SEEC MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 205)

ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors (the "Board") of SEEC Media Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Revenue	*2*	**443,582**	492,851
Cost of sales		**(213,084)**	(205,175)
Gross profit		**230,498**	287,676
Other income		**7,933**	3,386
Other gains and losses		**(61,638)**	(851)
Selling and distribution costs		**(203,256)**	(212,148)
Administrative expenses		**(106,288)**	(55,581)
Share of profit of a joint venture		**16,473**	6,761
Finance costs	*3*	**(2,464)**	(2,256)
(Loss) profit before taxation	*4*	**(118,742)**	26,987
Taxation	*5*	**(4,844)**	(10,676)
(Loss) profit for the year		**(123,586)**	16,311
Other comprehensive (expense) income			
Items that may not be reclassified subsequently to profits or loss:			
Exchange differences arising on translation		**(1,806)**	10,521
Share of exchange differences of a joint venture		**(57)**	126
Total comprehensive (expense) income for the year		**(125,449)**	26,958
(Loss) profit for the year attributable to:			
Owners of the Company		**(121,246)**	17,360
Non-controlling interests		**(2,340)**	(1,049)
		(123,586)	16,311
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(123,109)**	28,007
Non-controlling interests		**(2,340)**	(1,049)
		(125,449)	26,958
(Loss) earnings per share (HK cents)	*6*		
Basic		**(6.95)**	1.00
Diluted		**(6.95)**	1.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**41,790**	43,115
Sole agency rights		**56,692**	104,945
Goodwill		**99,393**	118,886
Interests in joint ventures		**23,303**	6,887
Available-for-sale investment		**20,000**	–
Amount due from a joint venture		**24,175**	36,192
Amount due from a related company		**–**	4,015
		265,353	314,040
Current assets			
Trade receivables	*8*	**192,478**	210,279
Amounts due from related companies		**12,816**	2,714
Other receivables and prepayments		**14,066**	14,329
Pledged bank deposits		**–**	20,351
Bank balances and cash		**138,160**	82,186
		357,520	329,859
Current liabilities			
Trade payables	*9*	**29,969**	30,454
Other payables and accruals		**145,057**	106,211
Amounts due to related companies		**7,316**	6,082
Amount due to a substantial shareholder		**50,307**	307
Amount due to a joint venture		**192**	–
Amount due to a director		**4,017**	–
Bank borrowings		**–**	55,658
Tax payable		**13,953**	18,455
		250,811	217,167
Net current assets		**106,709**	112,692
Total assets less current liabilities		**372,062**	426,732
Non-current liability			
Receipt in advance		**118**	202
Net assets		**371,944**	426,530
Capital and reserves			
Share capital		**176,726**	173,956
Reserves		**198,106**	255,777
Equity attributable to owners of the Company		**374,832**	429,733
Non-controlling interests		**(2,888)**	(3,203)
Total equity		**371,944**	426,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

New and amended standards adopted by the Group

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC*) – Int 21	Levies

* IFRIC represents the International Financial Reporting Standards ("IFRS") Interpretations Committee.

The standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 have no material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[5]

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

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

[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

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

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

[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions, with earlier application permitted.

The Group will adopt the above standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment on the impact of applying these standards to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the gross invoiced value of services rendered, sales of books and magazines, net of discounts and sales related taxes. An analysis of the Group's revenue is as follows:

	2014	2013
	HK$'000	*HK$'000*
Advertising agency income	**322,782**	381,942
Advertising income from conferences and events	**86,479**	70,924
Sales of books and magazines	**34,321**	39,985
	443,582	492,851

Information reported to the Company's executive directors, being the chief operating decision makers, for the purpose of allocating resources to segments and assessing their performance are organised on the basis of the revenue streams. The Group's operating and reporting segments are (a) advertising income from provision of agency services and organising conferences and events and (b) sale of books and magazines. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2014

	Provision of services *HK$'000*	**Sales of books and magazines** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
External sales	**409,261**	**34,321**	**443,582**
Result			
Segment profit	**26,565**	**677**	**27,242**
Other income			**7,933**
Other gains and losses			**(61,638)**
Unallocated administration expense (including equity-settled share-based payment expense)			**(106,288)**
Share of profit of a joint venture			**16,473**
Finance costs			**(2,464)**
Loss before taxation			**(118,742)**

