MNC MEDIA INVESTMENT LTD

(ARBN 164-134-472)

AND ITS SUBSIDIARIES

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

CORPORATE PROFILE

Established in 1999, MNC Media Investment Ltd (formerly known as Linktone Ltd.) is a provider of rich and engaging services and content to a wide range of traditional and new media consumers and enterprises in Mainland China, Indonesia, Malaysia, Hong Kong and Singapore.

It focuses on media, entertainment, communication and edutainment products, which are promoted through the Group's various nationwide distribution networks, integrated service platforms and multiple marketing sales channels, as well as through the networks of leading mobile operators in Mainland China and Indonesia.

MNC Media Investment Ltd's shares are listed on the Australian Securities Exchange and quoted on the OTC Markets Group's OTC Pink. It is a subsidiary of PT Global Mediacom Tbk –which owns one of the largest and most integrated media groups in Southeast Asia.

CHAIRMAN'S MESSAGE

Dear Shareholders,

Group revenue rose by 19% to US$68.6 million in FY2015 amid the overall slower growth in China. Revenue from the mobile games business in China rose to US$45.5 million from US$42.8 million the previous financial year. Revenue from social e-commerce more than doubled to US$13.7 million from US$6.0 million, accounting for 30% of total sales against 13.9% in FY2014.

Our popular mobile games, Boonie Bears and Armoured Warriors which accounted for about 77% of the Group's games revenue in China, saw a record number of gamers accessing the games. In 2015, downloads of Boonie Bears grew by 50% to exceed 260 million while Armoured Warriors garnered more than 90 million downloads since its inception in the fourth quarter of 2014.

Our proprietary, parenting and family portal - Fumubang (父母邦) saw its base of active users for the edutainment segment more than doubled from 0.7 million users in January last year to 1.5 million users by year-end. The improvement was propelled by the rise in domestic travel by Chinese families who use the mobile to access curated itineraries.

We also foresee Fumubang with its orientation towards curated, parenting and family activities to reap benefits from China's change from its one-child policy to allow Chinese couples to have two offspring as of 1 Jan 2016.

Over in Indonesia, the Group's online news and entertainment portal, Okezone.com, is now one of the top 5 news and entertainment portal in Indonesia. Total unique visitors more than quadrupled with a jump from 20 million at the beginning of 2015 to 84 million at the end of 2015 (Source: Google analytics). We also witnessed quadrupling of viewership from 180 million pageviews to 800 million pageviews over the same period (Source: Google analytics). This strong performance was attributed to an enhanced website, and our strong tie-ups with sports channels and more partnerships with news agencies.

With increased partnerships with news agencies, Okezone.com publishes about 1000 news reports every day which is among the highest in Indonesia.

Okezone.com also benefitted from our parent - the MNC Group's cooperation with an expanded portfolio of agencies and advertisers in Indonesia.

With over 93 million internet users, Indonesia is now one of the biggest online markets worldwide. With this vibrant outlook, we launched new initiatives such as the Travel Channel, Beauty Channel, Night Life 18th Channel, Crime Channel, and the EURO 2016 Channel. These new channels target the demands of different groups in the social community.

Online retail and online travel booking is expected to drive Indonesia's e-commerce market, projected to grow at a considerable CAGR to hit USD 16.4 billion by 2019. Spurred by these positive trends, we have made an investment in Mister Aladin, an online travel business in Indonesia, https://www.misteraladin.com/

Financial Performance

Our cash and cash equivalents stood at US$10.9 million in FY2015, compared to US$19.2 million in FY2014. The decline was mainly due to the use of funds for the Group's operations as well as the acquisition of an associate company, yododo.com, which is a travel related O2O business in China.

Overall, the group's net loss attributable to members was pared to US$10.1 million from the US$16.9 million loss in FY2014. The reduced loss was attributed to the closure of our discontinued operations and a US$6.4 million investment gain in FY2015 compared to a US$0.7 million loss in FY2014.

The gains were however offset by a net loss in foreign exchange amounting to US$8.5 million compared to a loss of US$1.4 million in FY2014. The Group suffered from the depreciation of the Indonesia Rupiah against the US Dollar - which impacted quoted investments denominated in the Indonesia currency.

Going Forward

In spite of the slowing of the Chinese economy, the Group will continue to scout for new intellectual properties ("IPs") to launch new games and broaden our games portfolio.

China's online travel is forecast to grow in double digits year-on-year with online travel revenue hitting about $75 billion by 2017. Fumubang and Yododo will capitalize on this growth with innovative curated new offerings and creative activities to continue to grow, engage and retain our users and travelers.

We are also optimistic of the growth potential of Okezone.com in Indonesia, which is one of the biggest online markets worldwide. In 2015, 93.4 million people had accessed the internet in Indonesia. This figure is projected to grow to 123 million by 2018.

Furthermore, we are confident of Mister Aladin's prospects since online travel market in Indonesia is projected to become the second largest market after online retail in Indonesia. The young, social and tech-savvy mobile population will create positive shifts in the market. Almost 30% of the online travel transactions are expected to be done through mobile phones in the coming years. The government's recent decision to grant licenses for 4G LTE development in the country will further enhance the online travel market of Indonesia.

All the above positive trends will open many organic and inorganic revenue-generating opportunities for the Group.

Acknowledgement

On behalf of the Board of Directors, I would like to extend my deepest appreciation and gratitude to our business partners, customers, suppliers and shareholders for your support of the Group in the past year. I would also like to thank the management and employees for their commitment and dedication.

We look forward to your continued support and contribution in the coming years.

Hary Tanoesoedibjo
Chairman

OPERATIONS AND FINANCIAL REVIEW

The key activities of the Group include:
(i) Providing online and mobile game services in China;

(ii) Operating online news, entertainment as well as parenting and family-oriented portal in Indonesia and China respectively;

(iii) Providing media content distribution, other related services, including creation of branded events in Singapore, Malaysia, Hong Kong and Indonesia; and

(iv) Trading in quoted securities.

Group Financial Performance Review

The group chalked up a turnover of US$68.6 million dollars in FY2015, up 19% from US$57.7 million the previous financial year.

Higher sales came mainly from improved contributions from the Group's mobile games business and parenting and family entertainment portal, Fumubang, in China.

Overall, the Group trimmed its net loss to US$10.6 million from the US$16.4 million loss in FY2014. The Group gained $0.2 million from its discontinued operations – reversing a loss of $11.7 million in the previous year.

The Group also booked in higher other operating gains of US$6.4 million versus a loss of US$0.7 million in FY2014.

In FY2015, operating expenses increased due mainly to continued investment in mobile games and Fumubang businesses.

In addition, the Group had also incurred an increase in net foreign exchange losses of US$8.5 million in 2015 compared to US$1.4 million the previous year. This is mainly due to depreciation of the Indonesian Rupiah against the US dollar, resulting in higher translation losses for the Group's quoted investments in the Indonesian currency.

Earnings Per Share (EPS) and Net Asset Value (NAV) Per Share.

The group's net gain/loss per share from continuing operations stood at US$0.03 as of 31 December 2015 compared to US$0.01 at the end of the previous financial year.

Net tangible asset per share as of 31 December 2015 was US$0.24 compared to US$0.27 the previous financial year-end.

Working Capital

The group's financial position remains healthy.

Total current assets as of 31 Dec 2015 stood at US$109.7 million compared to US$125.4 million a year earlier. This is mainly due to lower cash and cash equivalents, short-term investments and receivables.

The net decrease in cash and cash equivalents in FY2015, amounting to US$8.3 million stemmed from funds channelled to fund Group operations as well as the acquisition of an associate company. Short-term investments had dipped to US$86.3 million from US$91.9 million as a result of devaluation and funding of operations and acquisitions.

Assets of discontinued operations as at the end of FY2015 was reduced by US$2.1 million to US$0.3 million mainly due to Account Receivable collections.

Total current liabilities as of 31 Dec 2015 stood at US$26.8 million against US$26.0 million the previous financial yearend due to higher account payables, accrued liabilities and other payables, which were offset by lower liabilities as a result of discontinued operations.

Segmental Performance / Review of Key Business Segments

CHINA

Mobile Games

Our mobile games business in China, run by Letang, remains the largest contributor to group income. This business continued to report positive performance from games such as Armoured Heroes and Boonie Bears. Both these games remain the key contributors to our mobile games' revenue.

