had current assets of approximately HK$98,262,000 (2019: HK$204,163,000) and current liabilities of approximately HK$72,909,000 (2019: HK$78,739,000). The current assets were comprised mainly of bank balances and cash of approximately HK$26,023,000 (2019: HK$32,568,000), inventories of approximately HK$24,509,000 (2019: HK$17,022,000) and accounts and other receivables of approximately HK$46,450,000 (2019: HK$86,442,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK$28,593,000 (2019: HK$52,933,000) and interest-bearing borrowings of approximately HK$25,000,000. As at 31 December 2020, the Group had a current ratio of approximately 1.35 as compared to that of approximately of 2.59 as at 31 December 2019.

Most of the business transactions, assets and liabilities of the Group are denominated in Hong Kong Dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong Dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2020, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

FUND RAISING ACTIVITIES

THE CONVERTIBLE BONDS

On 19 June 2017, the Company issued convertible bonds (the "Convertible Bonds") with the aggregate principal amount of HK$412,500,000 to Hangzhou Liaison Interactive Information Technology Co., Limited (杭州聯絡互動信息科技股有限公司, the "Subscriber"). The holders of the Convertible Bonds will be able to convert the outstanding principal amount of each of the Convertible Bonds into ordinary shares of the Company at a conversion price of HK$0.55 per conversion share at any time following the date of issue until the maturity date (18 June 2022). The Convertible Bonds bear interest of 5.5 per cent per annum, payable annually. Please refer to the announcements of the Company dated 9 February 2017 and 19 June 2017 and the circular of the Company dated 13 March 2017 in relation to the issue of the Convertible Bonds for more details.

The Directors considered that the issue of the Convertible Bonds (i) represented a good opportunity for the Company to raise funds from the issue of Convertible Bonds to strengthen its financial position as well as to provide immediate funding to the Group for its business development without resulting in immediate dilution effect on the shareholding interests of the existing shareholders of the Company; and (ii) would enable the Company to build a strategic partnership with the Subscriber, a leading player in the electronic gaming industry in the PRC, and in collaboration with the Subscriber, to develop the "Mobile E-sports" market and the related peripherals market by combining mobile broadcasting and electronic gaming which may in turn diversify and enhance the E-sports and webcast celebrity businesses in the entertainment segment of the Group despite that the Subscriber will not appoint a Director and is not eligible to nominate any candidate to the Board.

As at 31 December 2020, the net proceeds (after deduction of the relevant expenses) from the issue of the Convertible Bonds amounted to approximately HK$411.7 million.

The Directors are of the view that the Company can recognise considerable gains on the sale of its E-sports businesses as evidenced by the consideration of HK$70 million for the sale of Star Summer Company Limited ("Star Summer") and its subsidiaries ("Star Summer Group") during the year ended 31 December 2019. As such, the Directors resolved to assign more resources to the development of its E-sports and webcast celebrity operations. Details of which are as follows:

		Planned use of proceeds stated in the circular dated 13 March 2017	Revised allocation of the net proceeds	Unutilised proceeds as at 31 December 2019	Actual use of proceeds from 1 January 2020 to 31 December 2020	Unutilised proceeds as at 31 December 2020
		HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
(i)	Expanding E-sports and webcast celebrity operations, including the investment in the newly acquired Shanghai Xin Ke Culture Media Company Limited and Jieyi Wenchuang Company Limited, and the joint venture investment in Yujia Yule Media Company Limited and Kunshan Jieyi Culture Communication Company Limited	180.0	149.0	–	–	–
(ii)	Promotion and marketing in relation to the Group's athlete management business	20.0	20.0	–	–	–
(iii)	Development of the entertainment segment through investment in movies and television shows	100.0	134.6	–	–	–
(iv)	Acquisition of sports licenses	50.0	52.8	–	–	–
(v)	General working capital of the Group	61.7	55.3	–	–	–
		411.7	411.7	–	–	–

On 7 May 2020, the Company received a writ of summons with statement of claim dated 21 April 2020 (the "Claim Documents") issued in the Court of First Instance of the High Court of Hong Kong on 7 May 2020 by the solicitors acting for Hangzhou Liaison Interactive Information Technology Co., Ltd as the plaintiff (the "Plaintiff") against the Company as defendant. Based on the Claim Documents, the Plaintiff is seeking various reliefs against the Company for the restitution of benefit under a subscription agreement dated 8 February 2017 relating to convertible bonds in aggregate of HK$412,500,000 issued by the Company during the year ended 31 December 2017 ("Subscription Agreement") in the sum of (i) HK$372,843,493 on the ground of misrepresentation; or alternatively (ii) HK$437,300,856 as a result of breach of the Subscription Agreement, the bond instrument (the "Instrument") dated 19 June 2017 and the terms and condition of the convertible bonds contained in the Instrument; or alternatively (iii) HK$105,718,493 under certain clause of a supplement deed dated 16 May 2019 and related interest. For details of the case, please refer to the Company's announcements dated 5 June, 22 April 2020 and 15 October 2020.

The Company filed an acknowledgment of service of writ of summons indicating that the Company intends to contest the proceedings and had filed the defence on 2 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

THE SUBSCRIPTIONS

Reference is made to the announcements of the Company dated 31 July 2020 and 28 September 2020. The Company entered into subscription agreements with Wand Finance Limited ("Subscriber I"), Metroway Century Holdings Limited ("Subscriber II") and Bravo Crystal Limited ("Subscriber III"), (collectively, the "Subscribers"), pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for the subscription shares comprising an aggregate of 300,000,000 new shares ("Subscription Shares") at the subscription price of HK$0.046 per subscription share (the "Subscription Price") (the "Subscriptions").

The conditions precedent set out in the subscription agreements entered into between the Company and Subscribers have been fulfilled and the completion in respect of the subscription agreements took place on 28 September 2020 (the "Completion"). An aggregate of 300,000,000 Subscription Shares have been allotted and issued by the Company to the Subscribers at the Subscription Price. Following the Completion, the net proceeds raised from the Subscriptions pursuant to the subscription agreements are approximately HK$13.5 million.

	Planned use of proceeds stated in the announcement dated 31 July 2020 HK$'million	Actual use of proceeds up to 31 December 2020 HK$'million	Unutilised proceeds as at 31 December 2020 HK$'million
(i) General working capital	13.5	13.5	–
	13.5	13.5	–

Reference is made to the announcement of 19 February 2021. The Company entered into subscription agreements with Yuzhu Trading (HK) Company Limited ("Subscriber I"), Kartic Limited ("Subscriber II"), Million Rise Investment Holdings Inc. ("Subscriber III") and AID Partners Advisor Limited ("Subscriber IV"), (collectively, the "Subscribers"), pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for the subscription shares comprising an aggregate of 400,000,000 new shares ("Subscription Shares") at the subscription price of HK$0.1 per Subscription Share (the "Subscription Price") (the "Subscriptions").

The conditions precedent set out in the subscription agreements entered into between the Company and the Subscribers have been fulfilled and the completion in respect of the subscription agreements took place on 26 March 2021 (the "Completion"). An aggregate of 400,000,000 Subscription Shares have been allotted and issued by the Company to the Subscribers at the Subscription Price. Following the Completion, the net proceeds raised from the Subscriptions pursuant to the subscription agreements are approximately HK$39.74 million. The Company intends to use the net proceeds from the Subscriptions for development of cloud based gaming and general working capital of the Group.

GEARING RATIO

The gearing ratio (which is computed by consolidated borrowings divided by consolidated total equity) was not applicable (31 December 2019: 0%). As at 31 December 2020, total borrowings of the Group amounted to HK$25,000,000 (31 December 2019: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

(i) Disposal of a subsidiary

In December 2019, a subsidiary of the Company entered into an agreement with an independent third party to dispose 100% equity interest in a subsidiary, namely Digital Culture and Creative Company Limited for a cash consideration of US$1. Such disposal has been completed on 12 June 2020.

(ii) Deemed disposal of a subsidiary

On 11 February 2021. Summer Eagle, a wholly-owned subsidiary of the Company, entered into an agreement with Adelle International Ltd (the "Investor"), pursuant to which the Investor has agreed to subscribe for and Summer Eagle has agreed to allot and issue 67 shares at a consideration of US$4,700,000 (equivalent to approximately HK$36,660,000) (the "Subscription"). The Directors are of the view that the Subscription provides additional working capital for Summer Eagle Group to develop its E-sports business and explore new investment opportunities in the E-sports field, and the Group would benefit from the future growth and development of Summer Eagle Group. The proceeds from the Subscription will be used as a general working capital of Summer Eagle to develop its E-sports business. Immediately upon the Completion, the Company's interest in Summer Eagle will be diluted from 100.0% to approximately 59.88%, which constitutes a deemed disposal of its interests in Summer Eagle by the Company. Summer Eagle will become a non-wholly owned subsidiary of the Company. Please refer to the announcement of the Company dated 11 February 2021 for more details. As of the date of this report, the deemed disposal of equity interests in Summer Eagle has not yet completed.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 December 2020 and thereafter to the date of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

Saved as disclosed herein, the Board does not have any plan for material investments or capital assets.

FOREIGN EXCHANGE RISK

The Group's exposure to foreign currency risk mainly arises from the fluctuation of RMB and USD against the functional currencies of the Group. Most of the purchases and sales are denominated and settled in foreign currencies, mainly HKD, RMB and USD. As RMB and USD have been volatile during the years ended 31 December 2019 and 2020, the financial performance of the Company may be affected by the fluctuation of the foreign exchange rate in the future. The Group does not have a foreign exchange hedging policy but management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to a minimum. The Group does not use any financial instruments for hedging purposes.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material contingent liabilities.

EMPLOYEE INFORMATION

As at 31 December 2020, the Group had 67 (2019: 86) employees. Employee costs for 2020, excluding Directors' emoluments, amounted to approximately HK$16,897,000 (2019: HK$24,991,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the positions offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

The Group also adopts an employee share option scheme to provide eligible employees performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

INFORMATION ON THE CONTRACTUAL ARRANGEMENTS
BEIJING ORIENT LIHENG TELEVISION MEDIA CO., LTD. (北京東方力恒影視傳媒有限公司)

(a) Background information

On 10 November 2014, Sky Asia Investments Limited ("Sky Asia"), an indirectly wholly owned subsidiary of the Company, entered into an undertaking agreement with two independent third parties, namely Zhang Chong (張沖) and Wang Geng (王賡) (the "Undertaking Agreement"). These two independent third parties undertook to procure 北京東方力恒影視傳媒有限公司 (Beijing Orient Liheng Television Media Co., Ltd., "Liheng") and themselves enter into a set of contractual agreements with 北京聯易匯眾科技有限公司 (Beijing Lianyi Huizhong Technology Co., Ltd., "Lianyi Huizhong") (collectively "Contractual Arrangements"). Under the Contractual Arrangements, the Group would be able to exercise 100% control over Liheng in substance notwithstanding the absence of legal ownership.

On 18 February 2015, the Undertaking Agreement was completed and Liheng has become a subsidiary of the Group since then.

(b) Particulars of major parties involved

Sky Asia is a wholly owned subsidiary of the Company and is incorporated in Hong Kong with limited liability. The principal business of Sky Asia is investment holding.

Lianyi Huizhong is a wholly foreign-owned enterprise in the PRC with limited liability and the entire equity of which is directly wholly owned by Sky Asia and indirectly wholly owned by the Company. Lianyi Huizhong principally engages in purchasing licensed musical contents and selling the contents on mobile platforms.

Liheng is a company incorporated with limited liability in the PRC and is owned as to 60% by Zhang Chong (張沖) and 40% by Wang Geng (王賡). Liheng is engaged in the radio and television program production. The principal business of Liheng is the production of television drama series or films and trading of intellectual property rights in relation to entertainment contents. Liheng possesses a valid radio and television program production license.

Zhang Chong (張沖) is the registered shareholder of Liheng and owns 60% of the equity interest in Liheng.

Wang Geng (王賡) is the registered shareholder of Liheng and owns 40% of the equity interest in Liheng.

A summary of the major terms of the Contractual Arrangements has been published on the website of the Company.

(c) Financial information of Liheng

During the year ended 31 December 2020, the revenue and net loss after tax of Liheng was approximately HK$Nil and HK$1,466,000 respectively. The net loss after tax of Liheng was primarily attributed to poor market sentiment and cautious spending in the entertainment industry due to tightened tax regulation. As at 31 December 2020, the total assets and net liabilities were approximately HK$15,524,000 and HK$7,388,000 respectively.

During the year ended 31 December 2019, the revenue and loss after tax of Liheng was approximately HK$Nil and HK$1,039,000 respectively. The net loss after tax of Liheng was primarily attributed to poor market sentiment and cautious spending in the entertainment industry due to tightened tax regulation. As at 31 December 2019, the total assets and net assets were approximately HK$24,050,000 and HK$2,600,000 respectively.

(d) Reasons for using the Contractual Arrangements

According to the Deheng Shanghai Law Office ("PRC legal adviser"), under the regulations of the Catalogue for the Guidance of Foreign Investment Industries, the production of television programs is a restricted type of industry for foreign investments. The foreign investors are not allowed to invest in or hold any shares of companies producing and operating television programs in the PRC. However foreign investors are allowed to participate in the television programs production business in the form of sino-foreign co-operative enterprise.

Since Liheng engages in television programs production business, it falls within the scopes of restricted industries. As foreign investors are not allowed to directly invest in television programs production business, television programs production business operated by Liheng cannot be conducted by a company whose equity interest is owned as to more than 49% by foreign investors pursuant to the applicable PRC laws and regulations. Therefore, Lianyi Huizhong entered into the Contractual Arrangements so as to enable the Company to manage and control the businesses of Liheng.

Under the Contractual Arrangements, Lianyi Huizhong provides professional advices to Liheng in relation to the types of television drama series or films to be produced. Lianyi Huizhong is responsible for the casting of those television drama series and films and ensures that the artists of Liheng have the privileges to play the appropriate roles.

(e) Risks relating to the Contractual Arrangements

(1) Regulatory licenses and permits

The film and television program production and operation businesses in the PRC require Liheng to obtain licenses and permits from the relevant authorities. For Liheng's business, it is required to obtain relevant regulatory licenses and permits in addition to its business license. The relevant regulatory licenses and permits are generally renewable upon their expiration in accordance with the relevant regulatory provisions. Nevertheless, there is no assurance that such relevant regulatory licenses and permits could be renewed upon their expiration or would be renewed with the same scope. Should Liheng fail to obtain or renew these licenses or permits or should any of them be revoked or suspended, Liheng's business and financial performance would be adversely affected.

(2) Media law developments in the PRC

Liheng's businesses are mainly conducted in the PRC. Accordingly, Liheng's results of operation, financial conditions and prospects are subject to a significant degree to the media law developments in the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including:

- political structure;
- degree of government involvement;
- degree of development;
- level and control of capital reinvestment;
- control of foreign exchange; and
- allocation of resources.

Liheng is uncertain whether these changes in the economic, political and social conditions, laws, regulations and policies of the PRC will have any adverse effect on its current or future business, financial conditions or results of operations.

(3) PRC corporate governance

The PRC legal adviser is of the view that each of the Contractual Arrangements is lawful, valid and enforceable, and binding on the signing parties. The Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" under Article 52 of the PRC Contract Law. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of the PRC legal adviser stated above.

(4) The Contractual Arrangements may not be as effective as direct ownership providing control over Liheng

The Group relies on the Contractual Arrangements with Liheng to operate the television programs production businesses in the PRC. The Contractual Arrangements may not be as effective in providing the Group with control over Liheng as direct ownership in rare circumstances. If the Group had direct ownership of Liheng, the Group would be able to deal with the equity interests in and the assets of Liheng under any winding up situation.

(5) *The shareholders of Liheng may have potential conflict of interests with the Group*
The Group's control over Liheng is based on the Contractual Arrangements. Therefore, conflict of interests of Liheng's shareholders will adversely affect the interests of the Group.

(6) *The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed*
The Group could face material adverse tax consequence if the PRC tax authorities determine that the Contractual Arrangements were not entered into based on arm's length conditions. If the PRC tax authorities determine that the Contractual Arrangements were not entered on an arm's length basis, they may adjust the relevant income and expenses for PRC tax purposes. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability and penalties. As a result, any transfer pricing adjustment would have a material adverse effect on the Group's financial position and results of operations.

In order to mitigate the risks of the Contractual Arrangements, the Group has since its acquisition of this business in February 2015 implemented the following measures to ensure the sound and effective operation of the Contractual Arrangements:

– suitable management has been assigned to Liheng to report regularly to the Group in relation to major issues arising from implementation of the Contractual Arrangements;

– suitable reporting system in line with the Group's financial reporting practice in the PRC has also been in place to ensure that the Group would have full access and control over the books and records of Liheng and to obtain periodic financial information to ensure proper financial record are kept; and

– the Group has worked closely and will continue to work closely with the PRC legal advisor and the management of Liheng on the update of rules and regulations of the PRC to monitor the continue compliance of the rules and regulations by Liheng as to its conduct of business and Contractual Arrangements.

(f) Material change in relation to the Contractual Arrangements

As at the date of this report, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

(g) Unwinding the Contractual Arrangements

The Directors confirm that the Company will unwind the Contractual Arrangements as soon as the laws allows the business of Liheng to be operated without the Contractual Arrangements.

However, as at the date of this report, there is no unwinding of any of the Contractual Arrangements entered into between the Company, Zhang Chong (張沖) and Wang Geng (王賡) nor any change to the laws regulating the business of Liheng that led to the adoption of the Contractual Arrangements be removed.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code Provision") as set out in Appendix 15 of the GEM Listing rules. In the opinion of the Directors, the Company has complied with the Code Provision throughout the year ended 31 December 2020, except for the following deviations: Code Provision A.6.7 stipulates that independent non-executive Directors and other non-executive Directors should attend general meeting and have a fair understanding of the shareholders' opinion. Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting and also invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and any other committee to the meeting.

Save as Mr. Kwok Chi Sun, Vincent, the other two independent non-executive Directors could not attend the annual general meeting held on 14 August 2020 due to extraordinary business activities and unexpected events.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2020.

BOARD OF DIRECTORS AND BOARD MEETINGS

The Board members for the year ended 31 December 2020 and up to the date of this report were:

Executive Directors:

Mr. Hsu Tung Chi *(Chairman)*
Ms. Zhang Jing
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020)
Mr. Ng Fung Tai (appointed on 9 February 2021)

Independent non-executive Directors:

Mr. Kwok Chi Sun, Vincent
Mr. Wong Tak Shing
Mr. Gou Yanlin

The Board is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, material transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the day-to-day management, administration and operation of the Company are delegated to the senior management. These responsibilities include the implementation of decisions of the Board, the coordination and direction of day-to-day operation and management of the Company in accordance with the strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior management and the Board has the full support of them to discharge its responsibilities.

CORPORATE GOVERNANCE REPORT

The Directors' biographical information is set out on pages 31 to 32 of this report. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director of the Company has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

In compliance with the requirements under Rules 5.05(1) and (2) of the GEM Listing Rules, the Company appointed three independent non-executive Directors representing at least one-third of the Board, who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. All of them have been appointed for a term of one year commencing from the date of appointment and will continue thereafter until terminated by either party giving each other not less than one month's notice. Each Director should be subject to retirement by rotation at least once every three years.

Pursuant to the requirements of the GEM Listing Rules, the Company has received written confirmations of independence from each of the independent non-executive Directors. Based on such confirmations of independence, the Company considers all of the independent non-executive Directors to be independent.

The Board held a board meeting for each quarter.

Details of the attendance of the meetings of the Board are as follows:

	Board meeting	General meeting
Executive Directors:		
Mr. Hsu Tung Chi	24/24	1/1
Ms. Zhang Jing	24/24	0/1
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020)	2/2	0/0
Independent non-executive Directors:		
Mr. Kwok Chi Sun, Vincent	24/24	1/1
Mr. Wong Tak Shing	24/24	0/1
Mr. Gou Yanlin	24/24	0/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer of the Company (the "Chief Executive Officer") are segregated and are not exercised by the same individual. Currently, Mr. Hsu Tung Chi, who is the chairman of the Board, is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures, whilst Mr. Jiang Chao, who is the Chief Executive Officer, supported by the executive Directors and senior management, is responsible for managing the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board.