For the year ended 31 December 2013

	Provision of services *HK$'000*	Sales of books and magazines *HK$'000*	Consolidated *HK$'000*
Revenue			
External sales	452,866	39,985	492,851
Result			
Segment profit (loss)	89,308	(13,780)	75,528
Other income			3,386
Other gains and losses			(851)
Unallocated administration expense			(55,581)
Share of profit of a joint venture			6,761
Finance costs			(2,256)
Profit before taxation			26,987

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned by/loss from each segment without allocation of unallocated administration expense, other income, other gains and losses and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment. Furthermore, as the assets and liabilities for reportable segments are not provided to the chief operating decision makers for the purposes of resources allocation and performance assessment, no segment assets and liabilities are presented accordingly.

Other segment information

For the year ended 31 December 2014

	Provision of services *HK$'000*	**Sales of books and magazines** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Depreciation of property, plant and equipment	**4,914**	**–**	**479**	**5,393**
Amortisation of sole agency rights	**10,709**	**–**	**–**	**10,709**
Allowance for (reversal of allowance for) bad and doubtful debts	**4,366**	**(90)**	**–**	**4,276**
Impairment loss on sole agency rights	**37,163**	**–**	**–**	**37,163**
Impairment loss on goodwill	**19,493**	**–**	**–**	**19,493**
Loss on disposal of property, plant and equipment	**624**	**–**	**–**	**624**

For the year ended 31 December 2013

	Provision of services *HK$'000*	Sales of books and magazines *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	5,608	72	258	5,938
Amortisation of sole agency rights	10,642	–	–	10,642
Allowance for (reversal of allowance for) bad and doubtful debts	3,070	(1,531)	–	1,539
Loss on disposal of property, plant and equipment	221	–	–	221

Geographical information

The Group's operations and assets are located in the PRC. All revenue is derived from customers located in the PRC. Accordingly, no analysis of revenue and non-current assets by geographical location are presented.

Information about major customers

There is no customer from either advertising income segment or sales of books and magazines segment which contributed over 10% of the total revenue of the Group.

3. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank loan wholly repayable within five years	**2,464**	2,256

4. (LOSS) PROFIT BEFORE TAXATION

	2014	2013
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,035**	803
Staff costs (including directors' emoluments):		
Wages, salaries and other allowances	**94,413**	91,970
Contributions to retirement benefits schemes	**14,810**	14,759
Share option benefits	**–**	57
	109,223	106,786
Equity-settled share-based payment expense	**47,000**	–
Depreciation of property, plant and equipment	**5,393**	5,938
Amortisation of sole agency rights (included in cost of sales)	**10,709**	10,642
Total depreciation and amortisation	**16,102**	16,580
Minimum lease payments under operating lease in respect of rented premises	**16,599**	16,858
Investment income earned on loans and receivables – bank interest income	**(2,268)**	(563)

5. TAXATION

The tax charge for the year represents the PRC Enterprise Income Tax ("EIT").

No provision for Hong Kong Profits Tax has been made for both years because the relevant group entity incurred a tax loss in Hong Kong.

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 has been 25% from 1 January 2008 onwards.

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	HK$'000	*HK$'000*
(Loss) profit before taxation	**(118,742)**	26,987
Tax at PRC income tax rate of 25% *(Note)*	**(29,686)**	6,747
Effect of the different income tax rates in other jurisdictions	**5,132**	353
Tax effect of tax losses not recognised	**19,394**	4,322
Utilisation of tax losses previously not recognised	**(1,874)**	(877)
Tax effect of expenses not deductible for tax purposes	**14,960**	3,018
Tax effect of income not taxable for tax purposes	**(2,774)**	(3,013)
Others	**(308)**	126
Taxation for the year	**4,844**	10,676

Note: The Group's major operating subsidiaries are all located in the PRC and subjected to EIT. Accordingly, EIT rate is applied for tax reconciliation purpose.