Letang, which clocked in an estimated 6% revenue rise to US$45.5 million in FY2015, also benefitted from new game titles such as Ultraman and Big Head Son launched in the second half of 2015.

Gross profit from the Group's mobile games business in China was US$13.8million, accounting for 86% of the Group's total gross profit.

The group will continue to seek opportunities to develop and build on games intellectual property (IP) as well as seek new acquisitions acquire new games to keep pace with demand and increase our market share, thereby raising income and profits from the mobile games sector.

Online portal businesses – social e-commerce, lifestyle/ edutainment content and services

This business accounted for 19% of total group revenue – more than double the 9% contribution to group revenue in FY2014 with our parenting and family entertainment portal in China, Fumubang, remaining the star performer with sales surging by 160% to US$12.8 million in FY2015.

The portal has attracted a total user base of more than 1.5 million to date providing clear-cut evidence of the success of its reach to parents and families and the rising popularity of our extensive range of curated edutainment activities and family travel programmes.

We expect Fumubang with its orientation towards parenting and family activities to gain further traction and benefits from China's change from its one-child policy to allow Chinese couples to have two offspring which came into effect from 1 Jan 2016. The two-child policy is expected to boost interest and demand for educational products and services as well as activities for children and families. With our established brand and wide network in China, we will be well-positioned to fast-track our expansion plans which will include branching into overseas travel in our offerings.

INDONESIA

Digital Media (Online Portal and Mobile Content / Telecommunication Value Added Services VAS)

The Group owns an online news and entertainment portal in Indonesia, Okezone.com which accounted for 2.5% of overall Group's total revenue in FY2015 with revenue edging up to US$1.7 million from US$1.5 million in FY2014.

This site has strengthened its content portfolio in terms of editorial, advertorial and functionality to build up user traffic which has improved due to the revamp of the website and our tie-ups with the Wall Street Journal, Yahoo and sports channels to cater to sports enthusiasts

Okezone.com is now one of the leading news and entertainment portals in Indonesia.

Its online streaming platform - Okezone.tv is now the premier online TV streaming in Indonesia with 12 channels streaming online everyday. Viewers came from both mobile and personal computer platforms.

Okezone, which has developed new user-generated content (UGC) for the new video sharing website metube.co.id, gained from riding on the parent group's extensive content portfolio – distributing content from all in house FTA TV and many hours of in-house programmes that MNC owns. The portal attracted about 9000-10,000 visitors/day while chalking up video views of about 20,000 daily.

MEDIA CONTENT GROUP
Media content, audio distribution and other related services

In FY2015, revenue from the Group's media content business increased to US$3.2 million from US$3.0 million in FY2014 due to increased customer based for the Group's distribution of MNC channel content.

The group will continue to focus on distribution for MNC channel content, outside of Indonesia.

CHINA & INDONESIA: Telecommunication Value Added Services (VAS)

A value-added service (VAS) refers to services beyond standard voice calls and fax transmissions that are deployed to optimise a company's business model and strengthen its competitive edge. These include live streaming, music downloads, sports and infotainment services, location-based services, M-commerce, mobile advertising as well as phone back-up and security services among others. The group's revenue from our VAS businesses in China and Indonesia rose to US$6.1 million in FY2015 from US$5.5 million in FY2014.

FINANCIAL HIGHLIGHTS

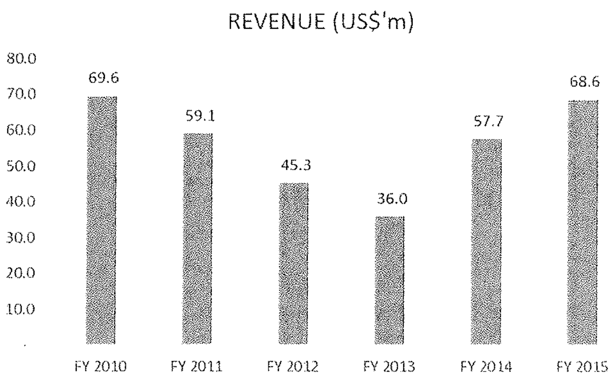
Financial year ended 31 December

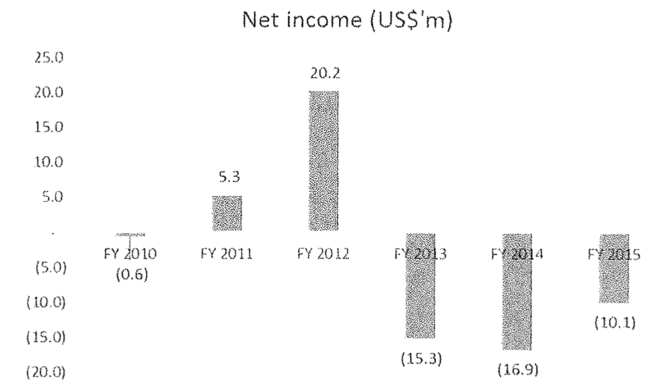
(in US$ million, except per share data)	FY2014	FY2015	*Change*
Revenue	57.7	**68.6**	*19%*
Gross profit	15.6	**16.0**	*3%*
Total operating expenses	(19.3)	**(23.9)**	*24%*
Other operating income/(loss)	(0.7)	**6.4**	*n.m*
Operating income/(loss)	(4.4)	**(1.5)**	*-66%*
Loss on foreign exchange – net	(1.4)	**(8.5)**	*507%*
Loss before income tax from continuing operations	(5.1)	**(10.1)**	*102%*
Income tax benefit	0.3	**(0.4)**	*-233%*
Net loss for the year from discontinued operations	(11.7)	**0.2**	*n.m*
Loss attributable to ordinary shareholders of the Company	(16.9)	**(10.1)**	*-35%*

Per Share Data*

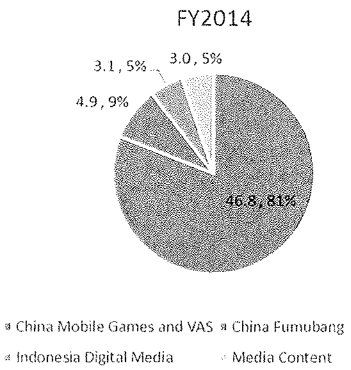
Loss Per Share (in US$ cents)	(0.04)	**(0.03)**	*-25%*
Net Tangible Asset Value Per Share (in US$ cents)	0.27	**0.24**	*-9%*

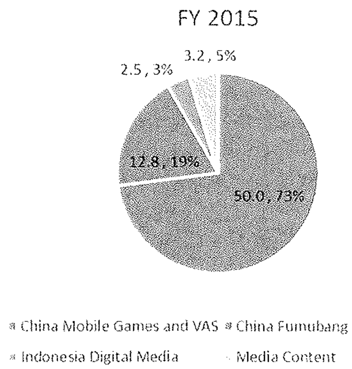
**Per Share Data is based on basic weighted average number of ordinary shares of 404,391,710 in FY2014 and FY2015*
n.m. – not meaningful





Revenue by Business Segment (US$'m)





Current capital structure and continuing profits

Shares and American Depositary Shares (the "ADSs")

As at 29 February 2016, MMIL has 421,435,030 ordinary shares on issue. Of these, 17,043,320 ordinary shares have been bought back by MMIL. These are currently held by the Company as treasury stock (shares MMIL issued but subsequently bought back and which may be reissued or cancelled by MMIL). The total number of MMIL shares held by shareholders and ADS holders is 404,391,710 (outstanding ordinary shares).

Some MMIL ordinary shares outstanding are listed traded OTC in pink sheets in the form of ADSs and on Australia Stock Exchange in the form of CHESS Depository Interests ("CDIs"). As of 31 December 2015, there were 20,497,685 MMIL ADSs listed on the NASDAQ Global Market. As 1 ADS represents 10 ordinary shares, 204,976,850 or 50.7% of MMIL's outstanding ordinary shares are held in the form of ADSs. As of 29 February 2016, there were 1,727,477 CDIs listed on ASX.

Each class of share voting rights is as follows:

1 Ordinary share = 1 vote
1 ADR/CDI = 10 votes

Options

As at 31 December 2015, MMIL has granted options over 6,500,000 ordinary shares. The options were granted pursuant to MMIL's employee stock options scheme and have been issued to 3 employees.