REMUNERATION COMMITTEE

The remuneration committee of the Company ("Remuneration Committee") was established on 11 June 2005 with written terms of reference in compliance with the Code Provision. The Remuneration Committee consists of three members, of which two are independent non-executive Directors, namely Mr. Kwok Chi Sun, Vincent and Mr. Gou Yanlin, and one is executive Director, namely Mr. Hsu Tung Chi. The chairman of the Remuneration Committee is Mr. Kwok Chi Sun, Vincent.

The Remuneration Committee, with delegated responsibility, is responsible for determining remuneration packages of individual Directors and senior management, including but not limited to directors' fees, salaries, allowances, share options, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the year ended 31 December 2020, the Remuneration Committee held one meeting with the following attendance:

Members	Attendance
Mr. Kwok Chi Sun, Vincent	1/1
Mr. Hsu Tung Chi	1/1
Mr. Gou Yanlin	1/1

NOMINATION COMMITTEE

The Company has established a nomination committee ("Nomination Committee") on 23 March 2012 with written terms of reference in compliance with the GEM Listing Rules. The Nomination Committee comprises three members, of which one is executive Director, namely Mr. Hsu Tung Chi and two are independent non-executive Directors namely Mr. Kwok Chi Sun, Vincent and Mr. Wong Tak Shing. The chairman of the Nomination Committee is Mr. Kwok Chi Sun, Vincent.

The principal duties of Nomination Committee are to review the composition of the Board, including its structure, size and diversity at least annually to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible for considering and recommending to the Board suitably qualified persons to become a member of the Board, monitor the succession planning of Directors and assess the independence of independent non-executive Directors. The Nomination Committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and will review the Board Diversity Policy (as defined below), so as to develop and review measurable objectives for implementing the Board Diversity Policy (as defined below) and to monitor the progress on achieving these objectives.

During the year under review, the Nomination Committee held one meeting with the following attendance:

Members	Attendance
Mr. Kwok Chi Sun, Vincent	1/1
Mr. Wong Tak Shing	1/1
Mr. Hsu Tung Chi	1/1

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 24 January 2003 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary responsibilities of the Audit Committee include the monitoring of the integrity of periodic financial statements and the annual report, interim report and quarterly reports, the review and monitoring of the auditor's independence, and the review of risk management and internal control system of the Group. The Audit Committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Gou Yanlin, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Kwok Chi Sun, Vincent.

The Audit Committee held five meetings during the year ended 31 December 2020. Details of the attendance of the Audit Committee meetings are as follows:

Members	Attendance
Mr. Kwok Chi Sun, Vincent	5/5
Mr. Wong Tak Shing	5/5
Mr. Gou Yanlin	5/5

The Group's annual audited results for the year ended 31 December 2020 have been reviewed by the Audit Committee, who were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

NOMINATION POLICY

The Board adopted a nomination policy which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Nomination Committee considers the following factors in assessing the suitability of the proposed candidate:

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the relevant industry and other relevant sectors;

(c) commitment in respect of sufficient time, interest and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board.

Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, experience (professional or otherwise), skills, and knowledge. All Board appointments are based on merit, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy"). In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the general financial condition of the Group;

(b) capital and debt level of the Group;

(c) future cash requirements and availability for business operations, business strategies and future development needs;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) the general market conditions; and

(f) any other factors that the Board deems appropriate.

The payment of dividend is also subject to any restrictions under the Companies Law of the Bermuda and any other applicable laws, rule and regulations and bye-laws of the Company.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2020, all Directors have participated in continuous professional development by attending training courses, or reading materials/in-house briefing on the topics related to corporate governance and regulations as follows:

	Reading materials/ In-house briefing	Attending training course
Executive Directors:		
Mr. Hsu Tung Chi	✓	
Ms. Zhang Jing	✓	
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020)	✓	✓
Independent non-executive Directors:		
Mr. Kwok Chi Sun, Vincent	✓	✓
Mr. Wong Tak Shing	✓	✓
Mr. Gou Yanlin	✓	✓

AUDITOR'S REMUNERATION

During the year ended 31 December 2020, the fees paid to the auditor in respect of audit and non-audit services provided by the auditor of the Group were as follows:

Nature of services	Amount (HK$'000)
Audit services	2,400
Non-audit services	
– Others	30

COMPANY SECRETARY

Mr. Tung Sze Ho, Dicky ("Mr. Tung"), who is delegated by an external secretarial service provider, Angela Ho & Associates ("AHA"), has been appointed as the company secretary of the Company (the "Company Secretary") since 9 August 2018. Mr. Tung was nominated by AHA to act as the Company Secretary and AHA has been providing certain corporate secretarial services to the Company pursuant to an engagement letter of AHA. The primary person at the Company with whom Mr. Tung has been contacting in respect of company secretarial matters is Mr. Hsu Tung Chi, the Company's executive Director. Mr. Tung is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). He has extensive experiences in the company secretarial field. He reports to the Board and assists the Board in functioning effectively and efficiently. During the year ended 31 December 2020, Mr. Tung undertook not less than 15 hours of professional training to update his skill and knowledge.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT INTERNAL CONTROL

The Board is responsible for maintaining the Group's risk management and internal control system and reviewing the effectiveness of these controls. Risk management and internal control system is designed to meet the particular needs of the Group and the risk to which it is exposed.

The key control procedures established by the Group are day-to-day supervision of the business by the executive Directors, supported by the managers responsible for the operation and the key division support functions of finance, information system and human resources. Key elements of internal controls described below have been in place throughout the year under review:

- procedures for the approval of capital expenditure and payments;
- regular financial information provided to management for reviewing the Group's performance;
- clearly defined management structure and lines of responsibility.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The statement by the external auditor about its responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The Company also updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

SHAREHOLDERS' RIGHTS

A. Procedures for the Shareholders to convene a special general meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid up capital of the Company may submit a written requisition to the Company to convene a special general meeting. The requisition must state the purpose of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong.

If the Directors do not proceed duly to convene a special general meeting within twenty-one days from the deposit of the requisition, then the requisitionists (or any of them representing more than one half of the total voting rights of all of them) may themselves convene a meeting provided it is held within three months from the date of deposit of the requisition.

B. Procedures for putting forward proposals at a Shareholders meeting

Shareholders holding not less than one-twentieth of the total voting rights of all the shareholders having a right to vote at the meeting, or not less than one hundred shareholders of the Company, may submit to the Company a written request (a) to give to the shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting or (b) to circulate to the shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

A copy of such written request signed by the requisitionists or two or more copies which between them contain the signatures of all the requisitions must be deposited at the registered office of the Company or the Company's principal place of business in Hong Kong not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or one week before the meeting in the case of any other requisition.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Since the change of domicile with effect from 19 December 2012, the changes in the Company's constitutional documents, have been available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

The Group is principally engaged in the distribution of copyright-protected items and other entertainment-related business; production of television drama series and talent management; licensing and sale of entertainment content and products; investment management focusing on investments in the cultural industry; provision of consultancy services in the cultural industry; provision of entertainment project planning, celebrity management and production of online streaming content; assisting professional athletes in marketing and promotional activities; licensing of professional sports events and entertainment content; operating film-based cultural parks and tourism-focused projects; and business of training, nurturing and managing e-Sports teams and eSports broadcasters. The Group mainly operates in Beijing, Shanghai, Kunshan, Hong Kong, and Taipei.

A. ENVIRONMENTAL

A1: Emissions

The Group does not have any factory operations nor engage in any operations that have a substantial effect on the environment, aside from consumption of resources by the office administrative operations. Solid packaging materials are not necessary since the Group is mainly engaged in the sports and entertainment business.

For the year ended 31 December 2020, there were no confirmed non-compliance incidents or grievances in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Indirect Greenhouse Gas Emissions from Electricity Consumption

The electricity consumption of the Group is a major part of its greenhouse gas emissions. Various electricity-saving policies have been established to reduce electricity consumption by the Group. The Group encourages staff members to switch off the lights during the daytime and to maintain lamps well to keep clean. Other initiatives include using stairs instead of elevators, installation of energy-efficient lighting, and disabling the standby mode for all electrical appliances, including computers, photocopiers and printers when they are not in use. Air conditioning is required to be set no lower than 25°C in summer. It is also required to ensure the windows and doors are closed while air-conditioning is on, and turn off the air-conditioning after office hours or after the usage of the meeting room.

Indirect Greenhouse Gas Emissions from Business Travel by Employees

The Group constantly reminds employees to consider environmental impact in their commuting decisions to reduce air and greenhouse gas emissions. Employees are encouraged to take public transportation as often as possible and select fuel-efficient vehicles. While employees are driving, they would try to avoid unnecessary acceleration or deceleration, keep windows closed when the vehicle is travelling at high speed, and only use air-conditioning when it is necessary.

The Group recognizes the severity of indirect greenhouse gas emissions from business travel by employees and requires employees to utilize teleconference instead of overseas meetings and choose railway rather than airway for short-distance travel to reduce the carbon footprint of business travel.

Discharges into Water and Land

The Group requires that discharges, if any, into waterways and land must comply with relevant laws and regulations.

Hazardous Waste Management

Hazardous wastes are those defined by national regulations. There was no significant hazardous waste generated in view of the Group's business nature.

Non-hazardous Waste Management

We promote waste reduction practices including waste reduction at source, reuse, clean recycling, recover and reduction of disposal at landfills. Employees are encouraged to purchase supplies or equipment with an option to be upgraded and longer life-span, to install recycling bins to collect recyclables, such as waste paper, aluminium bottles, metal, and plastic, and to have recyclers to collect recyclables. For the entertainment segment, 562 kg of other non-hazardous waste for the year ended 31 December 2020.

Paper Waste Management

In order to address indirect emissions relating to paper waste deposited at landfills, we encourage employees to apply computer technology such as emails and storage devices to reduce paper consumption, print on both sides of a sheet of paper, avoid unnecessary printing or copying on paper, and adjust documents and use space efficiency formats to optimize use of paper.

As a result of the concerted efforts of various parties of the Group, the following is the emission data of different segment of the Group.

Greenhouse gas (GHG) emissions	**Unit**	**2020**	2019
Scope 1 – emissions from combustion sources	Tonne	**3**	31
Scope 2 – emissions from acquired electricity	Tonne	**48**	191
Scope 3 – other indirect emissions	Tonne	**5**	39
Total GHG emissions	Tonne	**56**	261
GHG emissions intensity	HK million revenue	**1.0**	1.4

A2: Use of Resources

The Group has always complied with the Listing Rules and the provisions of the Environmental Protect Law of the PRC. In view of the scarcity of resources, the Group has established the following policies and procedures on the efficient use of resources, such as reducing consumption of electricity such as limiting the usage for lights and air conditioning, turning off the electrical appliances when the electrical appliances are not in use, using recycle papers for internal documents and storing data electronically.

Moreover, the Group has set up several recycling bins in offices to collect waste paper and electronic waste. The Group would transfer useable electronic products to school or social welfare organizations and transfer unusable electronic products to second-hand electronic collector. Water-savings poster are also used in washrooms to remind employees reduce water consumption.

The following consumption data and consumption intensity were recorded in the year ended 31 December 2020:

Use of resources	Unit	Consumption	Intensity (per staff)
Electricity	kWh	86,600	1,924
Water	Tonne	517	11
Paper usage	kg	88	2

In view of the Group's business nature, there was no significant raw material or packaging material used in operation.

The Group recognizes that efficient use of resources, including energy and water, in production, transportation, buildings, electronic equipment, etc., is one of the significant aspects to protect environment. The Group will continue motivating all its employees to participate in resources conservation activities and encourages them to save electricity, water, power and paper, in order to concert effort of reducing energy consumption.

A3: The Environment and Natural Resources

The Group continues to review the environmental impact of its operations and make use of best practices across their functions and to develop monitoring of resources consumption data and implementing better performance strategies as to enhance the contributions to environmental sustainability through good environmental practices. The Group does not ignore the opportunity to contribute to sustainability at the office space, and the Group enhances environmental awareness of the employees through adopting central air conditioning and maintaining temperature at 25 degrees to reduce usage of air conditioning and save more energy.

B. SOCIAL

Employment

Labour practices

To ensure an equal and fair working environment, the Group adopts practices and policies of Labour Law of the People's Republic of China《中華人民共和國勞動法》, Labour Contract Law of People's Republic of China《中華人民共和國勞動合同法》and other relevant laws and regulations. The Group also follows the relevant laws and regulations of the Labor Standards Act《勞動基準法》to formulate relevant policies in Taiwan.

For the year ended 31 December 2020, there were no confirmed non-compliance incidents or grievances in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Compensation and dismissal

The Group offers competitive remuneration to attract and retain talented staff members. Remuneration packages are reviewed periodically to ensure consistency with employment market. Laws and regulations on minimum wage and statutory social benefits are required to be followed. Dismissal is required to comply with employment laws and regulations, and to follow the internal policies and procedures, including policy on prevention of dismissal purely on employees' gender, marital status, pregnancy, disability, age or family status.

Recruitment and promotion

The Group attracts talent through fair, flexible and transparent recruitment strategy. Recruitment process includes application for recruitment, description of position, collection of job applications, interview, selection, approval, and job offering. Promotion is based on performance and suitability.

Working hours, rest periods, benefits and welfare

Employees' working hours, rest periods, benefits and welfare, including social security benefits, mandatory provident fund, and labour pension, are required to be in compliance with employment or labour laws and regulations. Selected benefit programs, including medical coverage, are also provided.

Equal opportunities, diversity and anti-discrimination

The Group is an equal opportunity employer. The Group endeavours to provide a fair workplace for employees and follow the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, age, or other measures of diversity.

At the year ended 31 December 2020, the Group has 67 employees. The table below show the workforce distribution by gender, age group, service period and geographical region:

	No. of staff	**Staff turnover rate**
Gender		
Male	46	25.2
Female	21	24
Age Group		
18-30	39	40.5
31-40	22	4.4
41-50	6	11.8
51 or above	0	0
Service period		
Less than 2 years	12	26.1
2 to 4 years	25	26.1
Over 4 years	30	21.1
Geographical region		
The PRC	15	29.3
Taiwan	52	23.2

Health and Safety

The Group is committed to maintaining a healthy and safe workplace for employees, and to preventing workplace injuries and illnesses.

The Group requires entities to establish and document policies and procedures on safety for employees to follow, set targets for the safety of employees, monitor the safety performance against the targets periodically, and report any safety incidents to management.

One of the key factors for successfully protecting employees from occupational hazards is to train employees to protect themselves from psychological and physical hazards. The Group requires such training to be delivered to employees.

Workplace, including storage and offices, are equipped with fire and safety equipment to prevent outbreak of fire accident and the validity of the fire facilities have been regularly checked.

Occupational health and safety statistics	2020	2019
Number of lost days due to work injury	**Nil**	Nil
Number of work-related fatalities due to work	**Nil**	Nil
Number of work injuries due to work	**Nil**	Nil

Development and Training

The Group is committed to providing adequate training to our employees to improve their knowledge and skills for discharging duties at work. Training includes vocational training courses provided internally or externally and paid by the Group.

The Group provides training for all employees and the training is arranged according to employees' departments and positions. The Group also provides training for new employees, including the company's development, strategic objectives, corporate culture, and business knowledge to help them integrate into the new working environment as soon as possible.

For eSports business, all employees for the team are occupational and they participate in the internal regiment training. Team coach supervisor and analysts take the responsibilities to analyze and discuss the performance of competitions, in order to cultivate cohesiveness among team members and strengthen their abilities.

Labour Standards

There is no tolerance towards recruitment of minors and forced labour for the Group's operation. There is compliance towards Labour Contract Law of the People's Republic of China《中華人民共和國勞動合同法》and any individuals under legal working age and individuals without any identification documents are discharged from employment.

There is a strict recruitment procedure through Human Resource Department. Upon discovery of any child labour and use of forced labour, the responsible party will be dismissed immediately and the Board will discuss and review the discovered event to prevent it from happening again. For the year ended 31 December 2020, there were no confirmed non-compliance incidents or grievances in relation to child and forced labour.

OPERATING PRACTICES

Supply Chain Management

Supply chain management is a key area of our business, which includes managing environmental and social risks of the supply chain. The Group requires suppliers to provide products and services for us with up-to-standard quality, health and safety to ensure compliance with environmental laws and regulations, and labour standards. The contracting for procurement of products and services is required to be based solely upon specification, quality, service, price, tendering, and applicable environmental and social considerations.

The Group established supply chain management policies and procedures, including assessment, selection, approval, procurement, performance evaluation. Performance evaluation is based on quality, service, cost, environmental protection, and social responsibilities. The Group strives to ensure that their suppliers uphold similar stance in sustainability. In 2020, the Group had 5 suppliers located in Taiwan.

Product Responsibility

The policies which the Group has adopted to ensure customer satisfaction and product and service quality.

The Group respects our customers' rights and is committed to providing accurate product and service information for customers in connection with their purchase or consumption decision. The Group requires careful review of advertising material to protect customers' interest. The Group requires that labelling is accurate, clear, legitimate, and not misleading, and intellectual property rights are protected. Any intellectual property part of a contract will be signed as a confidentiality agreement or equivalent to a confidentiality agreement.

Customers' data will also be kept in confidential in order to protect consumer data and privacy and be destroyed on a timely basis. The Group keeps business information confidential and trains employees in this regard and proper information system security are required.

Also, the Group has complied towards the Product Quality Law of the People's Republic of China《中華人民共和國產品質量法》. The Group is fully responsible for its products and services, including health and safety relating to its products. The Group quality check its products or services from the following areas: product design to ensure health and safety, health and safety check for finished products, proper delivery and after-sale services. The Group requires that products or services with quality, safety, or health issues should be returned or compensated in accordance with terms of sales or service contracts. Recall, return, or compensation of products and services is required to be offered to all customers who are affected with consistent treatment and procedures.

Privacy data protection and intellectual property rights

The Group collects information from suppliers and customers for different purposes and takes appropriate procedures to ensure that the information collected are solely for lawful and relevant purposes. The Group sets out data privacy requirements in the Company's policies, under which customers' and suppliers' data would be used exclusively for matters relating to the Group's operation only. The Group strives to ensure all collected data kept is free of unauthorized accidental access, processing, erasure or other use. Training on intellectual property rights is provided regularly and confidentiality agreements are entered in full respect for the privacy.

The Group complies with various regulations to the operation of the business in the jurisdictions that the Group operates in. For the year ended 31 December 2020 the Group did not have any product returned due to safety or health problems, labelling and privacy matters relating to the products.

Anti-corruption

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, business allies, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. Staff handbook lays out the Group's expectation and guiding provisions on code of conduct. The Group encourages employees, customers, suppliers, business allies, or other parties to report incidents relating to any conflicts of interest, extortion, bribery, fraud and money laundering.

The Group complies with relevant laws and regulations that have significant impact in the Group. For the year ended 31 December 2020, there were no non-compliance incidents or grievances in relation to bribery, extortion, fraud and money laundering.

COMMUNITY INVESTMENT

The Group believes in giving back to the community because contributioning to society is one of the Group's sustainable development strategy. The Group is committed to providing career opportunities to the locals and promoting the development of the community's economy.

The Group encourages employees to seek opportunities, participate more in charity work in the future and get involved in various community programs, such as community health initiatives, sports, cultural activities, volunteer work and education donation.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Hsu Tung Chi (許東琪), aged 52, was appointed as an executive Director and Chief Executive Officer on 1 February 2011. Mr. Hsu was appointed as chairman of the Board on 17 May 2019 and ceased to act as the Chief Executive Officer on 23 December 2019. Mr. Hsu holds a bachelor's degree in Economics from Fu Jen Catholic University (輔仁大學) in Taiwan. He is also the compliance officer of the Company and a member of the Remuneration Committee and the Nomination Committee.