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$282,431,000 (2013: approximately HK$212,351,000) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future taxable profit streams. The estimated tax losses may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of a PRC subsidiary amounting to approximately HK$180,987,000 (2013: approximately HK$120,190,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. (LOSS) EARNINGS PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purposes of basic (loss) earnings per ordinary share being (loss) profit for the year attributable to owners of the Company	**(121,246)**	17,360
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,744,126,405**	1,739,565,172
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**–**	697,634
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,744,126,405**	1,740,262,806

For 2013, the computation of diluted earnings per share does not assume the exercise of the Company's 22,450,000 share options with exercise price ranging from HK$0.268 to HK$0.330 per option because the exercise price of these options was higher than the average market price in 2013.

For 2014, the computation of diluted loss per share does not assume the exercise of outstanding warrants and share options of the Company since their assumed exercise would result in a decrease in loss per share.

7. DIVIDEND

No dividend was paid or proposed for both years nor has any dividend been proposed since the end of the reporting period.

8. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**212,141**	226,613
Less: allowance for doubtful debts	**(19,663)**	(16,334)
	192,478	210,279

Credit periods granted by the Group to customers for both provision of advertising agency services and sale of books and magazines are not more than three months from the date of recognition of the sale.

The ageing analysis of the Group's trade receivables, net of allowance for doubtful debts, presented based on date of magazines issued, which approximate the date of revenue recognition is as follows:

	2014		2013	
	HK$'000	*%*	*HK$'000*	*%*
Less than three months	**112,050**	**58**	120,897	58
Three months to six months	**51,647**	**27**	52,718	25
Over six months to one year	**28,781**	**15**	36,664	17
	192,478	**100**	210,279	100

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit ratings attributed to customers are reviewed regularly. Management considers the customers neither past due nor impaired are of good credit quality based on repayment history of respective customers.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$80,428,000 (2013: approximately HK$89,382,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances. The average age of these receivables is 175 days (2013: 183 days).

Ageing of trade receivables which are past due but not impaired

	2014	2013
	HK$'000	*HK$'000*
Three months to six months	**51,647**	52,718
Over six months to one year	**28,781**	36,664
	80,428	89,382

As at 31 December 2013 and 2014, the Group has provided fully for all receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable.

Movement in the allowance for bad and doubtful debts

	2014	2013
	HK$'000	*HK$'000*
Balance at beginning of the year	**16,334**	15,986
Impairment losses recognised on trade receivables	**10,745**	5,177
Amount recovered during the year	**(6,469)**	(3,638)
Amounts written off as uncollectible	**(906)**	(1,689)
Exchange realignment	**(41)**	498
Balance at end of the year	**19,663**	16,334

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

9. TRADE PAYABLES

The ageing analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	2014		2013	
	HK$'000	***%***	*HK$'000*	*%*
Less than three months	**27,156**	**91**	28,244	92
Three months to six months	**660**	**2**	1,107	4
Over six months to one year	**2,153**	**7**	1,103	4
	29,969	**100**	30,454	100

The average credit period granted by trade payables is 90 days (2013: 90 days). The Group has financial risk management policies in place to ensure that all payables within the credit time frame.

BUSINESS REVIEW

Being impacted by the slowdown of economic growth in China and keen competition from internet media, traditional advertising industry in China faced a recession and negative growth in 2014. As a result of these adverse factors, revenue recorded by the Group was approximately HK$443.6 million in 2014, representing a decrease of approximately 10% as compared with 2013. To diversify its business and explore potential business opportunities, the Group engaged a consultancy company to seek business opportunities and projects, particularly in e-commerce and internet payment arena. The Company issued warrants to settle the consulting fee instead of making cash payments to the consultancy company so as to preserve the Group's cash position. Heavily affected by the share-based payment expense of the warrants and impairment provisions of goodwill and certain sole advertising agency rights of the Group, SEEC Media made a loss attributable to the shareholders of the Company of approximately HK$121.2 million in 2014.

Caijing Magazine, our flagship magazine, to which the Group has the exclusive agency right, continued to maintain its leading position in finance sector of the print media advertising industry in China. The revenue generated from Caijing Magazine has dropped by around 10% in 2014 largely a result of the poor economic environment. To reduce the impact of the drop in its advertising revenue, the Group vigorously promoted conference and event activities by using the brand of Caijing. The Group has endeavored to increase its revenue and diversify its revenue source by investing into different business niches.