Options at 31 December 2015:

Range	Number of employee participating	Number of options	% to total options
0 - 1,000	-	-	-
1,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 1,000,000	-	-	-
1,000,001 - 999,999,999	3	6,500,000	100
TOTAL	**3**	**6,500,000**	**100**

The following employees hold more than 20% of the outstanding options, issued under MMIL's employee stock options scheme:

	Name	Number of options held
1)	Hary Tanoesoedibjo	2,500,000
2)	Tan Peck Joo	2,500,000
3)	Peter Zuo Peng	1,500,000

Shareholders and their holdings

Top 20 shareholders

Statement pursuant to Australian Securities Exchange official list requirements:

The following tables provide information about holders of MMIL's ordinary shares as at 29 February 2016 based on information known to MMIL.

NAMES OF SHAREHOLDER	NO. OF ORDINARY SHARES HELD	% OF OUTSTANDING ORDINARY SHARES
JPMorgan Chase Bank, N.A.	204,976,850	50.7%
MNC International Ltd.	180,004,580	44.5%
CHESS Depositary Nominees Pty Ltd	17,274,770	4.3%
Mark McGoldrick	499,750	0.1%
Richard Scrase	249,940	0.1%
Sam Wisnia	124,910	0.0%
Greenacre Ventures Ltd.	118,082	0.0%
Jason Kushner	95,175	0.0%
Alireza Satrap	88,400	0.0%
Chris Brumbach	74,930	0.0%
Gerard Gennotte	74,930	0.0%
Scott Lawin	49,990	0.0%
Greg Tarr	47,700	0.0%
Michael Rafferty	47,700	0.0%
John Jessop	35,320	0.0%
Helga Nelsen Sulger	33,370	0.0%
Andrew R. Dale	16,946	0.0%
Rowena Wang	13,350	0.0%
Matthew Anderson	11,780	0.0%
Total: Top 20 holders of ordinary shares	**403,838,473**	**99.9%**
Total: Balance held by remaining holders	**553,237**	**0.1%**

ADS holdings of MMIL Directors

NAME OF DIRECTOR	NO. OF ORDINARY SHARES HELD	% OF OUTSTANDING ORDINARY SHARES
Peck Joo Tan	500,000	0.1%

Voluntary escrow

There are no MMIL securities under voluntary escrow.

Substantial holders

PT. Global Mediacom owns 83.2% of the outstanding ordinary shares of MMIL as of 31 December 2015.

Distribution of ADS holdings[1]

Range	Number of holders	Number of units (ADSs)	% to total units (ADSs)
0 - 1,000	820	190,147	2
1,001 - 5,000	257	471,373	6
5,001 - 10,000	43	280,821	3
10,001 - 100,000	29	733,886	9
100,001 – 9,999,999,999	10	6,412,366	79
TOTAL	**1,159**	**8,088,593**	**100**

Distribution of CDI holdings

Range	Number of holders	Number of units (CDIs)	% to total units (CDIs)
0 - 1,000	0	0	0
1,001 - 5,000	0	0	0
5,001 - 10,000	0	0	0
10,001 - 100,000	1	34,163	2
100,001 – 9,999,999,999	3	1,693,314	98
TOTAL	**4**	**1,727,477**	**100**

Unmarketable Parcels

As at 28 February 2016, there were 20 shareholders holding less than a marketable parcel of shares under the ASX Listing Rules. The ASX Listing Rules define a marketable parcel of shares as "a parcel of not less than AU$500".

Buy-back

There is not currently an on market buy-back.

Listing Rule 4.10.19

This listing rule is not applicable as MMIL did not raise equity on listing on the ASX.

[1] Please note the following that the table:

- has been compiled from information provided by the largest proxy agent of JPMorgan Chase Bank, N.A. in respect of MMIL securities. It does not include a number of ADSs held by banks, brokers or various other shareholders as MMIL has not been able to obtain such information; and
- includes treasury stock held by MMIL. For this reason, the total number of ADSs in the table exceeds the number referred to earlier in the Annual Report.

Corporate governance

This Section explains how the Board manages MMIL's business. The Board is responsible for the overall corporate governance of MMIL. The Board monitors the operational and financial position and performance of MMIL and oversees its business strategy including approving the strategic goals of MMIL. The Board is committed to maximising performance, generating appropriate levels of security holder value and financial return, and sustaining the growth and success of MMIL. In conducting business with these objectives, the Board is concerned to ensure that MMIL is properly managed to protect and enhance security holder interests, and that MMIL, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing MMIL including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for MMIL's business and which are designed to promote the responsible management and conduct of MMIL.

The ASX Corporate Governance Council has developed and released corporate governance recommendations for Australian listed entities (**ASX Recommendations**) in order to promote investor confidence and to assist companies to meet stakeholder expectations. The recommendations are not prescriptions, but guidelines.

This corporate governance statement is current as at 29 February 2016 and has been approved by the Board. There are several areas where MMIL departs from the ASX Recommendations as follows:

- there is not a statement of matters reserved to the Board, and delegated to management (see "The Board and Management" for further explanation);
- there is not a majority of independent Directors on the Board (see "Board Composition" for further explanation);
- the chairperson of MMIL is not independent and he is also the CEO of MMIL (see "Board Composition" for further explanation);
- MMIL does not have a policy concerning diversity nor does it set measurable objectives for achieving gender diversity (see "Diversity Policy" for further explanation);
- there is not a process for evaluating the Board, committees and directors, and no performance evaluation has taken place (see "Performance Evaluation" for further explanation);
- the Audit Committee of MMIL consists of only one member (see "Audit Committee" for further explanation);
- disclosure will not be made regarding whether a performance evaluation was undertaken for senior executives (see "The Board and Management" for further explanation);
- the Board has not received assurance from the CEO and the CFO relating to the declaration under section 295A of the Corporations Act (see "Risk Management" for further explanation);
- the Nominating and Compensation Committee consists only of one member and that member is not independent (see "Board Committees" for further explanation); and
- MMIL does not have a risk committee (see "Risk Management" for further explanation).

Other than these instances, the Board does not consider it departs from the recommendations of the ASX Corporate Governance Council. MMIL may depart from other recommendations in future if the Board considers that such a departure would be reasonable.

The Board and Management

The day to day management of MMIL is conducted by the executive Directors and senior executives, save for the matters required by law to be reserved to the Board, and any additional matters the Board reserves to itself from time to time. Given the size of the Company and overlap between membership of the Board and membership of the senior executives, the Board does not consider it necessary in the Company's circumstances to adopt a formal statement of matters reserved to it and matters delegated to senior executives. In addition, all directors, including senior management i.e.the CEO and CFO have formal letters of appointment identifying the terms of their appointment.

MMIL undertakes appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. Information included in the shareholder meeting notice includes biographical details, appointment term and areas of expertise. The checks undertaken include criminal history checks and employment and character reference checks.

The performance of senior executives including the CEO and CFO is evaluated against pre-determined key performance indicators on an annual basis. MMIL does not propose to provide confirmation as to whether or not such performance evaluation has taken place during any given reporting period. It does not consider such confirmation to be necessary in light of the structure of the Company.

Board composition

The Board is comprised of two non-executive Directors and two executive Directors, including the Chairman.

The Board consists of:

- Hary Tanoesoedibjo (Chairman and CEO);
- David Audy (Non-executive Director);
- Billy Hsieh (Independent non-executive Director); and
- Peck Joo Tan (Director and Deputy CEO).

The Board considers an independent Director to be a non-executive Director who is not a member of MMIL's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement, with reference to the standards set forth in the NASDAQ Marketplace Rules regarding the definition of independent director. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board considers that only Billy Hsieh is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of his judgment and is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

Neither Hary Tanoesoedibjo or Peck Joo Tan are independent due to being executives in the Company.

David Audy is currently considered by the Board not to be independent on the basis of his relationship with PT Global Mediacom Tbk ("GMC"), shareholder of MMIL, at which he has served as a director since October 2012. He has also been serving as President Director of PT Global Informasi Bermutu (Global TV), a national free-to air television station in Indonesia, since October 2010, and as President Director of PT Linktone Indonesia since October 2011. In addition, he has held several senior positions in MNC International Ltd., a majority-owned subsidiary of GMC, and in companies which are affiliates of GMC, including Managing Director of PT Media Nusantara Informasi (Seputar Indonesia Daily Newspaper) from 2009 to 2012, Head of Investor Relations of MNC from 2007 to 2009 and Senior Manager for Corporate Finance of MNC from 2006 to 2007. He is the brother-in-law of Mr. Hary Tanoesoedibjo, the Company's Chairman and CEO.