Mr. Hsu has over 21 years' experience in advisory on management, operation and strategic planning. Mr. Hsu worked in Daily Air Corporation from October 1993 to January 2005 as deputy general manager, responsible for management and development of business. Before joining the Group, he has been an executive director of Palmpay China (Holdings) Limited (now known as China Ocean Group Development Limited) (Stock Code: 8047) from March 2008 to July 2011, in which he was responsible for the management function and business operation of some of its subsidiaries.

Mr. Hsu is a director of a number of the Group members and is responsible for overall management and operation of the Group's entertainment, sports and Theme Park segments.

Ms. Zhang Jing (張靜), aged 53, was appointed as an executive Director on 31 May 2016. Ms. Zhang is responsible for overall advisory of the Group's entertainment and sports segments. Ms. Zhang obtained a bachelor's degree in Material Management Engineering from Huazhong University of Science and Technology (華中理工大學) (now known as 華中科技大學) of the People's Republic of China in 1989. She then obtained a master of arts from Northeastern University in 1994 and a master of business administration in accountancy from Bernard M. Baruch College, City University of New York of the United States in 1998. She is experienced in accounting and financial management. She worked for Ernst & Young Hua Ming LLP from January 2006 to October 2011, in which her last position was senior manager in its core business service department. At present, Ms. Zhang acts as a director of Crown Link Group Limited, a company incorporated in the British Virgin Islands.

Mr. Lai Kwok Fai, Franki (賴國輝), aged 56, was appointed as an executive Director on 22 July 2016. Mr. Lai obtained a bachelor's degree of arts in computing studies from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1989. He possesses extensive experience in accounting and financial advisory. Mr. Lai was the chief financial officer of Net Movie Limited from 2008 to 2012. Prior to that, Mr. Lai worked for JPMorgan Chase & Co. from 2000 to 2008 with his last position as executive director in treasury & securities services department of JPMorgan Chase & Co..

Mr. Lai is a director of a number of the Group members and is responsible for management and operation of the Group's Theme Park segment.

Mr. Lai has resigned as an executive Director effective from 13 March 2020.

Mr. Ng Fung Tai (吳豐太), aged 53, was appointed as an executive Director on 9 February 2021. Mr. Ng has more than 20 years of experience in finance, investment, communications, corporate management and capital operation. In particular, he has an extensive connection network and resources among the financial and security fields of Hong Kong and China. Mr. Ng is currently the executive director and vice President of Asia Special Security Group Limited and an executive director of Norcomm (Hong Kong) Limited. He is also an executive director of Zhi He Li Industrial Company Limited.

DIRECTORS' PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Chi Sun, Vincent (郭志燊), aged 58, was appointed as an independent non-executive Director in October 2004. Mr. Kwok is also chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is a partner of Vincent Kwok & Co. and is a Certified Public Accountant (Practising). Mr. Kwok holds a bachelor's degree in Economics from University of Sydney. He has more than 25 years of experience in auditing and accounting. Mr. Kwok was previously employed by Price Waterhouse (now known as PricewaterhouseCoopers) from 1989 to 1995 in which his last position was senior audit manager and was also employed by Hopewell Holdings Limited from 1995 to 1996 as systems control manager and Cathay Pacific Airways Limited from 1996 to 1998 as financial audit manager. Mr. Kwok is currently an independent non-executive director of three other listed companies in Hong Kong, i.e. Shun Ho Property Investments Limited (Stock code: 219), Shun Ho Holdings Limited (Stock code: 253) and Magnificent Hotel Investments Limited (Stock code: 201).

Mr. Wong Tak Shing (黃德盛), aged 58, was appointed as an independent non-executive Director on 15 December 2009. Mr. Wong is also a member of the Audit Committee and Nomination Committee of the Company. Mr. Wong graduated from the University of New England, Australia with a Postgraduate Diploma in Financial Management and from the University of Southampton, U.K. with a Bachelor of Social Science in Business Economics and Accounting degree. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in corporate finance, accounting, personnel and administration. Mr. Wong is currently an independent non-executive director of Beijing Chunlizhengda Medical Instruments Co Ltd (stock Code: 1858), a company listed on the Stock Exchange. Mr. Wong was previously an executive director of China Ocean Fishing Holdings Limited (Stock Code: 8047), an independent non-executive director of Pa Shun International Holdings Limited (Stock Code: 574) and Digital Domain Holdings Limited (Stock Code: 547), and these companies are listed on the Stock Exchange.

Mr. Gou Yanlin (苟延霖), aged 46, was appointed as an independent non-executive Director of the Company on 13 April 2016. Mr. Gou is also a member of the Audit Committee and Remuneration Committee of the Company. Mr. Gou obtained a Bachelor Degree in Heating, Ventilation and Air Conditioning from Gansu University of Technology (now known as Lanzhou University of Technology) of the People's Republic of China in 1997. He possesses experience in hotel management. Mr. Gou has been working as the executive director and the general manager of Guangzhou IMovie Inn Management Co., Ltd since 2014, and is responsible for all daily operations and business development of the company.

CHIEF EXECUTIVE OFFICER

Mr. Jiang Chao (蔣超), aged 49, was appointed as chief executive officer of the Company on 23 December 2019. Mr. Jiang is an associate member of the Association of Chartered Certified Accountants, a certified public accountant in the PRC and a member of Futian Committee of Chinese People's Political Consultative Conference. He obtained a bachelor's degree in economics from Sun Yat-Sen University in 1991.

Mr. Jiang has about 20 years of experience in accounting, finance and corporate management. Prior to joining the Group, Mr. Jiang worked for Coolpad Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, Stock Code: 2369) and had been in the positions of an executive director, vice chairman, chief executive officer and chief financial officer from June 2002 to January 2019. Mr. Jiang also worked in various authorities and companies, including the State Audit Bureau, Qiaoxing Electronic Company Limited (the shares of which are listed on the NASDAQ Stock Exchange, stock symbol: XING), and ZTE Corporation (the shares of which are listed on the Main Board of the Stock Exchange, Stock Code: 763), being responsible for financial and accounting functions. Mr. Jiang was an independent non-executive director of Ming Fung Jewellery Group Limited (the shares of which are listed on the Stock Exchange, Stock Code: 860) from 2010 to 2015.

DIRECTORS' INTEREST IN SHARES OF THE COMPANY

As at 31 December 2020, each of Mr. Hsu Tung Chi, Ms. Zhang Jing and Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020) is interested in the shares of the Company as disclosed in the section headed "Directors' Report - Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures".

DIRECTORS' REPORT

The Directors present the annual report and the audited financial statements of the Group for the year ended 31 December 2020.

DATE OF INCORPORATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 October 2002 under the Companies Law (as revised) of the Cayman Islands and continued in Bermuda as an exempted company with limited liability on 19 December 2012 in accordance with the Companies Act 1981 (as amended) of Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business in Hong Kong is Unit 17B, 17/F, United Centre, 95 Queensway, Hong Kong.

The Company's shares were listed on the GEM on 25 February 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 45 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATION

During the year ended 31 December 2020, the Company confirmed it has complied with relevant laws and regulations which constitute material impact on the business and operation of the Company and its subsidiaries in all material times.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income on page 45.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2020. During the year ended 31 December 2020, there was no arrangement under which any shareholder waived or agreed to waive any dividend.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity on pages 48 and 49.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company does not have any reserves available for cash distribution and/or distribution in specie. In addition, the Company's share premium account had a balance of approximately HK$957,110,000 as at 31 December 2020 (2019: HK$955,457,000).

PROPERTY, PLANT AND EQUIPMENT

Details of significant changes in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 31 to the consolidated financial statements.

DIRECTORS' REPORT

BUSINESS REVIEW AND OUTLOOK

The business review and outlook of the Group for the year ended 31 December 2020 is set out in the sections of "Chairman's Statement" and "Management Discussion and Analysis" of this report.

A review of the business of the Group, which includes a description of the principal risks and uncertainties facing the Group, an analysis using financial key performance indicators of the Group's business, particulars of important events affecting the Group, an indication of likely future developments in the Group's business, and discussion on the Company's environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this report. The review forms part of this directors' report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 31 December 2020 and up to the date of this report were:

Executive Directors:

Mr. Hsu Tung Chi *(Chairman)*
Ms. Zhang Jing
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020)
Mr. Ng Fung Tai (appointed on 9 February 2021)

Independent non-executive Directors:

Mr. Kwok Chi Sun, Vincent
Mr. Wong Tak Shing
Mr. Gou Yanlin

In accordance with No.99 and 100 of the bye-laws of the Company, Mr. Ng Fung Tai and Mr. Wong Tak Shing shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive Directors, and independent non-executive Directors of the Company has entered into a letter of appointment with the Company for a term of one year commencing from the date of appointment, which will continue thereafter until terminated by either party by giving to the other not less than one month's notice in writing.

The Board has obtained written confirmations from all independent non-executive Directors of the Company concerning their independence in accordance with Rule 5.09 of the GEM Listing Rules. The Board believes that the existing independent non-executive Directors are independent based on the guidelines set out in Rule 5.09 of the GEM Listing Rules.

Save as disclosed above, none of the Directors have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors of the Company has a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

DIRECTORS' REMUNERATION

Directors' remuneration is subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Company. Details of the remuneration of the Directors are set out in note 8 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were (a) required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or (b) required, pursuant to section 352 of the SFO, to be entered in the register to therein, or (c) required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in ordinary shares and underlying shares of the Company

Name of Director	**Nature of interests**	**Number of shares interested**	**Approximate percentage or attributable percentage of shareholding** *(Note 5)*
Mr. Hsu Tung Chi *(Note 1)*	Beneficial owner and Interest of controlled corporation	193,304,090 (L)	8.34%
Ms. Zhang Jing *(Note 2)*	Beneficial owner and Interest of controlled corporation	81,253,659 (L)	3.5%
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020) *(Note 3)*	Beneficial owner and Interest of controlled corporation	54,129,778 (L)	2.33%
Mr. Jiang Chao *(Note 4)*	Interest of spouse	78,670,000 (L)	3.39%

(L) denotes long position

Notes:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 175,057,867 shares of the Company. Daily Technology Company Limited beneficially owns 18,246,223 shares of the Company, which is in turn wholly owned by Mr. Hsu. Under the SFO, Mr. Hsu is deemed to be interested in 18,246,223 shares of the Company.

2. Ms. Zhang Jing ("Ms. Zhang") beneficially owns 53,853,659 shares of the Company. Crown Smart Investment Limited beneficially owns 27,400,000 shares, which is in turn wholly owned by Ms. Zhang. Under the SFO, Ms. Zhang is deemed to be interested in 27,400,000 shares of the Company.

3. Mr. Lai Kwok Fai, Franki ("Mr. Lai") beneficially owns 960,000 shares of the Company. Earn Wise Limited ("Earn Wise") beneficially owns 22,669,778 shares of the Company, which is in turn wholly owned by Mr. Lai. Under the SFO, Mr. Lai is deemed to also be interested in 22,669,778 shares of the Company.

   Earn Wise holds convertible bonds in the principal amount of HK$14,640,000 convertible to 30,500,000 shares of the Company at the initial conversion price of HK$0.48 per conversion share. Under the SFO, Mr. Lai is deemed to be interested in the 30,500,000 shares of the Company underlying the convertible bonds held by Earn Wise.

4. Cantrust (Far East) Trust Limited, the trustee of the GJ Family Trust, holds the entire issued share capital of Joint Power International Limited ("Joint Power"). Joint Power in turn holds 78,670,000 shares of the Company, representing approximately 3.89% of the issued ordinary share capital of the Company. The GJ Family Trust is a discretionary trust established by the wife of Mr. Jiang Chao ("Mr. Jiang") as the settlor, and the discretionary beneficiaries of which include Mr. Jiang's wife and his children. Accordingly, Mr. Jiang is deemed to be interested in the 78,670,000 shares of the Company held by Joint Power.

5. Based on 2,318,736,170 shares of the Company in issue as at 31 December 2020.

(ii) Interest in underlying shares of the convertible bonds

Name of Director	Nature of interests	Principal amount of the convertible bonds	Number of underlying	Approximate percentage of interests *(Note 2)*
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020) *(Note 1)*	Interest of controlled corporation	HK$14,640,000	30,500,000 (L)	1.31%

Notes:

1. Earn Wise is beneficially owned as to 100% by Mr. Lai. The underlying shares represented the new shares of the Company to be issued upon full conversion of HK$14,640,000 convertible bonds held by Earn Wise, at the initial conversion price of HK$0.48 per conversion share. Under the SFO, Mr. Lai is deemed to be interest in 30,500,000 underlying shares of the Company.

2. Based on 2,318,736,170 shares of the Company in issue as at 31 December 2020.

(L) denotes long position

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 27 March 2013 pursuant to an ordinary resolution passed at a special general meeting and amended on 29 September 2014. For further details, please refer to note 33 to the consolidated financial statements. On 16 November 2018, the Company granted share options to certain eligible participants to subscribe for a total of 140,000,000 ordinary shares of HK$0.04 each in the share capital of the Company under the Scheme. Details of the movements in the number of share options during the year ended 31 December 2020 under the Scheme are as follows:

Categories of grantees	Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2020	Exercise price HK$	Grant date	Exercisable period
Directors								
Mr. Hsu Tung Chi	16,000,000	–	–	–	16,000,000	0.23	16/11/2018	16/11/2018 – 15/11/2021
Employees	98,000,000	–	–	–	98,000,000	0.23	16/11/2018	16/11/2018 – 15/11/2021
	114,000,000	–	–	–	114,000,000			

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 December 2020, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Interest in ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of shares interested	Approximate percentage or attributable percentage of shareholding *(Note 5)*
Asia Special Security Group Limited *(Note 4)*	Beneficial owner	194,231,692 (L)	8.38%
Mr. Ma Shui Ho Mathew *(Note 4)*	Interest of controlled corporation	194,231,692 (L)	8.38%
Ms. Chuang Meng Hua *(Note 1)*	Interest of a spouse	193,304,090 (L)	8.34%
Best Million Holdings Limited *(Note 2)*	Beneficial owner	119,976,405 (L)	5.17%
Ms. Ma Hsin-Ting *(Note 2)*	Interest of controlled corporation	119,976,405 (L)	5.17%
Ease Wing Limited *(Note 3)*	Beneficial owner	114,816,406 (L)	4.95%
Mr. Ho Chi Sing *(Note 3)*	Interest of controlled corporation	114,816,406 (L)	4.95%

Notes:

1. Ms. Chuang Meng Hua is the spouse of Mr. Hsu Tung Chi, therefore, pursuant to the SFO, she is deemed to be interested in all the shares of the Company in which Mr. Hsu is interested.

2. Best Million Holdings Limited ("Best Million") is wholly and beneficially owned by Ms. Ma Hsin-Ting ("Ms. Ma"). Best Million beneficially owns 119,976,405 shares of the Company. Under the SFO, Ms. Ma is deemed to be interested in 119,976,405 shares of the Company held by Best Million.

3. Ease Wing Limited ("Ease Wing") is wholly and beneficially owned by Mr. Ho Chi Sing ("Mr. Ho"). Ease Wing beneficially owns 114,816,406 shares of the Company. Under the SFO, Mr. Ho is deemed to be interested in 114,816,406 shares of the Company held by Ease Wing.

4. Asia Special Security Group Limited ("Asia Special Security") is beneficially owned as to 60% by Mr. Ma Shui Ho Mathew ("Mr. Ma"). Asia Special Security beneficially owns 194,231,692 shares of the Company. Under the SFO, Mr. Ma is deemed to be interested in 194,231,692 shares of the Company held by Asia Special Security.

5. Based on 2,318,736,170 shares of the Company in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

The Directors believe that none of the Directors nor the controlling shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the year ended 31 December 2020.

CHARGE ON GROUP ASSETS

During the years ended 31 December 2019 and 2020, the Group has no pledge of assets.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Share Option Scheme" and "Directors' and Chief Executive's Interests in Shares, underlying Shares and Debentures" above, at no time during the year ended 31 December 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Pursuant to the bye-laws of the Company, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duties.

RELATED AND CONNECTED PARTY TRANSACTIONS

Except otherwise disclosed in the consolidated financial statements, the Group had no transactions incurred during the year ended 31 December 2020 which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

On 11 February 2021, Summer Eagle Limited (a wholly-owned subsidiary of the Company) and the investor, entered into the subscription agreement, pursuant to which the investor has agreed to subscribe for and Summer Eagle Limited has agreed to allot and issue 67 shares at a consideration of US$4,700,000 (equivalent to approximately HK$36,660,000). Upon the Completion, the Company's interest in Summer Eagle Limited will be diluted from 100.0% to approximately 59.88%, which constitutes a deemed disposal of interest in Summer Eagle Limited by the Company. For detail, please refer to the announcement dated 11 February 2021.

On 22 February 2021, the Company proposed share consolidation of its existing shares with a par value of HK$0.04 each into consolidated shares which shall be subject to, among others, approval by the shareholders of the Company. For detail, please refer to the announcement dated 22 February 2021.

On 26 March 2021, the Company issued 400,000,000 shares at HK$0.1 to four independent third parties under share subscription. For detail, please refer to the announcements dated 19 February 2021 and 26 March 2021.

Save as disclosed above, there has been no material subsequent events from 31 December 2020 up to the date of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results are described below:

Credit Risk

The Group's credit risk is primarily attributable to accounts and other receivables and bank balances. A detailed discussion of the Group's credit risk in respect of accounts and other receivables is set out in note 25 to the consolidated financial statements.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in note 29 to the consolidated financial statements.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Directors closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's projects and operations.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the Group's largest customer and the five largest customers accounted for approximately 14% (2019: 25%) and 81% (2019: 69%) respectively, of the Group's total revenue

During the year ended 31 December 2020, the Group's largest supplier and the five largest suppliers accounted for approximately 26% (2019: 22%) and 86% (2019: 81%) respectively, of the Group's total purchases.

None of the Directors, their close associates or any shareholders who, to the knowledge of the Directors, owned more than 5% of the Company's share capital had any interest in the Group's five largest suppliers or customers.

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

During the year ended 31 December 2020, the Company cancelled 1,440,000 shares of its own ordinary shares. Details of the share cancellation by the Company are included in note 31 of the consolidated financial statement. Save as those disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed interests in any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2020 were audited by Elite Partners CPA Limited, Certified Public Accountants, who will retire at the end of the forthcoming annual general meeting and being eligible, offer itself for re-appointment. A resolution will be proposed at to the annual general meeting to re-appoint Elite Partners CPA Limited as auditor of the Company.

On behalf of the Board

Hsu Tung Chi
Chairman

Hong Kong, 31 March 2021

INDEPENDENT AUDITOR'S REPORT

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS of CHINA DIGITAL CULTURE (GROUP) LIMITED
(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Digital Culture (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 149, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(a) Impairment assessment of Intangible Assets, Deposits and Prepayments

As at 31 December 2020, the Group has (i) intangible assets for an exclusive operating right of theme park and broadways musical license with carrying value of approximately HK$90,045,000 and HK$42,201,000 respectively; (ii) deposit for film production of approximately HK$105,773,000; (iii) prepayments for musical performances contract of approximately HK$50,000,000; and (iv) deferred tax liability of HK$22,512,000 related to operating right of theme park, all of which were belongs to the Group's theme park segment ("Theme Park Assets") that relates to the exclusive operating right ("Operating Right") of the film-based cultural theme park business and tourism focused projects in Kunshan, the PRC (the "Theme Park").