"China Auto Pictorial" is one of the largest auto magazine in China and it was also intensely affected by the economic downturn in 2014 with its revenue decreasing by around 14% compared to 2013. The revenue of "Sports Illustrated" and "Real Estate" decreased by 27% and 28% respectively. However, not all the magazines of the Group had adverse results. With the positive effect of the re-launch and increased numbers of initial public offering in the stock market and fund raising exercises of companies in China, the advertising revenue of "CapitalWeek" increased by 83%. "VMarketing China" increased by 22% in its revenue mainly attributable to more event activities being held in the year.

The Board believes that the future advertising market will be an integrated market with the combination of mobile internet advertising and traditional print advertising. With the emergence of mobile internet, a growing number of media businesses would probably transform into fully integrated entities with various communication channels to capture their customers. In order to save resources for future new business development, the Group aborted the loss-making “Autocar” magazine.

OUTLOOK AND PROSPECT

Looking forward to future development, the Group intends to explore the e-commerce sector when there are suitable opportunities and to develop diversified e-commerce services through leveraging our loyal customers base that has accumulated over the years. The Group may provide diversified and multi-dimensional customized services (including the customization of news content, financial information, electronic goods, marketing conference and event promotion) to existing and potential customers, acting not only as a content provider but also a service provider.

The fast evolution of media industry coupled with the improvements in network technology have greatly transformed the way of information dissemination. The media in future will surely be integrated with the internet. By constantly listening to customer feedback and providing diversified services to meet customer needs, we will gradually move towards our future strategic goals.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year of 2014, revenue of the Group was approximately HK$443.6 million as compared to approximately HK$492.9 million in 2013, representing a decrease of approximately 10.0%. The Group’s revenue decreased because of the adverse effects on the Group’s operating environment as a result of keen competition in print media advertising business in China. The gross profit ratio slightly dropped to 52.0% as compared to that of last year (2013: 58.4%) mainly due to an increase of cost of sales by 3.8% resulting from the increase of payments to magazine publication companies for advertising agency rights in 2014. In current year, advertising income from conferences and events increased by 21.9% but the gross profit contributions from these conferences and events were less than those of advertising agency activities, leading to an overall decrease in gross profit.

Impairment losses have been recognised on the Group's sole agency rights in certain magazines of approximately HK$37.2 million (2013: nil) and impairment loss on goodwill of approximately HK$19.5 million (2013: nil) which were included in other gains and losses.

The selling and distribution costs decreased by 4.2% from approximately HK$212.1 million to approximately HK$203.3 million, mainly due to decrease in selling and promotional efforts. The administrative expenses surged by 91.2% from approximately HK$55.6 million to HK$106.3 million. The increase was mainly due to (i) the recognition of the equity-settled share based payment expense of approximately HK$47 million which was the fair value at the date of service received by a consultancy company of the unlisted warrants issued by the Company to the consultancy company in November 2014 and (ii) the increase in legal and professional fees of approximately HK$5.6 million during the year.

During the year, the Group recognised HK$16.5 million (2013: HK$6.8 million) share of profit from Mondadori-SEEC (Beijing) Advertising Co. Ltd., a joint venture for the operation of Grazia magazine in China.

The Group recorded finance costs of approximately HK$2.5 million (2013: HK$2.3 million) which mainly comprised of interest on bank loans in the current year.

The loss attributable to shareholders of the Company for this year amounted to approximately HK$121.2 million, as compared to profit attributable to shareholders of the Company of approximately HK$17.4 million last year.

To preserve financial resources for future operation of the Group, the Board did not recommend the payment of a dividend for the year (2013: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's daily operating activities were mainly financed by internal resources. As at 31 December 2014, the Group's equity was approximately HK$371.9 million (2013: HK$426.5 million). The Group had non-current liabilities of approximately HK$0.1 million as at 31 December 2014 (2013: HK$0.2 million). As at 31 December 2014, the Group's gearing ratio was 40.3% representing a percentage of total liabilities over total assets (2013: 33.8%).