Accordingly, the Board does not consist of a majority of independent Directors. Although the Board acknowledges the ASX Recommendation that a majority of the Board should be independent non-executive Directors, the Board is of the view that the current Board composition is appropriate given the size of the Board, the skills and experience required for the Board and the circumstances of the Company. As a practical matter, the Board is confident that the Board as a whole is able to exercise judgment in an independent and unfettered manner to provide effective oversight of the Company.

Hary Tanoesoedibjo holds the office of the Chairman of the Board and is the Chief Executive Officer. Accordingly, the chairperson of the Board is not an independent director. Although the Board acknowledges the ASX Recommendation that the chairperson should be an independent director, the Board considers Hary Tanoesoedibjo to be the most suitable person for this role in the Company's circumstances. The Board believes that Hary Tanoesoedibjo is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman and that MMIL as a whole benefits from his long standing experience of its operations and business relationships.

The Company does not have a policy in relation to whether the Board collectively, and individual Directors, may seek independent professional advice at MMIL's expense, subject to the approval of the Chairman or the Board as a whole. The Board does not consider such a policy to be necessary at this time. However, the charters of the Board's Audit Committee and Nominating and Compensation Committee authorize such committees to engage their own independent advisors at MMIL's expense in the discretion of such committees.

The skills, experience and expertise of each Director is set out below:

Biographical Information

Hary Tanoesoedibjo has served as the Chairman of our Board since April 2008 and as our Chief Executive Officer since May 2009. He has been a director of GMI since 2007, the President Director of GMC since 2002, the President Director of Bhakti since 2009, the President Director of MNC since 2004, President Commissioner of PT MNC Sky Vision (a Pay TV broadcasting company in Indonesia) since 2006, and President Director of PT Rajawali Citra Televisi (a national free-to-air television station in Indonesia) since 2010. He has also been a director of each of MIL and MNC International Middle East Limited since 2007. All these companies are affiliates of GMC. He received a Bachelor of Commerce (Honours) degree from Carleton University and a Master of Business Administration degree from Ottawa University.

David Fernando Audy was appointed to our Board in September 2012. He has been serving as a director of GMC since October 2012. He has also been serving as President Director of PT Global Informasi Bermutu (Global TV), a national free-to air television station in Indonesia, since October 2010, and as President Director of PT Linktone Indonesia since October 2011. In addition, he has held several senior positions in MNC, a majority-owned subsidiary of GMC, and in companies which are affiliates of GMC, including Managing Director of PT Media Nusantara Informasi (Seputar Indonesia Daily Newspaper) from 2009 to 2012, Head of Investor Relations of MNC from 2007 to 2009 and Senior Manager for Corporate Finance of MNC from 2006 to 2007. He holds a Master of Commerce in Professional Accounting and a Bachelor of Commerce in Finance & Information System from the University of New South Wales in Australia. He is the brother-in-law of Mr. Hary Tanoesoedibjo, our Chairman and Chief Executive Officer.

Peck Joo Tan has served on our Board since December 2010 and since June 2010 has served as a managing director of the international business division of MNC. Prior to that, she held various regional financial and general management positions in the Asian divisions of MediaCorp Pte Ltd, Starbucks and Delifrance. She also served as the finance director of Frito-Lay Asia, financial controller of Pepsi Asia and chief financial officer of Heinz Asia Pacific where she assisted in the preparation of financial statements under U.S GAAP. Ms. Tan graduated with a degree in Accountancy from the National University of Singapore and is a member of the Institute of Chartered Accountants of Singapore and Institute of Marketing of the United Kingdom.

Billy Hsieh has served as an independent director since February 2011. Mr. Hsieh joined PricewaterhouseCoopers in San Francisco in 1986, was admitted as a partner in 1996 and serve in its Shanghai office from 1996 until his retirement in 2010. He has over 15 years of experience advising multinational corporations about doing business in China, including experience in market entry and development, mergers and acquisitions, tax advisory and other activities in China. He graduated with a Bachelor of Science degree in Accounting from St. John's University and a law degree from the University of California, Hastings College of the Law, both in the United States. He is licensed as a certified public accountant in California and is a member of the California bar.

Board Skills

The composition of the Board is reviewed on an annual basis by the Nominating and Compensation Committee to ensure that the Board has the appropriate mix of skills, expertise and experience necessary to fulfil its function effectively. The annual review is facilitated by considering a Board skills matrix that provides an overview of the Directors' skills measured against a range of skills, competencies and experience sought by the Board which have been developed based on:

- The Company's strategic priorities and objectives;
- Current issues and challenges; and
- Current and future business.

The Board has determined that the following skills and experience are necessary for the Board, as a whole to have.

Skill/Experience/Competency	Board
Required Skills	
1. Financial Acumen	√
2. Strategy	√
3. Human resources & organisational culture	√
4. Risk management	√
5. Digital and IT skills	√
6. Sales and marketing	√

The Board is of the view that the current Board composition provides each of the skills listed above and there are no further skills required at this time.

The Board has established a Nominating and Compensation Committee (see below). .

The Company Secretaries of MMIL are Ms Tan Peck Joo and Ms Poh Shih Yin. They are accountable directly to the Board, through the chairman, on all matters to do with the proper functioning of the Board.

Performance evaluation

MMIL does not have a formal performance evaluation process in relation to the Board, its committees and individual Directors. The Board does not consider a formal process to be necessary in light of the size of the Board and the Company. It seeks to ensure that the Board performs at all times in a manner consistent with its obligations under the Memorandum and Articles of Association and other regulatory requirements including those of the SEC and NASDAQ Global Market. It will continue to take this approach in respect of its obligations as a company admitted to the ASX. No performance evaluation was undertaken during 2015.

Induction and professional development

There have not been any new directors appointed to the Board of MMIL since 2012. If a new director was appointed, a formal induction program would be followed to ensure any new director is well briefed on the business and governance of MMIL. Directors are encouraged to undertake professional development in any areas considered appropriate.

Code of business conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Business Conduct to be followed by all employees, officers and Directors. The key aspects of this Code require:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in the reports and documents;
- compliance with all applicable laws, rules and regulations;
- the prompt internal reporting to the appropriate violations of the Code of Business Conduct; and
- accountability for adherence to the Code of Business Conduct.

The Code of Business Conduct is available on MMIL's website, www.mncmi.com.

Diversity Policy

The Board is committed to diversity and fosters a corporate culture which embraces diversity but has not adopted a formal diversity policy. The Board acknowledges the ASX Recommendation that there should be a policy concerning diversity and the setting of measureable objectives but does not consider this appropriate at this stage in light of the circumstances of the Company. Below is the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board. Senior executives include the direct reports of the CEO and deputy CEO.

	Number of women	Total number of employees	% of women to total number of employees
Total employees	384	774	50
Senior executives	3	11	27
Board of directors	1	4	25

Continuous disclosure policy

MMIL is required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, MMIL is required to disclose to the ASX any information concerning MMIL which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. MMIL is committed to observing its disclosure obligations under Listing Rules and the Corporations Act. MMIL has adopted a Disclosure Policy to took effect from its listing on the ASX and establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. A copy of MMIL's Disclosure Policy is available on its website. www.mncmi.com.

Securities trading policy

MMIL has adopted a written policy for dealing in securities. The policy is intended to explain the prohibited type of conduct in relation to dealings in securities, and to establish a best practice procedure in relation to Directors', management's and employees' dealings in Shares.

The policy comprises:

- a pre-clearance and blackout policy which applies to Directors, officers and designated employees (**Insiders**); and
- an insider trading policy which provides guidance to all MMIL personnel, including Insiders.

Insiders are, subject to certain exceptions, prohibited from:

- buying or selling the Company's securities while in possession of material non-public information;
- communicating such information to third parties other than those who need to know such information in connection with doing business with or for the Company;
- recommending the purchase or sale of the Company's securities while in the possession of material information that has not been publicly disclosed by the Company; and
- assisting anyone engaged in any of the above activities.

These prohibitions also apply to information about, and the securities of, other companies (e.g., customers or suppliers) with which the Company has a relationship. These prohibitions also apply to the Insiders' immediate family members, and Insiders may not disclose any material non-public information to others, including their family members, friends or social acquaintances.

In addition, Insiders are prohibited from trading in the Company's securities (including CDIs, Shares) during 'black-out periods', which apply to each quarter. The black-out periods begin on the close of business on the fifteenth day of the third month of each quarter and end on the opening of the second business day following the Company's filing with the ASX of the Company's annual financial reports, or public release of quarterly or annual financial information.