In prior years, Dream World Holdings Limited, a wholly-owned subsidiary of the Company, and its subsidiaries entered into a cooperation agreement with Wang Shang Shi Jie (Beijing) Digital Movie Culture Development Limited (「網尚世界(北京)數字電影文化發展有限公司」) and its subsidiaries (the "Project Owner") (the "Cooperation Agreement"), pursuant to which the Company obtained the Operating right of the Theme Park for 40 years. Details of the Cooperation Agreement were set out in the Company's circular dated 28 October 2015.

According to the Cooperation Agreement, the ownership of all immovable assets connected to the Theme Park, with all costs and expenses for the construction, development, and maintenance before completing the Theme Park, shall be vested to the Project Owner. Accordingly, the timing of commencing the Theme Park business was depends on the completion of the Theme Park.

As at 31 December 2020, the development of Theme Park was still in progress and the Company was unable to obtain a viable completion date of the Theme Park from the Project Owner.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

(a) Impairment assessment of Intangible Assets, Deposits and Prepayments *(Continued)*

For the purpose of impairment assessment under Hong Kong Accounting Standard 36 “Impairment of Assets”, the directors estimate the recoverable amounts of the Theme Park Assets by using the income approach, which involves the preparation of a cash flow projection (“Cash Flow Projection”) using significant management assumptions and judgement. Based on the impairment assessment result, the directors have determined that no impairment provision is required for the Theme Park Assets as the recoverable amounts of the Theme Park Assets are higher than its carrying amount.

However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis for which the Cash Flow Projection was prepared and the related data to which specific assumptions were applied, including but not limited to the timing of cash flow that depends on the completion of the Theme Park. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to the carrying amount of the Theme Park Assets as at 31 December 2020 were free from material misstatement.

Any adjustment found to be necessary to the carrying amount of the Theme Park Assets would have significant effect on the Group’s net assets as at 31 December 2020 and the results for the year then ended and the related note disclosures to the consolidated financial statements.

(b) Multiple uncertainties relating to going concern

On 7 May 2020, the Company received a writ of summons with statement of claim dated 21 April 2020 (the “Claim Documents”) issued in the Court of First Instance of the High Court of Hong Kong on 7 May 2020 by the solicitors acting for Hangzhou Liaison Interactive Information Technology Co., Ltd as the plaintiff (the “Plaintiff”) against the Company as defendant. Based on the Claim Documents, the Plaintiff is seeking various reliefs against the Company for the restitution of benefit under a subscription agreement dated 8 February 2017 in relating to convertible bonds in aggregate of HK$412,500,000 issued by the Company during the year ended 31 December 2017 (“Subscription Agreement”) in the sum of (i) HK$372,843,493 on the ground of misrepresentation; or alternatively (ii) HK$437,300,856 as a result of breach of the Subscription Agreement, the bond instrument (the “Instrument”) dated 19 June 2017 and the terms and condition of the convertible bonds contained in the Instrument; or alternatively (iii) HK$105,718,493 under certain clause of a supplement deed dated 16 May 2019 and related interest (“Allegations”).

Up to the date of this report, the directors are in the process of mediation to reach a settlement with the Plaintiff. In the opinion of the directors, the Company has valid ground to settle the Allegations.

However, we were unable to assess the impact and the outcome of the defense of the Claim Documents which will have significant impact on the consolidated financial position of the Company as at 31 December 2020 and the results for the year then ended. Should the Company fail to defense the Allegations, it might not be able to continue to operate as a going concern.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 for Bermuda (as amended) and for no other purpose. We do not assume responsibility towards or accept liabilities to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

The engagement partner on the audit resulting in the independent auditor's report is Chan Wai Nam, William with Practising Certificate Number P05957.

Elite Partners CPA Limited
Certified Public Accountants
31 March 2021

10/F., 8 Observatory Road,
Tsim Sha Tsui
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**56,358**	181,367
Cost of services rendered		**(32,082)**	(129,758)
Gross profit		**24,276**	51,609
Other income and other gains	7	**12,075**	317,235
Selling and distribution costs		**(2,245)**	(2,823)
Administrative and other expenses		**(369,855)**	(770,906)
Finance costs	8	**(33,546)**	(34,129)
Fair value change on contingent consideration		**–**	(1,351)
Share of results of an associate		**(547)**	(891)
Share of results of a joint venture		**(573)**	(1)
Loss before taxation		**(370,415)**	(441,257)
Income tax	9	**8,481**	19,395
Loss for the year	10	**(361,934)**	(421,862)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Fair value changes of financial assets at fair value through other comprehensive income ("FVTOCI")		**(54,664)**	1,642
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**9,560**	(4,391)
Foreign currency translation reserve realised on disposal of a subsidiary		**548**	43
Share of other comprehensive loss of a joint venture and disposal of a joint venture		**(108)**	57
		(44,664)	(2,649)
Total comprehensive expense for the year		**(406,598)**	(424,511)
Loss attributable to:			
– Owners of the Company		**(360,414)**	(419,868)
– Non-controlling interests		**(1,520)**	(1,994)
		(361,934)	(421,862)
Total comprehensive expense attributable to:			
– Owners of the Company		**(404,223)**	(422,413)
– Non-controlling interests		**(2,375)**	(2,098)
		(406,598)	(424,511)
Loss per share	14		
Basic (HK cents)		**(20.90)**	(21.38)
Diluted (HK cents)		**(20.90)**	(21.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**623**	1,977
Right-of-use assets	*16*	**1,877**	5,180
Intangible assets	*17*	**178,389**	266,507
Goodwill	*18*	**20,168**	145,152
Interest in an associate	*19*	**55**	591
Interest in joint ventures	*20*	**–**	–
Financial assets at FVTOCI	*21*	**7,484**	62,148
Deposit for film production		**105,773**	99,555
Loans to and due from joint ventures	*23*	**–**	–
Prepayments	*27*	**52,357**	54,135
		366,726	635,245
Current assets			
Inventories	*24*	**24,509**	17,022
Financial assets at fair value through profit or loss ("FVTPL")	*25*	**557**	1,091
Investment in TV show	*26*	**–**	52,698
Accounts and other receivables	*27*	**46,450**	86,442
Bank balances and cash	*28*	**26,023**	32,568
Tax receivable		**723**	573
Non-current asset and assets of disposal group classified as held for sale	*29*	**–**	13,769
		98,262	204,163
Current liabilities			
Accounts and other payables	*30*	**28,593**	52,933
Interest-bearing borrowing	*33*	**25,000**	–
Lease liabilities	*35*	**1,385**	3,150
Tax payable		**17,931**	18,346
Liabilities of disposal group classified as held for sale	*29*	**–**	4,310
		72,909	78,739
Net current assets		**25,353**	125,424
Total assets less current liabilities		**392,079**	760,669

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Convertible bonds	*34*	**435,246**	401,834
Lease liabilities	*35*	**338**	2,150
Deferred tax liabilities	*38*	**22,512**	31,305
		458,096	435,289
NET (LIABILITIES)/ASSETS		**(66,017)**	325,380
Capital and reserves			
Share capital	*31*	**92,749**	80,807
Reserves	*32*	**(150,651)**	250,313
(Deficit)/equity attributable to owners of the Company		**(57,902)**	331,120
Non-controlling interests		**(8,115)**	(5,740)
TOTAL (DEFICIT)/EQUITY		**(66,017)**	325,380

Approved and authorised for issue by the Board of Directors on 31 March 2021 and signed on its behalf by

Hsu Tung Chi
Director

Ng Fung Tai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the Company													
	Share capital HK$'000 (Note 31)	Share premium HK$'000	Special reserve HK$'000 (Note 32(i))	Capital reserve HK$'000 (Note 32(ii))	Foreign currency translation reserve HK$'000 (Note 32(iv))	Share option reserve HK$'000	Statutory reserve HK$'000 (Note 32(iii))	Convertible bonds reserve HK$'000	FVTOCI reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	80,807	955,457	(23,600)	(20,749)	(9,521)	7,230	8,731	51,872	(17,425)	(701,682)	250,313	331,120	(5,740)	325,380
Loss for the year	–	–	–	–	–	–	–	–	–	(360,414)	(360,414)	(360,414)	(1,520)	(361,934)
Other comprehensive income/(expense)														
Fair value change of FVTOCI	–	–	–	–	–	–	–	–	(53,839)	–	(53,839)	(53,839)	(825)	(54,664)
Foreign currency translation differences	–	–	–	–	9,590	–	–	–	–	–	9,590	9,590	(30)	9,560
Foreign currency translation reserve realised on disposal of subsidies	–	–	–	–	548	–	–	–	–	–	548	548	–	548
Share of other comprehensive expense of a joint venture	–	–	–	–	(108)	–	–	–	–	–	(108)	(108)	–	(108)
Other comprehensive income/(expense) for the year	–	–	–	–	10,030	–	–	–	(53,839)	–	(43,809)	(43,809)	(855)	(44,664)
Total comprehensive income/(expense) for the year	–	–	–	–	10,030	–	–	–	(53,839)	(360,414)	(404,223)	(404,223)	(2,375)	(406,598)
Issue of shares under subscription	12,000	1,800	–	–	–	–	–	–	–	–	1,800	13,800	–	13,800
Share-based payment	–	–	–	–	–	1,401	–	–	–	–	1,401	1,401	–	1,401
Cancellation of shares	(58)	(147)	205	–	–	–	–	–	–	–	58	–	–	–
	11,942	1,653	205	–	–	1,401	–	–	–	–	3,259	15,201	–	15,201
At 31 December 2020	92,749	957,110	(23,395)	(20,749)	509	8,631	8,731	51,872	(71,264)	(1,062,096)	(150,651)	(57,902)	(8,115)	(66,017)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Capital reserve HK$'000	Foreign currency translation reserve HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000	Convertible bonds reserve HK$'000	FVTOCI reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	77,607	948,417	10,034	(20,749)	(5,291)	3,932	8,731	60,928	(19,067)	(292,269)	694,666	772,273	1,248	773,521
Loss for the year	–	–	–	–	–	–	–	–	–	(419,868)	(419,868)	(419,868)	(1,994)	(421,862)
Other comprehensive income/(expense):														
Fair value change of FVTOCI	–	–	–	–	–	–	–	–	1,642	–	1,642	1,642	–	1,642
Foreign currency translation differences	–	–	–	–	(4,244)	–	–	–	–	–	(4,244)	(4,244)	(104)	(4,348)
Foreign currency translation reserve realised on disposal of subsidies	–	–	–	–	(43)	–	–	–	–	43	–	–	–	–
Share of other comprehensive loss of a joint venture	–	–	–	–	57	–	–	–	–	–	57	57	–	57
Other comprehensive income/(expense) for the year	–	–	–	–	(4,230)	–	–	–	1,642	43	(2,545)	(2,545)	(104)	(2,649)
Total comprehensive income/(expense) for the year	–	–	–	–	(4,230)	–	–	–	1,642	(419,825)	(422,413)	(422,413)	(2,098)	(424,511)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(4,890)	(4,890)
Issue of shares under subscription	3,200	7,040	–	–	–	–	–	–	–	–	7,040	10,240	–	10,240
Share-based payment	–	–	–	–	–	4,654	–	–	–	–	4,654	4,654	–	4,654
Lapsed of share options	–	–	–	–	–	(1,356)	–	–	–	1,356	–	–	–	–
Repurchase of shares	–	–	(156)	–	–	–	–	–	–	–	(156)	(156)	–	(156)
Derecognition of contingent consideration	–	–	(33,478)	–	–	–	–	–	–	–	(33,478)	(33,478)	–	(33,478)
Derecognition of convertible bond	–	–	–	–	–	–	–	(9,056)	–	9,056	–	–	–	–
Total transactions with equity holders	3,200	7,040	(33,634)	–	–	3,298	–	(9,056)	–	10,412	(21,940)	(18,740)	(4,890)	(23,630)
At 31 December 2019	80,807	955,457	(23,600)	(20,749)	(9,521)	7,230	8,731	51,872	(17,425)	(701,682)	250,313	331,120	(5,740)	325,380

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(370,415)**	(441,257)
Depreciation and amortisation	**35,279**	30,487
Allowance of accounts and other receivables	**29,416**	41,463
Write-off of deposit for acquisition of unlisted investment	**–**	4,680
Loss/(gain) on disposal of subsidiaries	**3,771**	(60,505)
Gain on disposal of right-of-use assets	**(20)**	(80)
Gain on derecognition of convertible bonds	**–**	(12,360)
Gain on derecognition of contingent consideration	**–**	(240,000)
Gain on disposal of interest in joint ventures	**(986)**	–
Fair value change on financial assets at fair value through profit or loss ("FVTPL")	**534**	2,712
Fair value loss on contingent consideration	**–**	1,351
Equity-settled share-based payment	**1,401**	4,654
Impairment loss on intangible assets	**60,996**	79,310
Impairment loss on goodwill	**124,514**	495,935
Impairment loss on interest in joint ventures	**–**	648
Impairment loss on TV show	**–**	9,702
Loss on disposal of property, plant and equipment	**423**	3
Loss of derecognition of investment in TV show	**37,722**	–
Rent concessions	**(303)**	–
Share of results of an associate	**547**	891
Share of results of a joint venture	**573**	1
Interest income	**(7)**	(1,154)
Interest expense	**33,546**	34,129
Written-down of inventories	**8,500**	39,000
Operating cash flows before changes in working capital	**(34,509)**	(10,390)
Decrease/(increase) in accounts and other receivables	**12,169**	(69,634)
Decrease in accounts and other payables	**(21,505)**	(305)
(Increase)/decrease in inventories	**(15,987)**	65,392
Cash used in operations	**(59,832)**	(14,937)
Interest paid	**–**	(17,115)
Income taxes paid	**(1,576)**	(2,533)
Net cash used in operating activities	**(61,408)**	(34,585)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES		
Placement of deposits for unlisted investment	–	(2,340)
Placement of deposits for film production	(112)	(1,702)
Purchase of property, plant and equipment	–	(554)
Purchase of intangible assets	–	(81,200)
Purchase of right-of-use assets	(196)	–
Net cash effect of disposal of subsidiaries	(108)	69,841
Interest received	7	115
Derecognition of investment in TV show	14,976	–
Repayment from the investment in convertible notes classified as financial assets at FVTPL	–	6,285
Net cash generated from/(used in) investing activities	14,567	(9,555)
FINANCING ACTIVITIES		
New interest-bearing borrowing raised	25,000	–
Proceeds from issue of new shares	13,800	10,240
Repayment of bank loans	–	(4,538)
Advance from/(repayments to) directors	2,446	(988)
Repayment of lease liabilities	(2,968)	(4,633)
Repurchase of shares	–	(156)
Net cash generated from/(used in) financing activities	38,278	(75)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,563)	(44,215)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	32,664	78,989
Effect of foreign exchange rate changes, net	1,922	(2,110)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26,023	32,664
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
represented by:		
Bank balances and cash	26,023	32,568
Cash and cash equivalents included in assets classified as held for sale	–	96
	26,023	32,664

1. CORPORATE INFORMATION

CHINA DIGITAL CULTURE (GROUP) LIMITED (the "Company") is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business in Hong Kong is located at Unit 17B, 17/F, United Centre, 95 Queensway, Hong Kong.

The Company and its subsidiaries (the "Group") are principally engaged in the business of licensing and sales of entertainment, sports and music content, operating E-sports and webcast celebrity businesses, operating film-based cultural parks and tourism focused projects, planning and design of concerts and providing marketing and promotional services for professional athletes.

The consolidated financial statements are represented in Hong Kong dollars, which is also the financial currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(i) Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

(ii) Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments in the current year had no impact on the consolidated financial statements, but may impact future periods should the Group make any acquisition.

(iii) Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

(iv) Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs. The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from 3 months waiver of lease payments in People's Republic of China ("PRC"). The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK$303,000, which has been recognised as variable lease payments in profit or loss for the current year.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020	1 January 2022

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

(i) Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

(ii) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

– **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

– **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

– **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

(iii) Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

(iv) Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

– specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

– clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

(iv) Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) *(Continued)*

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

(v) Amendments to HKFRSs Annual Improvements to HKFRSs 2018 – 2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basic of preparation of consolidated financial statements

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

Going concern basis

On 7 May 2020, the Company received a writ of summons with statement of claim dated 21 April 2020 (the "Claim Documents") issued in the Court of First Instance of the High Court of Hong Kong on 7 May 2020 by the solicitors acting for Hangzhou Liaison Interactive Information Technology Co., Ltd as the plaintiff (the "Plaintiff") against the Company as defendant. Based on the Claim Documents, the Plaintiff is seeking various reliefs against the Company for the restitution of benefit under a subscription agreement dated 8 February 2017 in relating to convertible bonds in aggregate of HK$412,500,000 issued by the Company during the year ended 31 December 2017 ("Subscription Agreement") in the sum of (i) HK$372,843,493 on the ground of misrepresentation; or alternatively (ii) HK$437,300,856 as a result of breach of the Subscription Agreement, the bond instrument (the "Instrument") dated 19 June 2017 and the terms and condition of the convertible bonds contained in the Instrument; or alternatively (iii) HK$105,718,493 under certain clause of a supplement deed dated 16 May 2019 and related interest ("Allegations"). Up to the date of the report, the directors are in the process of mediation to reach a settlement with the Plaintiff.

In the opinion of the directors, the Company has valid ground to defense the Allegations and it is no effect to the financial position of the Group. Nevertheless, the directors of the Company appointed the lawyer to preparing a defense to the Claim Documents.

Notwithstanding the preparation for the defense of the Claim Documents, the directors of the Company are taking measures to improve the liquidity and solvency position of the Group. These measures include (i) negotiations with potential strategic investors in respect of a possible equity contribution to the Company; (ii) negotiations with Hangzhou Liaison to settle the legal case; (iii) speeding up the collection of receivables process; (iv) tightening the operating cash outflows through cutting costs and capital expenditures; (v) the Group introduced an investor to subscribe 67 shares of Summer Eagle Limited, a wholly-owned subsidiary of the Company, by way of capital injection at the consideration of USD4,700,000 (equivalent to approximately HK$36,660,000); and (vi) issued 400,000,000 shares at HK$0.1 to four independent third parties under share subscription on 26 March 2021.

As at the date of approval of these consolidated financial statements, these measures had not yet been concluded or implemented. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the directors of the Company in particular the outcome of the defense of the Allegations as described above.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Going concern basis *(Continued)*

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

The consolidated financial statements have been prepared on the historical cost except for financial assets at FVTPL, financial assets at FVTOCI and contingent consideration – convertible bonds that are measured at fair value at the end of each reporting period, as explained in the accounting policy as set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group's for like transactions and events in similar circumstances. Under the equity method, investments in associates and joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of associates or joint ventures. When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or a joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group ceased to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest in fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture. In addition, the Group accounts for all amount previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of that related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in as associate become an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

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

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Goodwill

Goodwill arising on an acquisition of business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not longer than an operating segment.

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

On disposal of the relevant CGU or any of the cash-generating unit within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU, the amount of goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	under the lease term
Computer equipment	33⅓%
Furniture, fixtures and office equipment	18% to 20%
Motor vehicles	10%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated lives are as follows:

Broadcasting and software license rights	20% to 33⅓%
Image rights in eSports field	16⅔% to 33⅓%
Usage right of movie database	10%
Exclusive operation rights – after launch of theme park	remaining years to operate
Agency license	term of license
Trademark	10 years
Music license	5 years
Usage right of electric game	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are amortised over the estimated useful lives and stated at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Financial instrument

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Financial instrument *(Continued)*

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

Interest/dividend income (others to specify) which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Financial assets *(Continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments/receivables. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Financial assets *(Continued)*

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/ will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes/excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment on financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets including accounts receivable, loans to and due from joint venture and other receivables, and other items (lease receivables, contract assets, loan commitments and financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Financial assets *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Financial assets *(Continued)*

Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Financial assets *(Continued)*

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Financial assets *(Continued)*

Measurement and recognition of ECL (Continued)

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments/receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition/modification of financial assets

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

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Financial assets *(Continued)*

Derecognition/modification of financial assets (Continued)

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at amortised cost

Financial liabilities including borrowings, accounts payable, lease liabilities and others payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

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

Accounts and other receivables

Accounts receivables are recognised when the Group has an unconditional right to receive consideration. The Group has an unconditional right to receive consideration when only the passage of time is required before payment of the consideration is due.