As at 31 December 2014 the Group had no secured bank borrowings (2013: HK$55.7 million). The Group had non-interest bearing debt due to a substantial shareholder of approximately HK$50.3 million (2013: HK$0.3 million) and amount due to a director of approximately HK$4.0 million (2013: nil) which were mainly for financing the operational needs in Hong Kong.

As at 31 December 2014, the Group had cash and time deposits amounted to approximately HK$138.2 million (2013: HK$82.2 million).

CHARGES ON ASSETS

As at 31 December 2014, the Group had no pledged bank deposits (2013: HK$20.4 million).

As at 31 December 2014, the Group had no pledged leasehold land and building (2013: HK$33.0 million).

COMMITMENTS

(a) Operating lease commitments

As lessee

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

	2014	2013
	HK$'000	*HK$'000*
Within one year	**13,027**	11,939
In the second to fifth year inclusive	**6,674**	9,949
	19,701	21,888

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term ranging from nine months to 3 years.

(b) Other commitments

Pursuant to several agreements entered into between the Company and magazine publication companies, being independent third parties, the Company at the end of the reporting period had commitments to make payments to certain magazines publication companies for agency rights of advertising on their magazines which fall due as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**3,686**	4,048
In the second to fifth year inclusive	**9,360**	10,702
Over five years	**–**	2,340
	13,046	17,090

The amount recognised as an expense (included in cost of sales) in the year was approximately HK$13,640,000 (2013: approximately HK$7,892,000).

FOREIGN CURRENCIES AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars or Renminbi. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, apart from the bank borrowing, the Group did not have any fixed interest rate borrowings and had not engaged in any financial instruments for hedging or speculative activities.

EMPLOYEES

As at 31 December 2014, the Group had 635 (2013: 772) employees in Hong Kong and the People's Republic of China. Salaries, bonuses and benefits were decided in accordance with market conditions and performance of the respective employees.

SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Share Option Scheme") which was adopted on 26 August 2002. On 11 May 2012, the Company adopted a new share option scheme (the "New Share Option Scheme"), of which all terms and conditions are the same as the Share Option Scheme. During the year, no (2013: nil) share option was granted to directors and employees of the Group. As at 31 December 2014, the number of share issuable under share options granted under the Share Option Scheme was 15,400,000 (2013: 46,650,000).

UNLISTED WARRANTS

On 19 November 2014, 347,000,000 unlisted warrants (the "Warrants") were issued to Quantum Key Technology Limited ("Quantum Key") as payment for their consultancy services performed. Quantum Key would be entitled to be allotted 347,000,000 shares at exercise price of HK$239,430,000 in total upon full conversion of the Warrants.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICIES

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2014, except for the Code provisions (i) A.1.3 and A.7.1 whereas notice of board meeting and board paper are not given to directors in the stipulated time frame as the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings; (ii) A.2.1 whereas there is no separation of the role of Chairman and Chief Executive Officer. Mr. Wang Boming assumes the role of both the Chairman and the Chief Executive Officer; (iii) A.4.1 whereas all non-executive directors of the Company are not appointed for a specific term as they are subject to retirement and rotation in accordance with the Company's articles of association; (iv) A.6.7 whereas Mr. Wang Xiangfei, Mr. Zhang Ke and Mr. Ding Yu Cheng, being the independent non-executive directors of the Company, were absent from the annual general meeting held on 28 April 2014 due to their other business engagements; and (v) E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The chairman of the Board was absent from the annual general meeting held on 28 April 2014 due to his prior business engagement. Mr. Zhang Zhifang, an Executive Director and the elected chairman of that meeting, was available to answer question in that meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers of the Listing Rules ("Model Code"). Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2014.

AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial report matters including the review of the audited financial statements for the year ended 31 December 2014.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Annual Report of the Company containing the information required by Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in the due course.

By Order of the Board
Zhang Zhifang
Executive Director

Hong Kong, 27 March 2015

As at the date hereof, the Board comprises Mr. Wang Boming, Mr. Zhang Zhifang, Mr. Dai Xiaojing, Mr. Suen Man Simon, Mr. Zhou Hongtao and Mr. Li Leong as executive directors and Mr. Wang Xiangfei, Mr. Zhang Ke, and Mr. Ding Yu Cheng as the independent non-executive directors.