The Company may also make a determination at any time that Insiders should suspend trading because of insider information not yet available to the public.

All Insiders must receive approval from the CFO prior to any transaction involving the Company's securities.

The Company's personnel must not engage in any of the following activities without the prior written consent of the CFO:

- purchasing MMIL securities on margin;
- pledging MMIL securities;
- short sales;
- buying or selling puts or calls; or
- engaging in derivative transactions relating to MMIL securities.

A copy of MMIL's Trading Policy is available on its website.

Communication with security-holders

The Board's investor relations policy is to ensure that security-holders are provided with sufficient information to assess the performance of MMIL and that they are informed of all major developments affecting the state of affairs of MMIL relevant to security-holders in accordance with all applicable laws.

The Board has established an investor relations program to ensure effective two-way communication with shareholders through the Company's website. Information is communicated to security-holders through the lodgement of all relevant financial and other information with ASX and publishing information on MMIL's website, www.mncmi.com, including MMIL's governance practices. Security-holders are encouraged to write directly to MMIL or email through the contact details provided on the website if they have any queries regarding the business or their security-holding.

In particular, MMIL's website contains information about it, including media releases, key policies and the terms of reference of its Board committees. All relevant announcements made to the market and any other relevant information are posted on MMIL's website as soon as they have been released to ASX.

MMIL encourages security-holders to attend security-holder meetings and all security-holders are provided with copies of notices of meeting detailing the business to be discussed. Security-holders who cannot attend meetings are encouraged to lodge a proxy vote and all details for this is sent to security-holders with the notice. In addition, MMIL's Annual General Meetings are attended by its external auditors to answer questions from security holders relevant to the audit. Results of any security-holder meetings are made publicly available after the meeting.

Security-holders can elect to receive communications from, and send communication to, the security registry electronically.

Risk management

The identification and proper management of MMIL's risks are an important priority of the Board.

The Board is responsible for overseeing and approving risk management strategy and policies, which are put into place by management, in conjunction with the Audit Committee. MMIL management has responsibility for identifying major risk areas and implementing risk management systems. The Audit Committee is responsible for monitoring risk management and establishing procedures which seek to provide assurance that material business risks are identified, consistently assessed and appropriately addressed. The Code of Business Conduct outlines how the major business risks are reported and addressed. In addition, MMIL has a policy entitled 'Reporting Questionable Accounting and Auditing Practices and Policy Prohibiting Retaliation Against Reporting Persons' which enables employees to report complaints or concerns about MMIL's accounting practices, internal accounting controls or auditing matters. Management has reported to it as to the effectiveness of the Company's management of its material business risks.

The Board has not established a separate risk committee and the risk functions are undertaken by the Board in conjunction with the Audit Committee, which is described under "Audit Committee". The Board has determined that a separate risk committee is not required at this time as the processes in place through Board and Audit Committee review are adequate.

MMIL regularly undertakes reviews of its risk management procedures to ensure that it complies with its legal obligations, however as the Company is registered in the Cayman Islands, the Chief Executive Officer or Chief Financial Officer will not be providing a declaration under Section 295A of the Corporations Act (which does not apply to MMIL).

The Board reviews the risk management framework, following review by the Audit Committee, on an annual basis to ensure the framework continues to be sound and applicable to the MMIL business. This review has been undertaken during 2015.

The key risks facing MMIL are strong reliance on the Chinese market, withmore than 80% of revenue contributed by China; foreign exchange risk and legal and regulatory risks within the countries MMIL operates.

Internal Audit

MMIL has an internal audit function that reports directly to the Chairman of the Audit Committee. The Internal Audit functions is responsible for reviewing and ensuring a sound system of risk management and internal controls is working effectively Internal Audit reports regularly to the Audit Committee by providing copies of any internal audit reviews undertaken and progress by management against any recommendations made. The internal audit program is approved by the Audit Committee annually and seeks to review areas of high risk.

Economic, environmental and sustainability risks

MMIL is exposed to material economic risk through its reliance on China and Indonesia for revenue. The legal and regulatory regimes in these countries provide risks and uncertainties for MMIL MMIL management mitigates this risk by monitoring the regulatory situation in these countries closely to enable changes to the business to be made if required.

MMIL's operations do not provide exposure to material environmental or social sustainability risks

Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit committee and the Nominating and compensation committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of MMIL, relevant legislative and other requirements and the skills and experience of individual Directors.

Nominating and compensation committee

The Board has established a Nominating and Compensation Committee with David Audy as its sole member. The Board acknowledges the ASX Recommendation that a Remuneration (compensation) Committee should have at least three members, a majority of whom are independent and be chaired by an independent chair. However, the Board considers the composition of its Nominating and Compensation Committee to be appropriate given the skill set, experience and seniority of David Audy and the size of the Board. In particular, the Board considers David Audy an appropriate choice because he is one of the two non-executive members of the Board.

The functions of the Nominating and Compensation Committee are to monitor the size and composition of the Board and consider and make recommendations to the Board with respect to the nomination or election of Directors. This committee also reviews and makes recommendations to the Board regarding the Company's compensation policies and all forms of compensation, including annual salary and bonuses, to be provided to the Company's executive officers and Directors and reviews stock compensation arrangements for all of the Company's other employees. The charter of the Committee is available on the MMIL website (www.mncmi.com).

The Nominating and Compensation Committee will consider and make recommendations to the Board regarding any shareholder recommendations for candidates to serve on the Board. The Nominating and Compensation Committee will review periodically whether a more formal policy should be adopted.

During the year, the Nominating and Compensation Committee met once. And David Audy, as the sole member, attended this meeting.

Anti-hedging policy

The Anti-hedging policy is as follows:

> Directors and Senior Executives are not permitted to enter into transactions with Securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements under any equity-based remuneration schemes awarded under any equity-based remuneration scheme currently in operation or which will be offered by the Company in the

future. However, Directors and senior executives will consult with the Chairman if they are considering, or if they are not sure, as to whether entering into transactions may limit the economic risk of unvested entitlements they may have.

Remuneration of non-executive directors

In 2015, an aggregate of approximately US$0.07 million was paid to non-executive Directors. The Company does not have a formal process for the determination of remuneration of non-executive directors. However, the Board must provide its consent to the remuneration. There are no retirement schemes for non-executive directors.

The remuneration of non-executive directors is fixed. Non-executive directors do not participate in other remuneration components such as performance related short-term or long-term incentives, options or variable remuneration and do not receive retirement benefits other than superannuation. This distinguishes from executives who participate in the Employee Stock Options Scheme and are provided with incentives for performance.

Remuneration for executive directors

MMIL remunerates executives on the basis of fixed pay plus incentives for performance via the Employee Stock Options Scheme. MMIL's remuneration policies include:

- fixed pay is set at levels comparable to industry standards;
- annual incentives based on performance; and
- long term incentives are provided via the Employee Stock Option Scheme.

The Nominating and Compensation Committee annually reviews and approves the Company's corporate goals and objectives relevant to CEO compensation, evaluates the CEO's performance in light of such goals and objectives, and, either as a Committee or together with the other independent directors (as directed by the Board), determines and approves the CEO's compensation level based on this evaluation. In determining the long-term incentive component of the CEO's compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the Company's CEO in past years.

The Committee also annually reviews and approves for other executives the annual base salary levels; annual incentive compensation levels and long-term incentive compensation levels.

Audit committee

The Board has established an Audit Committee which comprises Billy Hsieh as the sole member. Billy Hsieh is an independent non-executive Director. The Board acknowledges the ASX Recommendation that the Audit Committee should have at least three members. However, the Board considers the skill set, experience, seniority and independence of Billy Hsieh is a sufficient safeguard of the integrity of MMIL's financial reporting.

Billy Hsieh has served as an independent director and Audit Committee Chairman since February 2011. Mr. Hsieh joined PricewaterhouseCoopers in San Francisco in 1986, was admitted as a partner in 1996 and serve in its Shanghai office from 1996 until his retirement in 2010. He has over 15 years of experience advising multinational corporations about doing business in China, including experience in market entry and development, mergers and acquisitions, tax advisory and other activities in China. He graduated with a Bachelor of Science degree in Accounting from St. John's University and a law degree from the University of California, Hastings College of the Law, both in the United States. He is licensed as a certified public accountant in California and is a member of the California bar.