For the Group's accounts receivables, ECL is always measured at an amount equal to lifetime ECL. In particular, ECL is estimated using a provision of matrix based on the Group's historical credit loss experience, adjusted for (a) information that is specific to particular debtors and (b) forward-looking information based on the current and forecast general economic conditions available to the Group without undue cost or effort at the reporting date. ECL is recognised in profit or loss with the corresponding adjustment to the carrying amount of the accounts receivables through a loss allowance account.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the time when the Group assesses and concludes that the debtor is unable to settle the debts in full or part of the debts (e.g. future for a debt to make contractual payments of more than 90 days).

Non-current assets held for sale

The Group classified a non-current asset (or disposal group) as held for sale when its carrying amount will be revered principally through a sale transaction rather than through continuing use. Such non-current asset (or disposal group) is measured at the lower of its carrying amount and fair value less costs to sell.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Contingent consideration

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

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

Convertible bond

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of issue costs. The corresponding dividends on those shares are charged as interest expense in profit or loss.

On the issue of the convertible bond, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bond equity reserve within shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bond equity reserve is transferred to share capital or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond equity reserve is transferred to accumulated profits/losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of proceeds.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a licence that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Revenue recognition *(Continued)*

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

The revenue of Group are as follow:

– Income from licensing of broadcasting right for entertainment and sports event content is recognised over the contract period in accordance with the terms of the underlying contracts.

– Sale of entertainment content and products is recognised on transfer of respective rights in accordance with the respective agreement and on delivery of the content concerned, if applicable.

– Consultancy service income relating to organise music concert and system development business is recognised when services are rendered.

– Commission income from assisting professional athletes in marketing and promotional activities is recognised on a time proportion basis according to the terms of the underlying contracts.

– Sale of athletes' agency agreements is recognised on the execution of a binding agreement. Theme park operation service income is recognised when services are rendered.

– Event production and online broadcasting income from organising and arranging for the production of the event or online broadcasting show and broadcasting on the platform is recognised when services are rendered.

– Income for managing eSports teams and eSports broadcasters is recognised when services are rendered.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

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

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

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard.

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

As a lessee *(Continued)*

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received; and

– any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right- of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

As a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;

– the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

– there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Pursuant to the law and regulations of the People's Republic of China (the "PRC"), contributions to the defined contribution retirement schemes for the Group's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed as incurred.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

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

Where the terms of an equity-settled award are modified, an additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position which is eliminated on consolidation.

Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Taxation

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

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

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

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

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

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

3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basic of preparation of consolidated financial statements *(Continued)*

Taxation *(Continued)*

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision makers, who are the directors of the Company, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(a) Critical judgements made in applying accounting policies

Subsidiary governed under contractual arrangements

The Group had entered into a set of control agreements and supplemental agreements (the "Control Agreements") with 北京東方力恒影視傳媒有限公司 (unofficial English name as Beijing Orient Liheng Television Media Company Limited, "Liheng") and the two legal owners of Liheng on 10 November 2014 and 30 December 2014 respectively. In accordance with the terms of the Control Agreements, the Group controls Liheng because:

(i) the board of directors of Liheng is controlled by the Group pursuant to the management appointment agreements and the directors' undertakings;

(ii) the general meeting of Liheng is controlled by the Group pursuant to the shareholders' undertakings and the directors' undertakings; and

(iii) all the benefits arising from the equity interests in Liheng is entirely conveyed to the Group pursuant to the share charge and the exclusive consultancy service agreement.

The Group believes that, notwithstanding the lack of equity ownership, the Control Agreements give the Group control over Liheng in substance. Accordingly, Liheng is accounted for as a subsidiary of the Group.

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

(b) Key sources of estimation uncertainty

Provision of ECL for accounts and other receivables

Accounts and other receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on accounts and other receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The information about the ECL and the Group's accounts and other receivables are disclosed in note 27.

Fair value measurement of financial instruments

As at 31 December 2020, certain of the Group's financial assets, unquoted equity instruments, amounting to HK$7,484,000 (2019: HK$62,148,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees'/issuer' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 21 for further disclosures.

Allowance for inventories

The Group's management reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The Group's management carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

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

(b) Key sources of estimation uncertainty *(Continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's entertainment segments.

As at 31 December 2020, the carrying amount of goodwill is HK$20,168,000 (2019: HK$145,152,000) (net of accumulated impairment loss of HK$669,994,000 (2019: HK$545,480,000)). Details of the recoverable amount calculation are disclosed in note 18.

Intangible assets and amortisation

The Group's management determines the estimated useful lives and related amortisation for the Group's intangible assets. At the end of each reporting period, the Group's management reviews the carrying amounts of its intangible assets with finite useful lives to determine whether there is an indication that the intangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with finite useful lives are amortised over the expected useful economic lives.

Income taxes

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

Deferred income tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimate is changed.

5. REVENUE

Disaggregation of revenue from contracts with customers

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Entertainment		
– Licensing of music content	**5,942**	3,579
– Consultancy service income	**–**	3,211
– Sale of entertainment content and products	**17,150**	103,915
– Managing eSports teams and eSports broadcasters	**23,664**	15,675
– Celebrity and artists training course agency business	**–**	11,182
Sports		
– Licensing of sports events content	**5,596**	32,694
Theme Park		
– Theme park operation service income	**4,006**	11,111
Total	**56,358**	181,367

6. OPERATING SEGMENTS

The Group manages its businesses by individual companies, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's directors for the purposes of resource allocation and performance assessment, the Group has presented the following reporting segments. No operating segments have been aggregated to form the following reporting segments.

– Entertainment segment which engages in the business of training, nurturing and managing eSports teams and eSports broadcasters, distribution of copyright-protected items, licensing of entertainment content, production of television drama series and talent management, provision of consultancy services in cultural industry and provision of entertainment-related services;

– Sports segment which engages in licensing of professional sports events content and provision of marketing and promotional services to professional athletes; and

– Theme park segment which engages in operating film-based cultural parks and tourism focused projects.

6. OPERATING SEGMENTS *(Continued)*

(a) Segment revenue and results

	Entertainment		Sports		Theme park		Total	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Segment revenue								
Sale to external customers	**46,757**	137,562	**5,596**	32,694	**4,005**	11,111	**56,358**	181,367
Timing of revenue recognition								
Point in time	**34,002**	107,510	**5,596**	32,694	**–**	4,930	**39,598**	145,134
Over time	**12,755**	30,052	**–**	–	**4,005**	6,181	**16,760**	36,233
	46,757	137,562	**5,596**	32,694	**4,005**	11,111	**56,358**	181,367
Segment results before the following items:	**(62,669)**	(44,298)	**(3,487)**	(1,174)	**(2,605)**	762	**(68,761)**	(44,710)
Fair value change on contingent consideration	**–**	(4,485)	**–**	–	**–**	3,134	**–**	(1,351)
Gain on derecognition of contingent consideration	**–**	–	**–**	–	**–**	240,000	**–**	240,000
(Loss)/gain on disposal of subsidiaries	**(3,771)**	60,505	**–**	–	**–**	–	**(3,771)**	60,505
Gain on derecognition of convertible notes	**–**	–	**–**	–	**–**	12,360	**–**	12,360
Impairment on goodwill	**(86,891)**	(138,852)	**(37,623)**	(52,229)	**–**	(304,854)	**(124,514)**	(495,935)
Impairment on intangible assets	**(60,996)**	–	**–**	–	**–**	(79,310)	**(60,996)**	(79,310)
Impairment on interest in joint ventures	**–**	(648)	**–**	–	**–**	–	**–**	(648)
Share of results of an associate	**(547)**	(891)	**–**	–	**–**	–	**(547)**	(891)
Share of results of a joint venture	**(573)**	(1)	**–**	–	**–**	–	**(573)**	(1)
Written down of inventories	**(8,500)**	(39,000)	**–**	–	**–**	–	**(8,500)**	(39,000)
Allowance for doubtful debts	**(21,726)**	(21,823)	**(2,076)**	–	**(4,143)**	–	**(27,945)**	(21,823)
Allowance for doubtful debts on loans to and due from joint ventures	**(1,471)**	(1,185)	**–**	–	**–**	–	**(1,471)**	(1,185)
Gain on disposal of joint venture	**986**	–	**–**	–	**–**	–	**986**	–
Loss of derecognition of investment on TV show	**(37,722)**	–	**–**	–	**–**	–	**(37,722)**	–
Segment results	**(283,880)**	(190,678)	**(43,186)**	(53,403)	**(6,748)**	(127,908)	**(333,814)**	(371,989)
Unallocated income							**183**	1,076
Unallocated expenses							**(36,784)**	(70,344)
Loss before taxation							**(370,415)**	(441,257)
Income tax	**8,774**	(81)	**(193)**	(179)	**(100)**	19,655	**8,481**	19,395
Loss for the year							**(361,934)**	(421,862)

6. OPERATING SEGMENTS *(Continued)*

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

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

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Segment results represent the results achieved by each segment without allocation of central administration costs including directors' emoluments, investment and other income and other gains and losses. This is the measurement method reported to the chief operating decision makers, who are the directors of the Company, for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	Entertainment		Sports		Theme park		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets before the following items:	**118,218**	174,189	**14,247**	18,794	**116,372**	158,934	**248,837**	351,917
Goodwill	**–**	91,746	**20,168**	53,406	**–**	–	**20,168**	145,152
Intangible assets	**60,934**	145,797	**–**	–	**117,455**	120,710	**178,389**	266,507
Interest in an associate	**55**	591	**–**	–	**–**	–	**55**	591
Segment assets	**179,207**	412,323	**34,415**	72,200	**233,827**	279,644	**447,449**	764,167
Unallocated assets							**17,539**	75,241
Consolidated total assets							**464,988**	839,408
Segment liabilities	**(14,403)**	(53,863)	**(11,046)**	(17,033)	**(23,713)**	(26,713)	**(49,162)**	(97,609)
Unallocated liabilities							**(481,843)**	(416,419)
Consolidated total liabilities							**(531,005)**	(514,028)

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

– All assets are allocated to operating segments; and

– All liabilities are allocated to the sales/service activities of individual segment.

6. OPERATING SEGMENTS *(Continued)*

(c) Other segment information

	Entertainment		Sports		Theme park		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amortisation of intangible assets	**26,732**	19,814	**–**	–	**3,469**	3,488	**30,201**	23,302
Depreciation of property, plant and equipment	**1,721**	2,640	**–**	–	**–**	4	**1,721**	2,644
Allowance for doubtful debt	**21,726**	21,823	**2,076**	–	**4,143**	–	**27,945**	21,823
Write-down of inventories	**8,500**	39,000	**–**	–	**–**	–	**8,500**	39,000
Capital expenditure	**855**	67,206	**–**	–	**–**	–	**855**	67,206
Impairment loss on goodwill	**86,892**	138,852	**37,622**	52,229	**–**	304,854	**124,514**	495,935
Impairment loss on intangible assets	**60,996**	–	**–**	–	**–**	79,310	**60,996**	79,310
Impairment loss on interest in joint ventures	**–**	648	**–**	–	**–**	–	**–**	648

(d) Geographic information

The Group's operations are principally located in Hong Kong, Taiwan and the PRC.

The Group's revenue from external customers by location of its customers and information about its non-currents assets by location of assets are detailed below:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000	**Year ended 31 December 2020 HK$'000**	Year ended 31 December 2019 HK$'000
Hong Kong	**4,000**	1,604	**70,172**	76,794
The PRC	**44,293**	165,691	**288,344**	492,333
Taiwan	**7,914**	11,207	**576**	3,284
USA	**151**	2,865	**95**	95
	56,358	181,367	**359,187**	572,506

Non-current assets presented above exclude financial instruments, interest in an associate and interest in joint ventures.

6. OPERATING SEGMENTS *(Continued)*

(e) Information about major customers

Revenue from external customers contributing 10% or more of total revenue from the Group's Entertainment, Sports and Theme park segments are as follows:

Customer	Segment	**Year ended 31 December 2020 HK$'000**	Year ended 31 December 2019 HK$'000
A	Entertainment	**7,800**	N/A *(Note)*
B	Entertainment	**15,600**	N/A *(Note)*
C	Entertainment	**13,350**	45,947
D	Entertainment	**N/A *(Note)***	34,000
E	Entertainment	**N/A *(Note)***	27,800

Other than as disclosed above, no other sales to a single customer of the Group accounted for 10% or more of total revenue of the Group for both years.

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. OTHER INCOME AND OTHER GAINS

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Bank interest income	**7**	115
Loan interest income	**–**	1,039
Gain on disposal of subsidiaries	**–**	60,505
Gain on derecognition of convertible bond	**–**	12,360
Gain on disposal of right-of-use assets	**20**	80
Gain on derecognition of contingent consideration	**–**	240,000
Gain on disposal of joint venture	**986**	–
Referral income	**9,360**	–
Government grants	**745**	–
Rental concession	**303**	–
Sundry income	**654**	3,136
	12,075	317,235

During the current year, the Group recognised government grants of HK$745,000 in respect of Covid-19-related subsidies, of which HK$212,000 relates to Employment Support Scheme provided by the Hong Kong government.

8. FINANCE COSTS

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Interest on convertible bonds	**33,412**	33,786
Interest on bank loans	**–**	84
Interest on lease liabilities	**134**	259
	33,546	34,129

9. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years./Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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

The Republic of China Income Tax is calculated at 19% on the estimated assessable profits of the Taiwan subsidiaries during the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. INCOME TAX *(Continued)*

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Hong Kong Profits Tax		
– Current year provision	**–**	2,145
– Under/(over) provision in prior year	**212**	(155)
EIT		
– Current year provision	**–**	17
– Under/(over) provision in prior year	**100**	(47)
Deferred tax		
– Current year	**(8,793)**	(21,355)
Total tax credit for the year	**(8,481)**	(19,395)

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss before tax	**(370,415)**	(441,257)
Tax at the domestic income tax rate	**(53,639)**	(85,953)
Tax effect of expenses not deductible for tax purpose	**27,612**	100,230
Tax effect of income not taxable for tax purpose	**(1,043)**	(41,870)
Under/(over) provision in respect of prior years	**313**	(202)
Tax effect of tax losses not recognised	**18,276**	8,417
Tax effect of deductible temporary differences not recognised	**–**	3
Tax concession	**–**	(20)
Income tax credit and effective tax rate for the year	**(8,481)**	(19,395)

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Employee benefits expenses (including directors' remuneration)		
Salaries and allowances	**16,137**	21,892
Contribution to defined contribution retirement schemes	**1,215**	2,453
Equity-settled share-based payment	**1,401**	4,654
	18,753	28,999
Auditor's remuneration	**2,400**	2,400
Amortisation of intangible assets		
– included in cost of services rendered	**4,415**	4,415
– included in administrative and other expenses	**25,426**	18,887
Exchange loss, net	**3**	17
Depreciation of property, plant and equipment	**1,721**	2,644
Depreciation of right-of-use assets	**3,717**	4,541
Expenses related to short-term leases	**904**	1,861
Allowance for accounts receivable	**22,976**	21,823
Allowance for loans to and due from joint ventures	**1,471**	1,185
Allowance for other receivables	**4,969**	18,455
Impairment loss on intangible asset	**60,996**	79,310
Impairment loss on goodwill	**124,514**	495,935
Impairment loss on interest in joint ventures	**–**	648
Written-down of inventories	**8,500**	39,000
Loss on derecognition of investment in TV show	**37,722**	–
Loss on disposal of a subsidiary	**3,771**	–
Loss on disposal of property, plant and equipment	**423**	3
Write-off of deposits for acquisition of unlisted investment	**–**	4,680
Fair value loss on financial assets at FVTPL	**534**	2,712

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable GEM listing rules and the HKCO, is as follows:

	Directors' fees		Salaries and allowances		Equity-settle share-based payment		Contribution to defined contribution retirement schemes		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors										
Hsu Tung Sheng (resigned on 17 May 2019)	**–**	45	**–**	332	**–**	221	**–**	–	**–**	598
Lai Kwok Fai, Franki (resigned on 13 March 2020)	**48**	240	**150**	1,084	**–**	–	**4**	18	**202**	1,342
Hsu Tung Chi	**120**	120	**876**	876	**202**	616	**36**	36	**1,234**	1,648
Zhang Jing	**240**	240	**–**	–	**–**	–	**–**	–	**240**	240
	408	645	**1,026**	2,292	**202**	837	**40**	54	**1,676**	3,828
Independent non-executive directors										
Kwok Chi Sun, Vincent	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Wong Tak Shing	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Gou Yanlin	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
	180	180	**–**	–	**–**	–	**–**	–	**180**	180
	588	825	**1,026**	2,292	**202**	837	**40**	54	**1,856**	4,008

The directors are regarded as the key management personnel of the Group for disclosure purposes.

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration for the years ended 31 December 2020 and 2019. In addition, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 December 2020 and 2019.

Except as disclosed in note 25 to these consolidated financial statements, there were no loans, quasi-loans or other dealings in favour of the directors that were entered into or subsisted during the years ended 31 December 2020 and 2019.

The directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company or a connected entity of a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2020 and 2019.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2019: three) directors, details of whose remuneration are set out in note 11 to the consolidated financial statements above. Details of the remuneration of the remaining four (2019: two) highest paid employees, who are not directors, for the years ended 31 December 2020 and 2019 are as follows:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Salaries and allowances	**3,038**	1,322
Contribution to defined contribution retirement schemes	**82**	61
Equity-settled share-based payment	**195**	571
	3,315	1,954

The above four (2019: two) highest paid individuals fell within the following bands:

	2020 No. of employee	2019 No. of employee
Nil to HK$1,000,000	**2**	1
HK$1,000,000 to HK$1,500,000	**2**	1
	4	2

13. DIVIDENDS

The directors do not recommend the payment of a dividend for both years.

14. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share was based on the loss attributable to owners of the Company of HK$360,414,000 (2019: HK$419,868,000) and the weighted average number of the 1,724,157,000 (2019: 1,964,211,000) ordinary shares in issue during the year.

(b) Diluted loss per share

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's share options since their assumed conversion would result in a decrease in loss per share for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2019	13,926	1,217	2,113	44	17,300
Additions	524	–	30	–	554
Disposal	–	(3)	–	–	(3)
Transfer to assets held for sale *(note 27)*	(6,964)	(86)	(458)	–	(7,508)
Effect on foreign currency exchange differences	(199)	8	(24)	–	(215)
At 31 December 2019	**7,287**	**1,136**	**1,661**	**44**	**10,128**
Disposal	**(520)**	**–**	**–**	**–**	**(520)**
Effect on foreign currency exchange differences	**450**	**65**	**79**	**1**	**595**
At 31 December 2020	**7,217**	**1,201**	**1,740**	**45**	**10,203**
Accumulated depreciation					
At 1 January 2019	6,281	955	1,284	38	8,558
Depreciation	2,295	139	184	–	2,618
Transfer to assets held for sale *(note 27)*	(2,719)	(33)	(117)	–	(2,869)
Effect on foreign currency exchange differences	(146)	9	(19)	–	(156)
At 31 December 2019	**5,711**	**1,070**	**1,332**	**38**	**8,151**
Depreciation	**805**	**41**	**124**	**–**	**970**
Written back on disposal	**(97)**	**–**	**–**	**–**	**(97)**
Effect on foreign currency exchange differences	**412**	**45**	**98**	**1**	**556**
At 31 December 2020	**6,831**	**1,156**	**1,554**	**39**	**9,580**
Net carrying value:					
At 31 December 2020	**386**	**45**	**186**	**6**	**623**
At 31 December 2019	1,576	66	329	6	1,977

16. RIGHT-OF-USE ASSETS

Remark: If the reporting entity applies revaluation model for its right-of-use assets, please disclose the information required by HKAS 16.77. Illustrative disclosure has been provided in the property, plant and equipment note.

	Leasehold building HK$'000
At 31 December 2020	
Carrying amount	**1,877**
At 31 December 2019	
Carrying amount	**5,180**
For the year ended 31 December 2020	
Depreciation charge	**3,109**
For the year ended 31 December 2019	
Depreciation charge	**4,541**

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Expense relating to short-term leases	**863**	1,861
Total cash outflow for leases *(Remark 1)*	**3,872**	6,494
Additions to right-of-use assets *(Remark 2)*	**855**	8,534

Remark 1: Amount includes payments of principal and interest portion of lease liabilities, variable lease payments, short-term leases, low-value assets and payments of lease payments on or before lease commencement date (including leasehold land). These amounts could be presented in operating, investing or financing cash flows.

Remark 2: Amount includes right-of-use assets resulting from new leases entered, business combination, lease modification, reassessment/exercise of extension/termination options, payments for leasehold land, excluding those classified as investment properties.

17. INTANGIBLE ASSETS

	Usage rights of movie database HK$'000 Note (i)	Image rights in eSports field HK$'000 Note (ii)	Exclusive operation rights of theme park HK$'000 Note (iii)	Agency license HK$'000 Note (iv)	Trademark HK$'000 Note (v)	Music license HK$'000 Note (vi)	Usage right of electric game HK$'000 Note (vii)	Broadway musical license HK$'000 Note (viii)	Steaming platform HK$'000 Note (ix)	Software license right HK$'000	Total HK$'000
Cost											
At 1 January 2019	44,150	23,228	169,355	40,295	15,757	13,261	35,000	–	–	–	341,046
Addition	–	–	–	–	–	–	–	50,000	23,400	7,800	81,200
Exchange alignment	–	(6)	–	–	–	–	–	–	–	–	(6)
At 31 December 2019	**44,150**	**23,222**	**169,355**	**40,295**	**15,757**	**13,261**	**35,000**	**50,000**	**23,400**	**7,800**	**422,240**
Written off	**-**	**(12,090)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,800)**	**(19,890)**
Exchange alignment	**-**	**45**	**-**	**-**	**-**	**-**	**-**	**3,455**	**-**	**-**	**3,500**
At 31 December 2020	**44,150**	**11,177**	**169,355**	**40,295**	**15,757**	**13,261**	**35,000**	**53,455**	**23,400**	**-**	**405,850**
Accumulated amortisation											
At 1 January 2019	13,245	22,929	–	7,156	3,414	5,947	286	–	–	–	52,977
Charge for the year	4,415	103	–	4,029	3,151	2,140	3,488	5,376	–	600	23,302
Impairment	–	–	79,310	–	–	–	–	–	–	–	79,310
Exchange alignment	–	(5)	–	–	–	–	562	(413)	–	–	144
At 31 December 2019	**17,660**	**23,027**	**79,310**	**11,185**	**6,565**	**8,087**	**4,336**	**4,963**	**-**	**600**	**155,733**
Charge for the year	**4,415**	**105**	**-**	**4,030**	**3,152**	**2,142**	**3,469**	**5,328**	**-**	**7,200**	**29,841**
Written off	**-**	**(12,090)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,800)**	**(19,890)**
Impairment	**-**	**-**	**-**	**25,080**	**6,040**	**3,032**	**3,444**	**-**	**23,400**	**-**	**60,996**
Exchange alignment	**-**	**33**	**-**	**-**	**-**	**-**	**(215)**	**963**	**-**	**-**	**781**
At 31 December 2020	**22,075**	**11,075**	**79,310**	**40,295**	**15,757**	**13,261**	**11,034**	**11,254**	**23,400**	**-**	**227,461**
Net carrying value											
At 31 December 2020	**22,075**	**102**	**90,045**	**-**	**-**	**-**	**23,966**	**42,201**	**-**	**-**	**178,389**
At 31 December 2019	26,490	195	90,045	29,110	9,192	5,174	30,664	45,037	23,400	7,200	266,507

17. INTANGIBLE ASSETS *(Continued)*

Notes:

(i) On 1 January 2016, the Company entered into a license agreement ("License Agreement") with an independent third party ("Vendor"), which is a professional movie license company and owned the license right of numerous movies. Pursuant to the License Agreement, the Vendor granted the Company license right of the movie database in the PRC region for 10 years, from 1 January 2016 to 31 December 2025 ("Contract Period") at a consideration of HK$44,150,000. Within the Contract Period, the Company has right to sub-license the usage right to other parties. The usage right of movie database was measured initially at cost and amortised over 10 years using the straight-line method. At the end of the reporting period, the remaining amortisation period is 6 years.

(ii) During the year ended 31 December 2016, the Group acquired image rights to use the names and endorsement of celebrities in eSports field in an aggregate consideration of HK$23,197,000. The image rights were initially measured at cost and amortised over 3 to 6 years using the straight-line method.

(iii) On 14 January 2016, the Group acquired Dream World Holdings Limited ("Dream World") and its subsidiaries (the "Dream World Group"). Dream World Group has cooperation agreements with an independent third party for the exclusive operation rights of a film-based cultural park for 40 years from 2012. The theme park will be launched in 2021. At the date of completion of Dream World Group, the Group recognised exclusive operation rights of HK$169,355,000. The exclusive operation rights of theme park would not be amortised until the launch of theme park.

(iv) On 11 April 2017, the Group acquired Vector Vision Enterprises Limited ("Vector Vision") and its subsidiaries (the "Vector Vision Group"). Vector Vision Group entered into agency agreements with an independent third party for the exclusive agency of the celebrity and artists training course. The agency license were initially measured at cost HK$40,294,000 and amortised over 10 years using the straight-line method. Since no revenue was generated during the year ended 31 December 2020, the balance was fully impaired.

(v) On 4 December 2017, the Group acquired The Players Limited ("The Players"). The Players entered in the operation of an E-sports institute which provides E-sports education and training classes in Hong Kong. During the acquisition, a trademark occurred with initially measured at HK$15,757,000 and amortised over 5 years using the straight-line method. Since no revenue was generated during the year ended 31 December 2020, the balance was fully impaired.

(vi) During the year ended 31 December 2017, the Group acquired music license for the global music right in consideration of HK$13,261,000. The music license were initially measured at cost and amortised over 5 years using the straight-line method.

(vii) During the year ended 31 December 2018, the Group acquired the usage right of an electric game in an aggregate consideration of HK$35,000,000. The usage right was initially measured at cost and amortised over 10 years using the straight-line method.

(viii) During the year ended 31 December 2019, the Group acquired a broadway musical license in consideration HK$50,000,000. The Broadway Musical license were initially measured at cost and amortised over 9.5 years using the straight-line method.

(ix) During the year ended 31 December 2019, the Group acquired a streaming platform with consideration HK$23,400,000. The streaming platform would not be amortised until the launch of it. Since no revenue was generated during the year ended 31 December 2020, the balance was fully impaired.

18. GOODWILL

	2020 HK$'000	2019 HK$'000
Cost		
At 1 January	**690,632**	690,632
Disposal of subsidiary	**(470)**	–
At 31 December	**690,162**	690,632
Impairment		
At 1 January	**545,480**	49,545
Impairment recognised	**124,514**	495,935
At 31 December	**669,994**	545,480
Net carrying value		
At 31 December	**20,168**	145,152

Goodwill arose because the consideration paid for the acquisitions effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Impairment testing on goodwill

The carrying amount of goodwill was allocated to the CGUs identified according to the country of operations and business segments as follows for impairment test:

	2020 HK$'000	2019 HK$'000
Entertainment		
– Music content	**–**	–
– Film and TV series production and distribution	**–**	4,386
– Television-related content	**–**	3,981
– Event production and online broadcasting	**–**	20,672
– Managing eSports teams and eSports broadcasters	**–**	17,886
– Celebrity and artists training course agency business	**–**	44,821
Sports		
– Sports events content	**–**	1,924
– Marketing and promotional services	**20,168**	51,482
Theme Park		
– Theme park operation services	**–**	–
	20,168	145,152

18. GOODWILL *(Continued)*

Impairment testing on goodwill *(Continued)*

The recoverable amount of the CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the directors covering a 5-year period and discount rate of 15%-28% (2019: 19%-45%). Cash flows beyond the 5-year (2019: 5-year) period have been extrapolated using a 2%-3% (2019: 2-3%) long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The management compared the recoverable amounts of the CGUs and their carrying amounts based on value in use calculations. Accordingly, impairment on goodwill with amount HK$124,514,000 (2019: HK$495,935,000) was recognised during the year.

Key assumptions used for value in use calculations are as follows:

	Gross profit margin		Average growth rate		Long-term growth rate		Discount rate	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Film and TV services production and distribution	**11%**	13%	**0%**	2%	**3%**	2%	**17%**	31%
Television-related content	**0%**	15%	**0%**	3%	**3%**	3%	**21%**	22%
Event production and online broadcasting	**0%**	42%	**0%**	3%	**3%**	3%	**15%**	19%
Celebrity and artist training course agency business	**0%**	83%	**0%**	12%	**3%**	3%	**23%**	24%
Sports events content	**11%**	45%	**3%**	3%	**3%**	3%	**23%**	45%
Marketing and promotional services	**28%**	27%	**3%**	3%	**3%**	3%	**19%**	19%
Theme park operation services	**N/A**	60%	**N/A**	12%	**N/A**	2%	**N/A**	21%

Management determined the budgeted gross profit margin based on past performance and its expectation of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Apart from the considerations described above in determining the value in use of the CGUs, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

19. INTEREST IN AN ASSOCIATE

	2020 HK$'000	2019 HK$'000
Cost of unlisted shares		
Share of net assets	**55**	591

Particulars of the associate is as follows:

Name of entity	Country of incorporation	Principal place of operation	Proportion of ownership interest and voting rights held by the Group *Indirect*		Principal activity
			2020	2019	
Grangzhou Yuedong Investment Co., Ltd.* ("Yuedong") 廣州市躍動投資管理有限公司	The PRC	The PRC	**20%**	20%	Project investment, investment management and financial consultancy

* English translation of company name is for identification purpose only.

Summarised financial information of the Group's material associates is set out below. The amounts presented below are after adjustments made to equity-account the associates.

	2020 HK$'000	2019 HK$'000
At 31 December		
Current assets	**495**	3,001
Non-current assets	**144**	166
Current liabilities	**(361)**	(208)
For the year ended 31 December		
Revenue	**–**	–
Loss for the year	**(2,711)**	(4,453)

20. INTEREST IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Unlisted shares		
Share of net assets	**–**	–

Particulars of the joint venture are as follows:

Name of entity	Country of incorporation	Place of operation	Proportion of ownership interest and voting rights held by the Group				Principal activity
			Direct		*Indirect*		
			2020	2019	**2020**	2019	
Shinning Day Limited *(Note i)*	British Virgin Islands/ Limited liability company	Hong Kong	**50%**	50%	**–**	–	Investment holding
Golden Sino Limited *(Note i)*	Hong Kong/Limited liability company	Hong Kong	**–**	–	**50%**	50%	Investment holding
Beijing YiLaiShen Technology Company Limited* 北京易來申科技有限公司 *(Note i)*	The PRC/foreign wholly-owned enterprise	The PRC	**–**	–	**50%**	50%	Distribution of copyright-protected items and other entertainment related business
Beijing WenZiShuma Investment Management Company Limited* ("BWIM") 北京文資數碼投資管理有限公司 *(Note ii)*	The PRC/foreign wholly-owned enterprise	The PRC	**–**	50%	**–**	–	Project investment, investment management and financial consultancy service

* English translation of company name is for identification purpose only.

(i) Companies collectively referred to as the Shinning Day Group.

(ii) On 5 December 2019, a subsidiary of the Group entered into an agreement with an independent third party to dispose of 50% equity interest of Beijing WenZiShuma Investment Management Company Limited for a cash consideration of HK$4,922,000. The Group have received all the consideration and the amount was transferred to non-current asset classified as held for sale. The disposal was completed on 1 April 2020.

20. INTEREST IN JOINT VENTURES *(Continued)*

Fair value of investments

All of the above joint ventures are not listed and there is no quoted market price available for the investments.

Relationship with joint ventures

Shinning Day Group was established by the Group and the other joint venturer, which is a music provider in the PRC, to engage in distribution of copyright-protected items and other entertainment related business in the PRC. The investment is a strategic move of the Group to leverage the expertise of the other joint venturer in the field of the entertainment related business.

BWIM was established by the Group and the other joint venturer, which is a project investment company in the PRC, to engage in project investment, investment management and financial consultancy service in the PRC. The investment is a strategic move of the Group to leverage the expertise of the other joint venturer in the field of the project investment related business.

Summarised financial information of material joint ventures

Summarised financial information of joint ventures is set out below, which represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

20. INTEREST IN JOINT VENTURES *(Continued)*

Summarised financial information of material joint ventures *(Continued)*

	Shinning Day Group		BMIN	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
At 31 December				
Current assets	**32**	30	**N/A**	10,164
Non-current assets	**524**	543	**N/A**	11,985
Current liabilities	**(32,104)**	(30,196)	**N/A**	(11,009)
Equity	**(31,548)**	(29,623)	**N/A**	11,140
Group's ownership interests	**50%**	50%	**–**	50%
Group's share of equity	**–**	–*	**N/A**	5,570
Included in above:				
Cash and cash equivalents	**10**	16	**N/A**	5,799
Current financial liabilities	**31,064**	(29,253)	**N/A**	8,949
Year ended 31 December				
Revenue	**–**	–	**N/A**	7,130
Loss for the year	**(1,407)**	(1,505)	**N/A**	(2)
Other comprehensive income/(expense) for the year	**518**	140	**N/A**	(113)
Total comprehensive income/(expense) for the year	**(889)**	(1,365)	**N/A**	(115)
Group's ownership interests	**50%**	50%	**–**	50%
Group's share of results of joint ventures	**–***	–*	**N/A**	(1)
Group's share of other comprehensive income for the year	**–***	–*	**N/A**	(57)
Included in above:				
Depreciation and amortisation	**–**	–	**N/A**	(69)
Interest income	**–**	–	**N/A**	14
Interest expenses	**(947)**	(946)	**N/A**	–

* The Group's share of net liabilities is limited to zero.

20. INTEREST IN JOINT VENTURES *(Continued)*

Summarised financial information of material joint ventures *(Continued)*

The unrecognised share of losses of Shinning Day Group for the current year amounted to HK$752,000 (2019: loss of HK$768,000) and the unrecognised share of losses cumulatively up to the end of the reporting period amounted to HK$5,084,000 (2019: HK$4,332,000) respectively.

21. FINANCIAL ASSETS AT FVTOCI

	2020 HK$'000	2019 HK$'000
Unlisted:		
– Equity investments	**7,484**	62,148

The above unlisted equity investments represent the Group's equity interest in a private entity established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI

Type of financial instruments	Fair value hierarchy	Valuation methodology and inputs	Significant inputs	Sensitivity analysis
Financial assets at FVTOCI	Level 3	Discounted cash flow	Estimated future cash flow with discount rate of 16% per annum	Assuming other factors remain unchanged, the higher the discount rate, the lower the fair value
Financial assets at FVOCI with HK$7,484,000	Level 3	Recent transaction price	N/A	N/A

22. DERIVATIVE FINANCIAL ASSETS

	2020 HK$'000	2019 HK$'000
At 1 January	**–**	7,143
Fair value changes recognised in profit or loss	**–**	26,335
Derecognition of contingent consideration	**–**	(33,478)
31 December	**–**	–

Contingent consideration for business combination – Derivative financial assets are initially and subsequently measured at fair value, with changes in fair values in subsequent accounting periods being recognised in profit or loss.

(a) On 30 November 2016, the Group entered into a sale and purchase agreement ("Vector Vision Agreement") with an independent third parties to acquire the entire equity interests of Vector Vision Group (the "Vector Vision Acquisition"). The acquisition was completed on 11 April 2017.

Included in the Vector Vision Agreement, there was a profit guarantee pursuant to which the Vendor guarantees to the Group that the net profit after tax of Vector Vision Group (i) for the year ended 31 December 2018 is not less than HK$3,000,000 for the whole financial year; (ii) for the year ending 31 December 2019 is not less than HK$6,000,000 for the whole financial year; and (iii) for the year ending 31 December 2020 is not less than HK$9,000,000 for the whole financial year ("Guaranteed Profit"). If the event that Guaranteed Profit have not been met, compensation shall be paid by the Vendor to the Group. For the year ended 31 December 2018, the actual profit of Vector Vision Group has been met with the Guaranteed Profit for not less than HK$6,000,000 (2017: HK$3,000,000). This fair value as at 31 December 2018 and 31 December 2019 amounting to HK$4,485,000 and HK$Nil respectively and fair value loss of HK$4,485,000 being recognised for the year ended 31 December 2019.

(b) On 6 July 2015, the Group entered into a sale and purchase agreement with three independent third parties (the "Vendors") pursuant to which the Company/the Vendors agreed to acquire/sell the entire equity interests of Dream World Group (the "Dream World Acquisition"). The acquisition was completed on 14 January 2016.

Include in the Dream World Agreement, there is a profit guarantee pursuant to which the Vendor guarantees to the Group that the net profit after tax of Dream World Group for the 3 financial years end 2015, 2016 and 2017 is not less than certain amounts. For detail of the profit guarantee and the related fair value hierarchy disclosure have been set out in note 36.

23. LOANS TO AND DUE FROM JOINT VENTURES

	Notes	2020 HK$'000	2019 HK$'000
Due from joint ventures	*(i)*	**3,652**	2,181
Loan to a joint venture	*(ii)*	**17,000**	17,000
		20,652	19,181
Less: Loss allowance	*(iii)*	**(20,652)**	(19,181)
		–	–

Notes:

(i) The amounts due from joint ventures are unsecured, interest-free and have no fixed repayment term. The directors expect that the amounts will not be realised in the next twelve months of the end of the reporting period.

(ii) On 1 January 2011, the Group granted a revolving loan facility of HK$17,000,000 to a joint venture, which is unsecured, interest-bearing at prime rate plus 1.5% per annum and repayable within 36 months from the date of agreement.

On 27 December 2013, the Group signed a supplemental agreement with the joint venture and agreed to extend the term of the loan facility from 28 December 2013 to 28 December 2016.

On 27 December 2016, the Group further signed a supplemental agreement with the joint venture and agreed to extend the term of the loan facility from 28 December 2016 to 27 December 2019. The joint venture had drawn down HK$17,000,000 as at 31 December 2019.

24. INVENTORIES

	2020 HK$'000	2019 HK$'000
Food and beverages	51	22
License	24,458	–
Movie scripts	–	17,000
	24,509	17,022

25. FINANCIAL ASSETS AT FVTPL

	2020 HK$'000	2019 HK$'000
Held for trading-listed equity securities, listed in Taiwan	557	1,091

26. INVESTMENT IN TV SHOW

On 13 March 2018, the Group signed an agreement with an independent third party to produce a series of TV shows called "周游記" starring by Mr. Jay Chou (周杰倫) and paid a production cost of approximately HK$62,400,000. The TV shows completed and launched in the first quarter of 2020. So all the amount transfer from prepayment-contract costs for production of TV series. At as 31 December 2019, impairment loss of HK$9,702,000 was recognised.

On 16 April 2020, the Group derecognised the investment in TV Show resulting in loss of HK$37,200,000.