The Audit Committee has an Audit Committee Charter. Additionally, MMIL has a policy entitled 'Reporting Questionable Accounting and Auditing Practices and Policy Prohibiting Retaliation Against Reporting Persons' which enables employees to report complaints or concerns about MMIL's accounting practices, internal accounting controls or auditing matters.

The primary role of this Committee includes:

- appointment, compensation and oversight of the work of independent auditors;
- overseeing the accounting and financial reporting processes;
- monitoring compliance with MMIL's accounting and financial policies; and

- evaluating MMIL management's procedures and policies relative to the adequacy of internal accounting controls.

The Committee has the responsibility for the selection and appointment of the external auditor, as well as evaluating its effectiveness and independence. Under the Audit Committee Charter, it is the policy of MMIL that its external auditing firm must be independent of MMIL itself. The independence of the external auditor is reviewed and assessed on an annual basis.

The Audit Committee charter is available on the MMIL website.

The Audit Committee met 4 times during the year, with Billy Hsieh, as the sole member in attendance at each meeting.

The Board of MMIL, before it approves the financial statements for a financial period, receives from its CEO and CFO a declaration that, in their opinion, the financial records of the entity has been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

MMIL Media Corporate Directory

Directors
Hary Tanoesoedibjo
David Audy
Peck Joo Tan
Billy Hsieh

Company Secretaries
Peck Joo Tan
Shih Yin Poh

Registered Office
Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands
+1 345 949 8066

Independent Registered Public Accounting Firm
Ruihua China Certified Public Accountants LLP
18-19/F, China Insurance Building,
No. 166 Lujiazui Road East, Pudong New Area
Shanghai 200120, China
Tel: +86 21 20300000

Share Registry
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
+61 1300 554474

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
PO Box 1586, Grand Cayman
KY1-1110
Cayman Islands

Registered Local Agent
Company Matters
Level 12, 680 George Street
Sydney NSW 2000
+61 2 8280 7355

Stock Exchange Listings
MMIL has CDIs listed on the ASX and also had ADSs listed on the OTC Pink Market.

通讯地址：北京市海淀区西四环中路 16 号院 2 号楼 4 层
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瑞华会计师事务所
RUIHUA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MNC MEDIA INVESTMENT LTD

We have audited the consolidated financial statements of MNC Media Investment Ltd (formerly known as Linktone Ltd.) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 80 which comprise the consolidated statements of financial position of the Group as at 31 December 2015, and the consolidated statements of profit or loss and comprehensive income/(loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management' Responsibility for the Consolidated Financial Statements

The management of the Group are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2015, and of the Group's profit and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ruihua Certified Public Accountants LLP

Ruihua Certified Public Accountants LLP

31 March 2016

MNC MEDIA INVESTMENT LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(In U.S. dollars, except number of shares)

	Note	As at 31 December 2015	2014 (restated)
Assets			
Current assets:			
Cash and cash equivalents	5	10,911,281	19,224,315
Short-term investments	6	86,310,705	91,922,204
Accounts receivable	8	5,170,183	6,787,627
Tax refund receivable		100,970	417,273
Due from related parties	26	2,187,505	1,674,844
Deposits and other current assets	9	4,709,346	2,937,345
Assets of discontinued operations	24	299,272	2,436,887
		109,689,262	125,400,495
Non-current assets:			
Property, plant and equipment	10	9,869,786	10,090,182
Investment in associated company	11	5,070,000	-
Intangible assets	12	5,760,785	6,131,942
Goodwill	13	15,000,580	15,000,580
Deferred tax assets	23	1,633,062	1,813,603
Other long-term assets	14	1,192,782	432,688
		38,526,995	33,468,995
Total assets		148,216,257	158,869,490
Liabilities and shareholders' equity			
Current liabilities:			
Account payable, accrued liabilities and other payables	15	13,665,526	9,653,106
Due to related parties	25	2,362,710	1,934,060
Loans and borrowings	16	7,268,282	7,942,706
Taxes payable		1,614,889	1,768,948
Deferred revenue		1,032,742	478,285
Liabilities of discontinued operations	24	874,877	4,177,205
		26,819,026	25,954,310
Non-current liabilities:			
Deferred tax liabilities	23	1,635,854	1,906,931
Other long-term liabilities	17	-	104,158
		1,635,854	2,011,089
Total liabilities		28,454,880	27,965,399
Capital and reserves attributable to equity holders of the Company			
Ordinary shares ($0.0001 par value; 500,000,000 shares authorised, 421,435,030 shares issued and 404,391,710 outstanding as of 31 December 2014 and 2015)		42,144	42,144
Additional paid-in capital		138,066,146	138,066,146
Treasury stock		(2,890,213)	(2,890,213)
Statutory reserves	22	3,315,918	3,315,918
Cumulative translation adjustments		11,745,648	12,089,390
Accumulated losses		(37,308,126)	(27,257,430)
		112,971,517	123,365,955
Non-controlling interests		6,789,860	7,538,136
Total equity		119,761,377	130,904,091
Total liabilities and equity		148,216,257	158,869,490

The accompanying notes form an integral part of these consolidated financial statements.

MNC MEDIA INVESTMENT LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND COMPREHENSIVE INCOME/(LOSS)
(In U.S. dollars, except number of shares)

	Note	For the year ended 31 December 2015	2014 (restated)
Revenue		68,583,258	57,669,926
Cost of revenue		(52,551,305)	(42,097,707)
Gross profit		16,031,953	15,572,219
Operating expenses:			
Product development		(7,964,943)	(6,444,490)
Selling and marketing		(4,608,357)	(1,888,399)
General and administrative		(11,364,850)	(10,993,489)
Total operating expenses		(23,938,150)	(19,326,378)
Other operating (loss)/income	19	6,381,340	(669,171)
Operating (loss)/income		(1,524,857)	(4,423,330)
Interest income		818,965	906,675
Interest expense		(234,773)	(352,420)
Loss on foreign exchange – net		(8,492,062)	(1,432,017)
Other (gains)/loss – net		(673,528)	216,251
Loss before income tax from continuing operations		(10,106,255)	(5,084,841)
Share of loss of associated company		(184,930)	-
Income tax (expense)/benefit	23	(448,333)	305,582
Net gain/(loss) for the year from discontinued operations	24	164,053	(11,662,589)
Net loss for the year		(10,575,465)	(16,441,848)
Profit/(loss) attributable to:			
Owners of the Company		(10,050,696)	(16,888,695)
Non-controlling interests		(524,769)	446,847
		(10,575,465)	(16,441,848)
Basic loss per ordinary share (in $ cents):			
Net loss		(0.03)	(0.04)
Diluted loss per ordinary share (in $ cents):			
Net loss		(0.03)	(0.04)
Weighted-average number of ordinary shares:			
Basic		404,391,710	404,391,710
Diluted		404,391,710	404,391,710
Comprehensive loss:			
Net loss for the year		(10,575,465)	(16,441,848)
Other comprehensive loss:			
Foreign currency translation adjustments		(567,249)	17,371
Total comprehensive loss for the year		(11,142,714)	(16,424,477)
Attributable to:			
Owners of the Company		(10,394,438)	(16,850,084)
Non-controlling interests		(748,276)	425,607
Total comprehensive loss for the year		(11,142,714)	(16,424,477)
Loss per share from continuing operations attributable to owners of the Company (in $ cents):			
(per weighted-average number of ordinary shares)			
Basic		(0.03)	(0.01)
Diluted		(0.03)	(0.01)
Loss per share from discontinuing operations attributable to owners of the Company (in $ cents):			
(per weighted-average number of ordinary shares)			
Basic		-	(0.03)
Diluted		-	(0.03)

The accompanying notes form an integral part of these consolidated financial statements.

MNC MEDIA INVESTMENT LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In U.S. dollars, except share data)

	Attributable to owners of the Company								
	Ordinary shares	Shares amount	Additional paid-in capital	Treasury stock	Statutory reserves	Cumulative translation adjustments	Accumulated losses	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2015	**404,391,710**	**42,144**	**138,066,146**	**(2,890,213)**	**3,315,918**	**12,089,390**	**(27,257,430)**	**7,538,136**	**130,904,091**
Loss for the year	–	–	–	–	–	–	(10,050,696)	(524,769)	(10,575,465)
Other comprehensive income:									
Foreign currency translation adjustments	–	–	–	–	–	(343,742)	–	(223,507)	(567,249)
Total comprehensive loss for the year	–	–	–	–	–	(343,742)	(10,050,696)	(748,276)	(11,142,714)
Balance as at 31 December 2015	**404,391,710**	**42,144**	**138,066,146**	**(2,890,213)**	**3,315,918**	**11,745,648**	**(37,308,126)**	**6,789,860**	**119,761,377**

The accompanying notes are an integral part of these consolidated financial statements.

MNC MEDIA INVESTMENT LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In U.S. dollars, except share data)

	Attributable to owners of the Company								
	Ordinary shares	Shares amount	Additional paid-in capital	Treasury stock	Statutory reserves	Cumulative translation adjustments	Accumulated losses	Non-controlling interests	Total shareholders' equity
Balance as at 1 January 2014	**404,391,710**	**42,144**	**138,004,146**	**(2,890,213)**	**2,913,996**	**12,050,779**	**(9,966,813)**	**7,112,529**	**147,266,568**
Loss for the year	–	–	–	–	–	–	(16,888,695)	446,847	(16,441,848)
Other comprehensive income:									
Foreign currency translation adjustments	–	–	–	–	–	38,611	–	(21,240)	17,371
Total comprehensive income/(loss) for the year	–	–	–	–	–	38,611	(16,888,695)	425,607	(16,424,477)
Stock-based compensation	–	–	62,000	–	–	–	–	–	62,000
Transfer from accumulated losses to statutory reserve	–	–	–	–	401,922	–	(401,922)	–	–
Balance as at 31 December 2014	**404,391,710**	**42,144**	**138,066,146**	**(2,890,213)**	**3,315,918**	**12,089,390**	**(27,257,430)**	**7,538,136**	**130,904,091**

The accompanying notes are an integral part of these consolidated financial statements.

MNC MEDIA INVESTMENT LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. dollars)

	For the year ended 31 December	
	2015	2014 (restated)
Cash flow from operating activities		
Loss before income tax from continuing operations	(10,106,255)	(5,084,841)
Loss before income tax from discontinued operations	163,018	(11,658,573)
	(9,943,237)	(16,743,414)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	–	62,000
Provision for impairment of goodwill	–	3,533,497
Depreciation	685,101	746,779
Amortization of intangible assets and impairment charge	371,157	1,324,226
Provision for doubtful debts	861,530	949,357
Provision for stocks obsolescence	–	2,356,665
Unrealised (gain)/ loss on quoted securities	(5,952,113)	1,150,896
Write-off of property, plant and equipment	340,515	11,424
Dividend income	(429,227)	(481,725)
Interest expense	234,773	352,392
Interest income	(818,965)	(906,527)
Share of loss of associate	(184,930)	–
Net foreign exchange differences	7,907,412	1,462,319
	3,015,253	10,561,303
Changes in assets and liabilities:		
Decrease in accounts receivables	(25,149)	3,004,045
Decrease/(increase) in inventories	(5,070,000)	72,048
(Increase) in short-term investments	4,103,253	(8,358,013)
Investment in associated company		
(Increase)/decrease in other assets	(364,016)	(441,567)
Decrease in long-term liabilities		–
Increase/(decrease)/increase in accounts payable, accrued liabilities and other payables	1,605,761	1,269,690
Interest received	854,907	906,527
Interest paid	(234,773)	(352,392)
Income taxes (paid)/received	(321,956)	(120,371)
Dividend received	429,227	481,725
Net cash used in operating activities	(5,950,730)	(9,720,419)
Cash flow from investing activities:		
Purchase of property, plant and equipment	(1,205,057)	(241,138)
Net cash used in investing activities	(1,205,057)	(241,138)

The accompanying notes are an integral part of these consolidated financial statements.

MNC MEDIA INVESTMENT LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. dollars)

	For the year ended 31 December	
	2015	**2014**
Cash flow from financing activities:		
Proceeds from bank borrowings	–	932,775
Repayment of bank loans	(615,358)	–
Net cash from financing activities	(615,358)	932,775
Effect of currency translation on cash and cash equivalents	(541,889)	(21,110)
Net decrease in cash and cash equivalents	(8,313,034)	(9,049,892)
Cash and cash equivalents at beginning of year	19,224,315	28,274,207
Cash and cash equivalents at end of year	10,911,281	19,224,315

The accompanying notes are an integral part of these consolidated financial statements.

MNC MEDIA INVESTMENT LTD
AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In U.S. dollars, unless otherwise stated)

1. Organization and nature of operations

MNC Media Investment Ltd (the "Company"), a Cayman Islands corporation, through its subsidiaries and consolidated variable interest entities ("VIEs") (collectively referred to as the "Group") conducts a variety of businesses, including (i) telecom value-added services ("VAS") in People's Republic of China ("PRC") and Indonesia; (ii) mobile game services to consumers and enterprises in the PRC; (iii) media content and audio distribution and related services in Singapore, Malaysia, Hong Kong and Indonesia; (iv) operates an online news and entertainment and parenting portal in Indonesia and China respectively, and (v) trading in securities with quoted prices. As of 31 December 2015, the Company is 83.2% owned by PT. Global Mediacom Tbk, an Indonesian corporation ("GMC").

The accompanying consolidated financial statements include the results of operations of the Company, the following subsidiaries and the following VIEs, for which the Company is the primary beneficiary:

Name of subsidiary	Name in short form	Note	Principal business	Group equity interest	Country of incorporation
Brilliant Concept Investments Ltd	Brilliant		Intermediary holding company	100% by MMIL	British Virgin Islands
Noveltech Enterprises Limited	Noveltech		Intermediary holding company	100% by MMIL	Hong Kong
Linktone Media Limited	Linktone Media		Intermediary holding company	100% by MMIL	Hong Kong
Ojava Overseas Ltd	Ojava Overseas		Intermediary holding company; Dormant	100% by MMIL	British Virgin Islands
Linktone International Limited	Linktone International		Intermediary holding company	100% by MMIL	United Arab Emirates
Wang You Digital Technology Co., Ltd.	Wang You	(1)	Provides PC games	100% by Brilliant	People's Republic of China ("PRC")
Shanghai Linktone Consulting Co., Ltd.	Linktone Consulting	(1)	Provides internet and VAS consulting services	100% by Noveltech	PRC
Shanghai Huitong Information Co., Ltd.	Huitong	(1)	Software development	100% by Noveltech	PRC
Shanghai Linktone Internet Technology Co., Ltd.	Linktone Internet	(1)	Software development	100% by Noveltech	PRC
Shanghai Xintong Information Technology Co., Ltd.	Xintong	(1)	Software development; Dormant	100% by Noveltech	PRC
Shanghai Linktone Software Co., Ltd.	Linktone Software	(1)	Software development	100% by MMIL	PRC
Beijing Ruida Internet Technology Co., Ltd.	Ruida	(1)	Software development; Dormant	100% by Ojava Overseas	PRC
MNC Innoform Pte Ltd	MNCI		Publisher, licensee, importer, exporter and distribution of entertainment programs	75% by Linktone International	Singapore
MNC InnoForm (HK) Limited	InnoForm HK		Media Content Distribution	100% by MNCI	Hong Kong

(1) Wholly foreign-owned entity ("WFOE") of the Company.

1. Organization and nature of operations (Continued)

Name of subsidiary	Name in short form	Note	Principal business	Group equity interest	Country of incorporation
MNC Innoform Malaysia	InnoForm Malaysia		Media Content Distribution	100% by MNCI	Malaysia
InnoForm Entertainment Pte. Ltd.	InnoForm Entertainment		Exclusive collective licensing agent for music label companies for karaoke music and songs (Discontinued in 2015)	100% by MNCI	Singapore
MNC Innoform (Singapore) Pte. Ltd.	MNCI (S)		Media Content Distribution	100% by MNCI	Singapore
GLD Investments Pte. Ltd.	GLD		Provides information technology and publishing services	98.7% by MNCI	Singapore
PT Linktone Indonesia	PT Linktone		Provides telecom VAS and operates online news and entertainment portal	51% by Linktone International	Indonesia
Innoform International Limited	Innoform Intl		Distribution of media content	100% owned by MNCI	Cayman Islands