27. ACCOUNTS AND OTHER RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Accounts receivable			
From third parties		**40,991**	96,291
Less: Allowance for credit losses	*(i)*	**(24,828)**	(23,769)
	(i)	**16,163**	72,522
Prepayments, deposit and other receivables – current			
Deposits, prepayments and other receivables		**50,265**	28,667
Less: Allowance for credit losses		**(23,424)**	(18,455)
		26,841	10,212
Prepayments to licensors and service providers		**1,778**	1,778
Due from directors of subsidiaries of the Company	*(ii)*	**1,668**	1,571
Due from a director	*(iii)*	**–**	359
		30,287	13,920
		46,450	86,442
Prepayments – non-current			
Use of the Likeness of artists for the Group's e-Sport team		**2,357**	4,135
Musical performances' contract	*(iv)*	**50,000**	50,000
		52,357	54,135
		98,807	140,577

27. ACCOUNTS AND OTHER RECEIVABLES *(Continued)*

Notes:

(i) Accounts receivable

In general, the Group allows a credit period from 30 days to 90 days to its customers upon presentation of invoices. Included in the Group's accounts receivable balances are debtors with carrying amounts of HK$10,943,000 (2019: HK$65,927,000), which were past due at the end of the reporting period but not impaired as there has not been any significant change in credit quality and part of which has been subsequently settled. These relate to several customers for whom there is no recent history of default.

The following is an ageing analysis of accounts receivable, net of allowance for credit losses presented based on invoice date is as follows:

	2020	2019
	HK$'000	HK$'000
0-30 days	**5,220**	6,595
31-90 days	**6,161**	10,984
91-365 days	**801**	38,728
Over 365 days	**3,981**	16,215
	16,163	72,522

(ii) Due from directors of subsidiaries of the Company

The amounts due from directors of the Company's subsidiaries are unsecured, interest-free and have no fixed repayment term.

(iii) Due from a director

The amount due from a director is unsecured, interest-free and has no fixed repayment term.

Name of directors	**Maximum balance during the year HK$'000**	**2020 HK$'000**	2019 HK$'000
Hsu Tung Chi, Chris	359	**–**	359

(iv) Prepayments of musical performances contract

On 31 October 2019, the Group signed an agreement with an independent third party to perform 100 musical concerts with consideration HK$50,000,000 within 10 years. As the musical concerts will perform in the Theme Park, so the management considered the prepayment is non-current assets.

28. BANK BALANCES AND CASH

	2020 HK$'000	2019 HK$'000
Bank balances and cash are denominated in		
HK$	**25,205**	26,289
Renminbi (RMB)	**422**	5,351
New Taiwan Dollar (NT$)	**129**	235
United States Dollar (USD)	**267**	693
Bank balances and cash	**26,023**	32,568

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

29. NON-CURRENT ASSET AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	Notes	2020 HK$'000	2019 HK$'000
Total assets classified as held for sale			
Interest in joint venture	*(i)*	**–**	4,922
Assets of disposal group	*(ii)*	**–**	8,847
		–	13,769
Total liabilities classified as held for sale Liabilities of disposal group	*(ii)*	**–**	4,310

Notes:

(i) On 5 December 2019, a subsidiary of the Group entered into an agreement with an independent third party to dispose the joint venture. The directors concluded that the interest in joint ventures should be classified as held for sale as at 31 December 2019 as the disposal was completed on 1 April 2020.

29. NON-CURRENT ASSET AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

(ii) Disposal group classified as held for sale

For the year ended 31 December 2019

In December 2019, a subsidiary of the Group entered into an agreement with an independent third party to dispose of 100% equity interest in a subsidiary, namely Digital Culture and Creative Company Limited, for a cash consideration of US$1.

Digital Culture and Creative Company Limited is principally engaged in training, nurturing and managing eSports teams and eSports. Management concluded that the assets and liabilities of Digital Culture and Creative Company Limited should be classified as held-for-sale as at 31 December 2019 as it believes that it is highly probable that the disposal will be completed within twelve months from the date when Digital Culture and Creative Company Limited was classified as disposal group classified as held for sale. The disposal was completed on 12 June 2020.

The assets and liabilities of Digital Culture and Creative Company Limited as at 31 December 2019 are as follows:

	HK$'000
Property, plant and equipment	4,639
Right-of-use assets	3,462
Inventories	76
Accounts and other receivables	574
Bank balances and cash	96
Total assets of disposal group classified as held for sale	8,847
Accounts and other payables	824
Lease liabilities	3,486
Total liabilities of disposal group classified as held for sale	4,310

30. ACCOUNTS AND OTHER PAYABLES

	Notes	2020 HK$'000	2019 HK$'000
Accounts payable	*(i)*	**500**	6,873
Other payables			
Accrued charges and other payables		**23,858**	40,012
Deposit received	*(ii)*	**–**	4,922
Contract liabilities	*(iii)*	**–**	875
Due to directors	*(iv)*	**2,155**	68
Due to directors of subsidiaries of the Company	*(v)*	**2,080**	183
		28,093	46,060
		28,593	52,933

Notes:

(i) **Accounts payable**

At the end of the reporting period, the ageing of accounts payable by invoice date is in the range of zero to 30 days.

(ii) **Deposit received**

On 5 December 2019, a subsidiary of the Group entered into an agreement with an independent third party to disposal of 50% equity interest in a joint venture, namely Beijing WenZiShuma Investment Management Company Limited, for a cash consideration of HK$4,922,000 (equivalent to RMB4,400,000). The Group have received all of the consideration. The disposal was completed on 12 June 2020.

(iii) **Movements in contract liabilities**

	2020 HK$'000	2019 HK$'000
At the beginning of the year	**875**	4,630
Decrease in contract liabilities as a result of recognising revenue during the year	**(875)**	(3,755)
At the end of the year	**–**	875

(iv) **Due to directors**

The amounts due to the Company's directors, Mr. Hsu Tung Chi and Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020), are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due to directors approximates their fair value.

(v) **Due to directors of subsidiaries of the Company**

The amounts due are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due approximates their fair value.

31. SHARE CAPITAL OF THE COMPANY

Ordinary shares of HK$0.04 each	*Notes*	**Number of shares** '000	**Share Capital** HK$'000
Authorised			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020, ordinary shares		**5,000,000**	**200,000**
Issued and fully paid			
At 1 January 2019		1,940,176	77,607
Issue of shares – under subscription	*(i)*	80,000	3,200
At 31 December 2019 and at 1 January 2020		2,020,176	80,807
Issue of shares – under subscription	*(ii)*	300,000	12,000
Cancellation of shares	*(iii)*	(1,440)	(58)
At 31 December 2020		**2,318,736**	**92,749**

Notes:

(i) On 4 September 2019, the Company issued 80,000,000 shares at HK$0.128 to an independent third party under share subscription.

(ii) On 28 September 2020, the Company issued 300,000,000 shares at HK$0.046 to three independent third parties under share subscription.

31. SHARE CAPITAL OF THE COMPANY *(Continued)*

Notes: (Continued)

(iii) During the year ended 31 December 2019, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	Number of shares of HK$0.01each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2019	250,000	0.171	0.168	42
May 2019	200,000	0.141	0.137	28
June 2019	290,000	0.140	0.130	40
July 2019	350,000	0.138	0.080	39
September 2019	60,000	0.119	0.114	7
	1,150,000			156

During the year 31 December 2019, 1,150,000 ordinary shares with amount HK$156,000 were repurchased and all the shares have been cancelled on 31 December 2020.

During the year 31 December 2018, 290,000 ordinary shares with amounts HK$50,000 were repurchased and all the shares have been cancelled on 31 December 2020.

According to the Dream World Agreement, as the Project has not completed on 31 December 2019, the Group has the option for the return of the 643,750,000 consideration shares and 219,500,000 converted shares from the Vendors. As at 31 December 2019, the directors of the Company likely to process the option. So the total 380,437,500 ordinary shares will return to the Company.

32. RESERVES

(i) The special reserve represents the difference between the nominal amount of shares and share premium of subsidiaries acquired and the nominal amount of the Company's shares issued as consideration pursuant to the Group Reorganisation took place in 2003. Also included the repurchase of shares and derecognition of contingent shares during the year ended 31 December 2019.

(ii) The capital reserve represents the share of net liabilities of additional interest in subsidiaries acquired without change in control.

(iii) Statutory reserve comprises statutory surplus reserves fund of the subsidiaries in the PRC and form part of shareholders' fund. According to the Articles of Association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital. The transfer to the funds must be made before distributing dividends to shareholders.

(iv) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

33. INTEREST-BEARING BORROWING

	2020 HK$'000	2019 HK$'000
Unsecured loan	**25,000**	–

The loan is unsecured with interest rate 1% per month and repayable on 20 January 2021.

34. CONVERTIBLE BONDS

The liabilities component of convertible bonds ("CB") at 31 December is as follows:

	2020 HK$'000	2019 HK$'000
CB1	**–**	–
CB2	**435,246**	401,834
	435,246	401,834

Movements of the carrying amount of the liability component of the CB1 (with the fair value of the early redemption option being insignificant) are as follows:

	CB 1		**CB 2**	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
At 1 January	**–**	11,037	**401,834**	386,402
Interest expense (base on effective interest)	**–**	1,323	**33,412**	32,463
Interest paid	**–**	(12,360)	**–**	(17,031)
At 31 December	**–**	–	**435,246**	401,834

34. CONVERTIBLE BONDS *(Continued)*

Convertible Bond issued in 2016 ("CB1")

As mentioned in note 36, the 1st tranche of CB with the principal amount of HK$120 million was recognised by the Group on 31 March 2016 ("CB1").

The holders of CB1 will be able to convert the outstanding principal amount in whole or in part (in multiples of HK$1,000,000) into ordinary shares of the Company at a conversion price of HK$0.48 per conversion share (subject to be customary anti-dilutive adjustments) until the maturity date (i.e. 3 July 2021). The Company has an option to early redeem CB1 at an amount equal to 100% of the principal amount any time since the issue date but before the maturity date. CB1 is not interest bearing.

CB1 is determined to be a compound financial instrument with a conversion option, that will or may be settled by an exchange of a fixed number of ordinary shares of the Company for a fixed amount of cash, being treated as equity. The liability components include host debt component (being the Company's obligation to pay the principal amount of CB1 on maturity date if CB1 is not converted or redeemed) and a non-closely related early redemption option which is remeasured to its fair value at the end of the reporting period which fair value changes being recognised in profit or loss.

On initial recognition of CB1, the equity component is assigned the residual amount after deducting from the fair value of CB1 as a whole the amount separately determined for the liability component. The value of the early redemption option embedded in CB1 other than the equity component (i.e. the conversion option) is included in the liability component. Accordingly, on initial recognition, the Group first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including the embedded early redemption option which is considered insignificant) that does not have an associated conversion option feature. The carrying amount of the equity conversion option is then determined by deducting the fair value of the financial liability from the fair value of CB1 as a whole. The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 12% which is based on market interest rates for a number of comparable convertible bonds denominated in HK$ and certain parameters specific to the Group's liquidity risk. At subsequent reporting dates, the liability component is carried at amortised cost with an effective interest rate of 12%.

During the year ended 31 December 2016, the majority of CB1 with the aggregate principal amount of HK$105,360,000 were converted into 219,500,000 ordinary shares of the Company.

At 31 December 2019, as the Project has not completed, all the CB1 was derecognised.

34. CONVERTIBLE BONDS *(Continued)*

Convertible Bond issued in 2017 ("CB2")

On 19 June 2017, the Company issued CB with the aggregate principal amount of HK$412,500,000 issued in denomination and integral amount of HK$412,500,000 in nominal amount for the aggregate cash consideration of HK$412,500,000 ("CB2"). The holders of the CB2 will be able to convert the outstanding principal amount of each of CB2 in whole or in part (in multiples of HK$1,000,000) into ordinary shares of the Company at a conversion price of HK$0.55 per conversion share (subject to customary anti-dilutive adjustments) at any time following the date of issue until the maturity date (18 June 2022). CB2 bear interest at 5.5 per cent per annum, payable annually. Also, the Company has an option to early redeem CB2 at an amount equal to 105% of the principal amount any time since the issue date but before the maturity date. None of CB2 have been converted into ordinary shares of the Company up to the date when the consolidated financial statements are authorised for issue.

The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 8.7% which is based on market interest rates for a number of comparable convertible bonds denominated in HK$ and certain parameters specific to the Group's liquidity risk. The equity component is recognised initially as the difference between the fair value of CB2 and the fair value of the liability component of CB2 and is included in convertible bonds reserves in equity. Subsequently, the liability component is carried at amortised cost.

35. LEASE LIABILITIES

	2020	2019
	HK$'000	HK$'000
Lease liabilities payable:		
Within one year	**1,385**	3,150
Within a period of more than one year but not exceeding two years	**239**	1,831
Within a period of more than two years but not exceeding five years	**99**	319
	1,723	5,300
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,385)**	(3,150)
Amount due for settlement after 12 months shown under non-current liabilities	**338**	2,150

The incremental borrowing rates applied to lease liabilities range from 1.43% to 4.97% (2019: from 1.43% to 4.47%).

35. LEASE LIABILITIES *(Continued)*

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	TWD	**RMB**
	HK$'000	HK$'000
Minimum lease payment due:		
– Within one year	350	1,035
– More than one year but not more than two years	–	239
– More than two years but not excluding five years	–	99

36. SHARE OPTION SCHEME

On 24 January 2003, a share option scheme was adopted by the Company pursuant to a written resolution of the Company (the "Old Share Option Scheme"). The Old Share Option Scheme was valid and effective for a period of ten years and expired on 23 January 2013. On 27 March 2013, with approval by the shareholders, the Company adopted a new share option scheme (the "New Share Option Scheme"), with similar terms except for the extension of eligible participants to include consultants and suppliers as well as the reduction of the offer of acceptance from 28 days to 7 days to replace the Old Share Option Scheme.

The purpose of the New Share Option Scheme is to provide eligible employees with performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership. The board of directors may, at its discretion, invite any full-time employees of the Company, consultants and suppliers of the Company, including any executive and non-executive directors of the Company, or any subsidiaries of the Company to take up options to subscribe for shares of the Company. The total number of shares in respect of which options may be granted under the New Share Option Scheme shall not exceed 10% of the issued shares of the Company from time to time. The total number of shares of the Company issued and to be issued upon exercise of the options granted to a participant under the New Share Option Scheme and any other share option scheme adopted by the Company (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue from time to time.

An option may be exercised at any time during a period to be determined and notified by the Board to each participant. Options might be granted at a consideration of HK$1. Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 30 November 2015, every four issued and unissued ordinary shares of HK$0.01 each was consolidated into one consolidated share of HK$0.04 each. As a result of the share consolidation on 1 December 2015, the exercise price of the share options had been adjusted to HK$0.4572 per share since then. The options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The subscription price for the shares of the Company will be a price determined by the Board and will be the highest of (i) the closing price of the shares on the GEM as stated in the Stock Exchange's daily quotation on the date of the offer grant; (ii) the average closing price of the shares on the GEM as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer grant; and (iii) the nominal value of the shares.

36. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of share options granted under the New Share Option Scheme are as follows:

Date of grant	Exercise period	Exercise price HK$	Fair value at grant date/ service date HK$
16/11/2018			
– Lot 1	16/11/2018 to 16/11/2021	0.2300	0.0651-0.0802
– Lot 2	16/11/2019 to 16/11/2021	0.2300	0.0744-0.0826
– Lot 3	16/11/2020 to 16/11/2021	0.2300	0.0840-0.0866

In accordance with the terms of the New Share Option Scheme, options granted during the financial year ended 31 December 2018 are exercisable during the validity period of 3 years from the date of grant and subject to a vesting scale in tranches of one-third on the date of grant and each anniversary date thereof up to and including the second anniversary date.

(a) Fair value of share options and assumptions

The fair value of the share options is determined using a Binomial Option Pricing Model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Expectations of early exercise are incorporated into the model. The value of an option varies with different variables of certain subjective assumptions. Inputs to the model are as follows:

	Date of grant 16/11/2018
Share price at grant date	0.2180
Exercise price	0.2300
Option life	3 years
Expected volatility	60.85%
Expected dividends	Nil
Risk-free interest rate	2.045%

The expected volatility is based on the historic volatility (based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

During the year, the total expense of HK$1,401,000 (2019: HK$4,654,000) in relation to share options granted by the Company has been recognised in profit or loss.

36. SHARE OPTION SCHEME *(Continued)*

(b) Movement in share option

The following table discloses movements of the Company's number of share options during the years ended 31 December 2020 and 2019:

Grant date	Exercise period	Exercise price HK$	Outstanding at 1 January 2019	Lapsed during the year	Outstanding at 31 December 2019	Lapsed during the year	Outstanding at 31 December 2020
Directors							
16/11/2018	16/11/2018 to 16/11/2021	0.23	32,000,000	(16,000,000)	16,000,000	–	**16,000,000**
Employees							
16/11/2018	16/11/2018 to 16/11/2021	0.23	108,000,000	(10,000,000)	98,000,000	–	**98,000,000**
			140,000,000	(26,000,000)	114,000,000	–	**114,000,000**
Exercisable at end of reporting period					76,000,006		**114,000,000**
Weighted average exercise price					0.23		**0.23**

37. RETIREMENT BENEFITS SCHEMES

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Schemes"). The assets of the MPF Schemes are held separately in provident funds managed by independent trustees. Under the MPF Schemes, the Group and each of the employees make monthly contributions to the schemes at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK$30,000 since June 2014.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering their full-time PRC employees. The schemes are administered by the relevant government authorities which undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's PRC subsidiaries.

The Group is also required to participate in defined contribution retirement benefit schemes administered and operated by Bureau of Labour Insurance of Taiwan for employees employed in Taiwan. Under the scheme, the employers are required to make contributions to the scheme at 6% of the employees' relevant income. Contributions to the schemes vest immediately.

During the year, the amount of employer's contributions made by the Group to the defined contribution plans was approximately HK$1,215,000 (2019: HK$2,453,000).

38. DEFERRED TAX LIABILITIES

The movements in the Group's net deferred tax liabilities were as follows:

	2020 **HK$'000**	2019 HK$'000
At 1 January	**31,305**	52,660
Less: Deferred tax credit resulting from amortisation and impairment of intangible assets	**(8,793)**	(21,355)
At 31 December	**22,512**	31,305

The retained earnings of certain PRC subsidiaries would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of retained earnings of these PRC entities were approximately HK$85,173,000 (2019: HK$93,055,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future. Accordingly, no provision for deferred taxation in respect of withholding tax on dividend have been made.

	2020 **HK$'000**	2019 HK$'000
Unrecognised deferred tax assets arising from		
Deductible temporary differences	**–**	5
Tax losses	**108,007**	83,752
At the end of the year	**108,007**	83,757

Neither the tax losses nor the deductible temporary differences expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2020

In December 2019, a subsidiary of the Group entered into an agreement with an independent third party to dispose of 100% equity interest in a subsidiary, namely Digital Culture and Creative Company Limited ("Digital Culture"), for a cash consideration of US$1.

Digital Culture is principally engaged in training, nurturing and managing eSports teams and eSports. Directors concluded that the assets and liabilities of Digital Culture should be classified as held for sale as at 31 December 2019 as it believes that it is highly probable that the disposal will be completed within twelve months from the date when Digital Culture was classified as disposal group classified as held for sale. The disposal was completed on 12 June 2020.

The cash flow and the net assets of disposed subsidiary at the date of disposal were as follows:

	12 June 2020 Digital Culture HK$'000
Property, plant and equipment	4,022
Right-of-use assets	2,867
Goodwill	470
Accounts and other receivables	1,209
Bank balances and cash	108
Accounts and other payables	(2,555)
Lease liabilities	(2,898)
Net asset disposed of	3,223
Exchange adjustment	548
Less: consideration	–
Loss on disposal of subsidiaries	(3,771)
Cash consideration received	–
Bank balances and cash disposed of	(108)
Net cash outflow arising on disposal	(108)

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019

On 3 April 2019, the Group disposed entire equity interests in Star Summer Company Limited and its subsidiaries ("Star Summer Group") to an independent third party with cash consideration of HK$70,000,000.

The cash flow and the net assets of disposed subsidiaries at the date of disposal were as follows:

	3 April 2019 Star Summer Group HK$'000
Property, plant and equipment	231
Accounts and other receivables	14,830
Bank balances and cash	159
Accounts and other payables	(420)
Tax liabilities	(415)
Net asset disposed of	14,385
Non-controlling interests	(4,890)
Less: consideration	(70,000)
Gain on disposal of subsidiaries	60,505
Cash consideration received	70,000
Bank balances and cash disposed of	(159)
Net cash inflow arising on disposal	69,841

40. CAPITAL COMMITMENT

	2020 HK$'000	2019 HK$'000
Contracted for but not provided in the consolidated financial statements:		
Payment of film production, net of deposit	**49,773**	47,649
	49,773	47,649

41. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. The capital structure of the Group consists of equity attributable to shareholders (comprising issued capital and reserves). No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

42. FINANCIAL INSTRUMENT

(a) Categories of financial instruments

	31 December 2020 HK$'000	31 December 2019 HK$'000
Financial assets		
FVTPL		
Mandatorily measured at FVTPL		
– Held-for-trading	**557**	1,091
Financial assets at amortised cost	**70,695**	169,930
Equity instruments at FVTOCI	**7,484**	62,148
Financial liabilities		
Amortised cost	**490,562**	454,270

42. FINANCIAL INSTRUMENT *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, borrowings, accounts receivables, accounts payables, lease liabilities and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see note 47 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 44 for details). The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

At the end of the reporting period, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss before tax would decrease/increase by HK$Nil (2019: HK$691,000) but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

(ii) Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to accounts receivables, bank balances, amounts due from associates and joint ventures, other receivables and loan receivables, The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

42. FINANCIAL INSTRUMENT *(Continued)*

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

(ii) Credit risk *(Continued)*

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

At the end of the reporting period, the Group had a concentration of credit risk as 51% (2019: 26%) and 98% (2019: 76%) of the total accounts receivable were made up by the Group's largest customer's and the five largest customers' outstanding balances respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on accounts receivables with significant balances and credit-impaired individually and/or collectively. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining accounts receivables are grouped based on aging of outstanding balances. Impairment of HK$22,976,000 (2019: HK$21,823,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

Amounts due from associates and joint ventures

The Group regularly monitors the business performance of joint venture. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors are of the opinion that the probability of recovering the loans to and amounts due from these joint ventures in full would be remote. During the year, HK$1,471,000 of allowance for credit losses was made (2019: HK$1,185,000) because of no improvement in the financial position of the joint ventures to the Group.

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020 and 2019, the Group assessed the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

The Group's bank balances are placed with credit-worthy banks in Hong Kong, in the PRC and in Taiwan.

42. FINANCIAL INSTRUMENT *(Continued)*

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

(ii) Credit risk *(Continued)*

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for accounts receivable which are assessed on a collective basis by using provision matrix within lifetime ECL. Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of HK$21,221,000 and HK$19,770,000 respectively as at 31 December 2020 (2019: HK$80,076,000 and HK$16,215,000) were assessed individually.

	2020 Accounts receivable			2019 Accounts receivable		
	Expected loss %	Gross carrying amount HK$'000	Loss allowance HK$'000	Expected loss %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	18.70	6,423	1,204	10.71	7,386	791
Less than 1 month past due	18.74	5,158	967	19.49	1,787	348
1 month to 3 months past due	18.76	2,425	455	4.14	9,957	412
3 months to 12 months past due	84.64	5,215	4,414	0.77	39,028	300
More than 1 year past due	81.71	21,770	17,788	57.48	38,133	21,918
		40,991	24,828		96,291	23,769

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates.

During the year ended 31 December 2020, the Group provided HK$7,498,000 (2019: HK$1,852,000) impairment allowance for accounts receivables, based on the provision matrix. Impairment allowance of HK$17,330,000 (2019: HK$21,917,000) were made on debtors with significant balances and credit-impaired debtors respectively.

42. FINANCIAL INSTRUMENT *(Continued)*

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

(ii) Credit risk *(Continued)*

Other receivables and deposits (Continued)

The following table shows the movement in lifetime ECL that has been recognised for accounts receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total
At 1 January 2019	1,946	4,399	6,345
Changes due to financial instruments recognised as at 1 January 2019:			
– Transfer to credit-impaired	(825)	825	–
– Impairment losses recognised	730	21,093	21,823
– Write-offs	–	(4,399)	(4,399)
At 31 December 2019	1,851	21,918	23,769
Changes due to financial instruments recognised as at 1 January 2020:			
– Transfer to credit-impaired	**(752)**	**752**	**–**
– Impairment losses recognised	**6,398**	**16,578**	**22,976**
– Write-offs	**–**	**(23,027)**	**(23,027)**
Exchange adjustments	**–**	**1,110**	**1,110**
At 31 December 2020	**7,497**	**17,331**	**24,828**

42. FINANCIAL INSTRUMENT *(Continued)*

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

(ii) Credit risk *(Continued)*

Other receivables and deposits (Continued)

The Group writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Movement in allowance for other receivables is as follows:

	2020	2019
	HK$'000	HK$'000
At 1 January	**18,455**	–
Increase in allowance	**4,969**	18,455
At 31 December	**23,424**	18,455

The following tables show reconciliation of loss allowances that has been recognised for loans to/amounts due from joint venture.

Movement in lifetime ECL is as follows:

	Lifetime ECL
	Credit-impaired
	HK$'000
At 1 January 2019	17,996
Increase in allowance	1,185
At 31 December 2019	19,181
Increase in allowance	1,471
At 31 December 2020	20,652

42. FINANCIAL INSTRUMENT *(Continued)*

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility.

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

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate the undiscounted amount is derived from interest rate at the end of the reporting period.

	At 31 December 2020					
	Weighted average interest rate	Total carrying value HK$'000	Total undiscounted cash flow HK$'000	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000
Accounts and other payables	–	28,593	28,593	28,593	–	–
Lease liabilities	2.04%	1,723	1,746	–	1,400	346
Interest bearing borrowings	12%	25,000	25,250	–	25,250	–
Convertible bonds	5.50%	435,246	486,219	486,219	–	–
Total		490,562	541,808	514,812	26,650	346

	At 31 December 2019					
	Weighted average interest rate HK$'000	Total carrying value HK$'000	Total undiscounted cash flow HK$'000	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000
Accounts and other payables	–	47,136	47,136	47,136	–	–
Lease liabilities	2.39%	5,300	5,442	–	3,263	2,179
Convertible bonds	5.50%	401,834	412,500	–	–	412,500
Total		454,270	465,078	47,136	3,263	414,679

Fair value

The carrying amount of the Group's financial assets and financial liabilities carried at other than fair value are not materially different from their fair value as at 31 December 2020 and 2019.

42. FINANCIAL INSTRUMENT *(Continued)*

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	31 December 2020 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Assets measured at fair value				
– Financial assets at FVTPL	**557**	**557**	**–**	**–**
– Financial assets at FVTOCI	**7,484**	**–**	**–**	**7,484**

	31 December 2019 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Assets measured at fair value				
– Financial assets at FVTPL	1,091	1,091	–	–
– Financial assets at FVTOCI	62,148	–	–	62,148

	Financial assets				**Financial liabilities**	
Description	**Financial assets at FVTOCI**		**Financial assets at FVTPL**		**Contingent consideration Convertible bonds**	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
At 1 January	**62,148**	60,506	**1,091**	26,646	**–**	212,314
Net change in fair value	**(54,664)**	1,642	**(534)**	23,623	**–**	27,686
Derecognised during the year	**–**	–	**–**	(49,178)	**–**	(240,000)
At 31 December	**7,484**	62,148	**557**	1,091	**–**	–

The above gains or losses are reported as "fair value gain on financial assets at fair value through profit or loss" in other income and fair value loss on contingent consideration – convertible bonds.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest-bearing borrowing	Convertible bonds	Lease liabilities	Amount due to directors	Total
	Note 33	*Note 34*	*Note 35*	*Note 30*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	4,538	397,439	10,406	699	413,082
Change from financing cash flow					
Repayment	(4,538)	–	(4,633)	(988)	(10,159)
Interest payment	(84)	(17,031)	–	–	(17,115)
Other changes				–	
Interest charges	84	33,786	259	–	34,129
Additions	–	–	8,534	–	8,534
Written off	–	–	(5,831)	–	(5,831)
Transfer to liabilities associated with the disposal group held for sale	–	–	(3,486)	–	(3,486)
Derecognition	–	(12,360)	–	–	(12,360)
Exchange realignment	–	–	51	(2)	49
At 31 December 2019	**–**	**401,834**	**5,300**	**(291)**	**406,843**
Raised	**25,000**	**–**	**–**	**2,466**	**27,466**
Repayment	**–**	**–**	**(2,968)**	**–**	**(2,968)**
Other changes					
Interest charges	**–**	**33,412**	**111**	**–**	**33,523**
Additions	**–**	**–**	**659**	**–**	**659**
Rent concessions	**–**	**–**	**(303)**	**–**	**(303)**
Disposal	**–**	**–**	**(1,195)**	**–**	**(1,195)**
Exchange realignment	**–**	**–**	**119**	**–**	**119**
At 31 December 2020	**25,000**	**435,246**	**1,723**	**2,175**	**464,144**

44. LITIGATION

On 7 May 2020, the Company received a writ of summons with statement of claim dated 21 April 2020 (the "Claim Documents") issued in the Court of First Instance of the High Court of Hong Kong on 7 May 2020 by the solicitors acting for Hangzhou Liaison Interactive Information Technology Co., Ltd as the plaintiff (the "Plaintiff") against the Company as defendant. Based on the Claim Documents, the Plaintiff is seeking various reliefs against the Company for the restitution of benefit under a subscription agreement dated 8 February 2017 relating to convertible bonds in aggregate of HK$412,500,000 issued by the Company during the year ended 31 December 2017 ("Subscription Agreement") in the sum of (i) HK$372,843,493 on the ground of misrepresentation; or alternatively (ii) HK$437,300,856 as a result of breach of the Subscription Agreement, the bond instrument (the "Instrument") dated 19 June 2017 and the terms and condition of the convertible bonds contained in the Instrument; or alternatively (iii) HK$105,718,493 under certain clause of a supplement deed dated 16 May 2019 and related interest. Up to the date of this report, the directors of the Company is in the process of preparing a defense to the Claim Documents.

Up to the date of the report, the directors is in the process of mediation to reach a settlement with the Plaintiff.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

Particulars of the subsidiaries of the Company as at 31 December 2019 and 2020 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2020 %	2019 %	**2020** %	2019 %	**2020** %	2019 %	**2020** %	2019 %	
北京聯易匯眾科技有限公司 Beijing LianYiHuiZhong Technology Company Limited *	The PRC/wholly-owned foreign enterprise ("WOFE")		Registered capital of HK$6,000,000	**-**	-	**97.61**	97.61	**-**	-	**97.61**	97.61	Distribution of copyright-protected items and other entertainment-related business
北京東方力恒影視傳媒有限公司 Beijing Orient Liheng Television Media Company Limited *	The PRC/limited liabilities company		Registered capital of RMB3,000,000	**-**	-	**97.61**	97.61	**-**	-	**97.61**	97.61	Production of television drama series and talent management
Orient Digital Entertainment Limited	Hong Kong/limited liability company		1,000 shares with capital of HK$1,000	**-**	-	**100**	100	**-**	-	**100**	100	Licensing and sale of entertainment content and products

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

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	
				%	%	**%**	%	**%**	%	**%**	%	
北京東方理想文化傳播有限公司 Beijing Orient Lixiang Culture Media Company Limited* *(Note i)*	The PRC/WOFE		Registered capital of RMB2,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Investment management focusing on investments in the cultural industry
霍爾果斯杰碩文化傳播有限公司 Khorgas Jieshuo Culture Communication Co, Ltd* *(Note ii)*	The PRC/limited liability company		Registered capital of RMB1,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Provision of consultancy services in cultural industry
上海歆珂文化傳媒有限公司 Shanghai Xin Ke Culture Media Company Limited* *(Note iii)*	The PRC/limited liability company		Registered capital of RMB500,000	**–**	–	**100**	100	**–**	–	**100**	100	Provision of entertainment project planning, celebrity management and production of online streaming content
MVP Sports Marketing Company Limited	Hong Kong/limited liability company		10,000 shares with capital of HK$10,000	**–**	–	**100**	100	**–**	–	**100**	100	Assisting professional athletes in marketing and promotional activities
VGJ LLC	USA/limited liability company		10,000,000 shares with capital of US$0.01 cash	**–**	–	**70**	70	**–**	–	**70**	70	Management and operating of professional eSports teams

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

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	
				%	%	**%**	%	**%**	%	**%**	%	
上海壹體動力文化體育傳播有限公司 Shanghai YiTiDongLi Cultural and Sports Communications Limited*	The PRC/limited liability company		Registered capital of RMB2,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Licensing of professional sports events and entertainment content
昆山夢世界商業管理有限公司 Kunshan Dream World Business Management Co., Ltd* *(Note iv)*	The PRC/limited liability company		Registered capital of RMB10,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Operating film-based cultural parks and tourism focused projects
霍爾果斯夢橋商業管理有限公司 Khorgas Meng Qiao Business Management Co., Ltd* *(Note v)*	The PRC/limited liability company		Registered capital of RMB1,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Provision of entertainment project planning and production of music concert
杰藝文創有限公司 Jieyi Wenchuang Company Limited*	Taiwan/limited liability company		Paid-up capital of NT$20,000,000	**–**	–	**100**	100	**–**	–	**100**	100	Business of training, nurturing and managing eSports teams and eSports broadcasters
The Players Limited 幕後玩家有限公司	Hong Kong/limited liability company		100 shares with capital of HK$100	**–**	–	**100**	100	**–**	–	**100**	100	Business of training, nurturing and managing eSports teams and eSports broadcasters

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

(a) General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ registration/ operations	Class of shares held	Paid up issued/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2020 %	2019 %	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %	
同心濟新城鎮(上海)咨詢顧問有限公司 Tongxinji New Town (Shanghai) Consulting Company Limited* *(Note vi)*	The PRC/WOFE		Registered capital of RMB10,000,000	-	–	100	100	-	–	100	100	Provision of celebrity and artists training

* English translation of company name is for identification purpose only.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or asses and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars excessive length.

Notes:

(i) No paid-up capital as at 31 December 2020. The registered capital should be fully paid-up before 17 March 2027.

(ii) No paid-up capital as at 31 December 2020. The registered capital should be fully paid-up before 30 June 2036.

(iii) No paid-up capital as at 31 December 2020. The registered capital should be fully paid-up before 2 March 2025.

(iv) No paid-up capital as at 31 December 2020. The registered capital should be fully paid-up before 1 August 2026.

(v) No paid-up capital as at 31 December 2020. The registered capital should be fully paid-up before 30 June 2037.

(vi) No paid-up capital as at 31 December 2020. The registered capital should be fully paid-up before 8 May 2024.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Property, plant and equipment	–	60
Right-of-use assets	–	1,793
Interest in subsidiaries	369,854	600,814
Loans to a subsidiary	–	40,000
Financial assets at fair value through other comprehensive income	–	35,071
	369,854	677,738
Current assets		
Accounts and other receivables	96	45,427
Amount due from a director	521	6,140
Bank balances and cash	14,151	625
	14,768	52,192
Current liabilities		
Other payables	12,885	12,119
Lease liabilities	–	734
Interest-bearing borrowing	25,000	–
	37,885	12,853
Net current (liabilities)/assets	(23,117)	39,339

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2020 HK$'000	2019 HK$'000
Total assets less current liabilities	**346,737**	717,077
Non-current liabilities		
Lease liabilities	–	1,071
Convertible bonds	**435,246**	401,834
	435,246	402,905
NET (LIABILITIES)/ASSETS	**(88,509)**	314,172
Capital and Reserves		
Share capital	**92,749**	80,807
Reserves	**(181,258)**	233,365
TOTAL (DEFICIT)/EQUITY	**(88,509)**	314,172

Approved and authorised for issue by the Board of Directors on 31 March 2021 and signed on its behalf by

Hsu Tung Chi
Director

Ng Fung Tai
Director

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Reserves

	Share premium HK$'000 *(Note (i))*	Contributed surplus HK$'000 *(Note (ii))*	Special reserve HK$'000 *(Note (iii))*	Share option reserve HK$'000 *(Note (iv))*	Convertible bonds reserve HK$'000	FVTOCI reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	948,417	3,047	(50)	3,932	60,928	856	(406,681)	610,449
Loss for the year	–	–	–	–	–	–	(351,812)	(351,812)
Fair value changes of FVTOCI	–	–	–	–	–	(3,332)	–	(3,332)
Total comprehensive expense for the year	–	–	–	–	–	(3,332)	(351,812)	(355,144)
Issue of shares under subscription	7,040	–	–	–	–	–	–	7,040
Share-base payment	–	–	–	4,654	–	–	–	4,654
Lapsed of share options	–	–	–	(1,356)	–	–	1,356	–
Derecognition of convertible bonds	–	–	–	–	(9,056)	–	9,056	–
Repurchase of shares	–	–	(156)	–	–	–	–	(156)
Derecognition of contingent consideration	–	–	(33,478)	–	–	–	–	(33,478)
At 31 December 2019	**955,457**	**3,047**	**(33,684)**	**7,230**	**51,872**	**(2,476)**	**(748,081)**	**233,365**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(382,811)**	**(382,811)**
Fair value changes of FVTOCI	**–**	**–**	**–**	**–**	**–**	**(35,071)**	**–**	**(35,071)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(35,071)**	**(382,811)**	**(417,882)**
Issue of shares under subscription	**1,800**	**–**	**–**	**–**	**–**	**–**	**–**	**1,800**
Share-base payment	**–**	**–**	**–**	**1,401**	**–**	**–**	**–**	**1,401**
Cancellation of shares	**(147)**	**–**	**205**	**–**	**–**	**–**	**–**	**58**
At 31 December 2020	**957,110**	**3,047**	**(33,479)**	**8,631**	**51,872**	**(37,547)**	**(1,130,892)**	**(181,258)**

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Reserves *(Continued)*

Notes:

(i) The share premium represents the excess of the proceeds or considerations from issuance of the Company's shares over their par value. The share premium of the Company is available for distribution to shareholders subject to certain requirements of the Company Act 1981 of Bermuda (as amended).

(ii) The contributed surplus of the Company arose from the Group Reorganisation which took place in 2003. The balance represents the difference between the nominal amount of the Company's shares issued and the consolidated shareholders' fund of the subsidiaries acquired during the Group Reorganisation.

(iii) The special reserve represents the repurchase of shares and derecognition of contingent shares.

(iv) The share option reserve represents the fair value of the actual or estimated number of unexercised or lapsed share options granted to employees recognised in accordance with the accounting policy adopted for share-based compensation as described in note 3 to these consolidated financial statements.

(v) At the end of the reporting period, the Company has no reserves available for distribution to the equity holders of the Company.

47. EVENTS AFTER THE REPORTING PERIOD

On 11 February 2021, Summer Eagle Limited (a wholly-owned subsidiary of the Company) and the investor, entered into the subscription agreement, pursuant to which the investor has agreed to subscribe for and Summer Eagle Limited has agreed to allot and issue 67 shares at a consideration of USD4,700,000 (equivalent to approximately HKD36,660,000). Upon the Completion, the Company's interest in Summer Eagle Limited will be diluted from 100.0% to approximately 59.88%, which constitutes a deemed disposal of interest in Summer Eagle Limited by the Company. For detail, please refer to the announcement dated 11 February 2021.

On 22 February 2021, the Company proposed share consolidation of its existing shares with a par value of HK$0.04 each into consolidated shares which shall be subject to, among others, approval by the shareholders of the Company. For detail, please refer to the announcement dated 22 February 2021.

On 26 March 2021, the Company issued 400,000,000 shares at HK$0.1 to four independent third parties under share subscription. For detail, please refer to the announcements dated 19 February 2021 and 26 March 2021.

Save as disclosed above, there has been no material subsequent events from 31 December 2020 up to the date of this report.