Name of Variable Interest Entity ("VIE")	Name in short form	Note	Principal business	Group equity interest	Loan to nominee shareholders $'000	Country of incorporation
Shanghai Weilan Computer Co., Ltd.	Weilan	(i)	Provides telecom VAS	Baoxin Yao and Wenlei Wang	456.5 and 385.9, respectively	
Shanghai Unilink Computer Co., Ltd.	Unilink	(i)	Provides telecom VAS	Lin Lin and Wenju Hu	815.6 each	
Shenzhen Yuan Hang Technology Co., Ltd.	Yuan Hang	(i)	Provides PC games	Yuming Cai and Feng Gao	392.0 each	PRC
Beijing Cosmos Digital Technology Co., Ltd.	Cosmos	(i)	Provides telecom VAS	Hongjie Qi and Miao Yan	2,765.2 each	PRC
Hainan Zhong Tong Computer Network Co., Ltd.	Zhong Tong	(i)	Provides telecom VAS	Yi Juang and Teng Zhao	1,117.5 each	PRC
Beijing Lian Fei Wireless Communications Technology Co., Ltd.	Lian Fei	(i)	Provides telecom VAS	Hongyan Lu and Yuxia Wang	1,343.8 and 1,537.9, respectively	PRC
Shanghai Qimingxing E-commerce Co., Ltd.	Qimingxing	(i)	Provides telecom VAS	Xing Xu and Peien Zhu	1,228 each	PRC
Beijing Ojava Wireless Information Technology Co., Ltd.	Beijing Ojava	(i)	Provides telecom VAS	Yugang Wang and Peiyu Su	652.4 each	PRC

1. Organization and nature of operations (Continued)

Name of Variable Interest Entity ("VIE")	Name in short form	Note	Principal business	Group equity interest	Loan to nominee shareholders $'000	Country of incorporation
Shanghai Ling Yu Cultural and Communication Ltd.	Ling Yu		Provides advertising services; Dormant	50% by Shanghai Unilink Computer Co., Ltd. and 50% by Shanghai Qimingxing E-commerce Co., Ltd.	Nil each	PRC
Zhong Qing Wei Lian Cultural Communication Co., Ltd.	Wei Lian		Provides telecom VAS; Dormant	60% by Shanghai Weilan Computer Co., Ltd. and 40% by Beijing Lian Fei Wireless Communications Technology Co., Ltd.	Nil each	PRC
Beijing Lian Yu Interactive Technology Development Co., Ltd.	Lian Yu	(i)	Provides telecom VAS; Dormant	Zhi Wang and Xiaoke Zha	114.3 and 168.3, respectively	PRC
Shanghai Lang Yi Advertising Co., Ltd.	Lang Yi	(i)	Provides advertising services; Dormant	Fei Tong and Jing Chen	Nil each	PRC
Beijing Xian Feng Li Liang Media Co., Ltd.	Xian Feng	(i)	Distributes electronic publications	Ai Hua Zhang and Juan Yang	399.6 and 415.9, respectively	PRC
Letang Game Limited	Letang		Develops mobile games	50.01% by Shanghai Weilan Computer Co., Ltd.; Acquired in January 2010		PRC
Nanjing Xuanyou Cartoon Co., Ltd	Xuanyou		Develops mobile games	100% by Letang	Nil	PRC
PT Cakrawala Alam Semesta	Cakrawala	(i)	Investment holding company	100% by Indonesian individuals affiliated with Linktone	Nil each	Indonesia
PT Innoform	PT Innoform	(i)	Distribution of motion pictures and related services	100% by Indonesian individuals affiliated with Linktone	65 each	Indonesia

(i) Controlled through contractual agreements and is 50% owned by each of two of the Group's and its related companies' employees / former employees.

To comply with PRC laws and regulations that prohibit or restrict foreign ownership of companies that provide value-added telecommunications services, which include telecom value-added services and internet content services, the Company conducts substantially all of its PRC operations via its VIEs located in the PRC.

1. Organization and nature of operations (Continued)

In addition, to comply with Indonesian laws and regulations that prohibit foreign investment in time deposits with Indonesian banks and foreign ownership in companies that conduct media activities in Indonesia, the Company holds its short-term investments via Cakrawala and distributes media content via PT Innoform, its VIEs located in Indonesia.

These VIEs are wholly owned by individuals authorized by the Company, all of whom are either employees or former employees of the Group and its related companies. The capital is funded by the Company through interest-free loans extended to the authorized individuals. The loans for capital injection are eliminated with the capital of the VIEs on consolidation.

Upon the formation of these VIEs, the Company, through its WFOEs entered into various agreements with its VIEs, through which the Company holds all the variable interests of the VIEs. The principal terms of these agreements with the VIEs are described below.

<u>China</u>

Upon the formation of these VIEs, the Company, or through its WFOEs entered into various agreements with its VIEs and shareholders of the VIEs, through which the Company holds all the variable interests of the VIEs. WFOEs were considered the primary beneficiaries of the VIEs. Subsequently, certain agreements were amended during 2012, whereby the Company agreed to provide unlimited financial support to its VIEs for its operations and agreed to forego the right to seek repayment in the event the VIEs are unable to repay such funding, and the shareholders also reassigned the power of attorney agreement whereby they granted an irrevocable proxy of the voting rights underlying their respective equity interests in the VIEs to the Company, which includes, but are not limited to, all the shareholders' rights and voting rights empowered to the shareholders by the company law and the Company's Article of Association. Accordingly, as a result of the power to direct the activities of the VIEs pursuant to the power of attorney agreement and the obligation to absorb the expected losses of VIEs through the unlimited financial support, the Company is considered the primary beneficiary of the VIEs in China and WFOEs ceased to be the primary beneficiaries.

Powers of Attorney

Each of the shareholders of the VIEs have irrevocably appointed the Company's Chief Executive Officer as attorney-in-fact, to vote on their behalf on all matters on which they are entitled to vote with respect to the VIEs as the case may be, including matters relating to the transfer of any or all of their respective equity interests in the VIEs and the appointment of the directors and general manager of the VIEs. The term of each of the powers of attorney is 10 years after which the agreement can be renewed at the Company's sole discretion.

Operating Agreements

The Company agrees to guarantee the VIE's performance under any agreements or arrangements with any third party. In addition, the VIEs and their shareholders have each agreed that they will not enter into any transaction, or fail to take any action, that would substantially affect their assets, rights and obligations, or business without the Company's prior written consent. They will also appoint individuals designated by the Company as the directors, officers and other senior management personnel of the VIEs. The VIEs may not terminate the operating agreements during the term of the agreements, which is 10 years, after which the agreement can be renewed at the Company's sole discretion.

Exclusive Consulting Services Agreements

The Company provides most of the VIEs with exclusive consulting services related to legal, finance, human resources and office administration. The term of each services agreement is 10 years and renewable by us at our sole discretion for a term of our choosing. The service fees payable to the Company are subject to the Company's adjustment, at its sole discretion, from time to time based on the actual operating results of the VIEs.

1. Organization and nature of operations (Continued)

Trademark, Domain Name and Software License Agreements

Linktone Consulting has also granted Weilan and Unilink licenses to use certain of its domain names. In addition, Huitong and Linktone Internet have granted Weilan, Unilink, Lian Fei, Zhong Tong, Qimingxing and Xian Feng multiple licenses to use various software programs relating to the Company's various platforms, databases and games. The VIEs cannot assign or transfer their rights under the licenses to any third party, and cannot use the licensed trademarks in television, newspapers, magazines, the internet or other public media without the Company's prior written consent.

Contracts Relating to the Exclusive Purchase Right of Equity Interest

The Company or the Company's designee has an exclusive option to purchase from each shareholder of the VIEs all or part of his or her equity interest in the VIEs at the cost of the initial contributions to the registered capital, to the extent permitted by Chinese law. The consideration for the purchased equity interest will be used to repay the loan obligation under the Loan Agreements, and therefore no payment is required to be made by the Company to the shareholders as a result of exercising the option. Any and all dividends and other capital distributions from VIEs to their shareholders should be paid, in full amount, to the Company or the Company's designee. The term of these agreements is 10 years and renewable by the Company at its sole discretion.

Loan Agreements

The Company has granted interest-free loans to the shareholders of the VIEs for the purpose of providing funds necessary for the capital injection and acquisition of the VIEs. The term of these loans in each case is 10 years. The shareholders of the VIEs can only repay the loans by transferring to the Company or the Company's designees all of their equity interest in the respective VIE. The interest-free loans to the shareholders of the VIEs as of 31 December 2014 and 2015 were $18.8 million in aggregate.

Equity Interests Pledge Agreements

The VIEs have granted the Company a security interest over all of their assets. The shareholders of the Company's VIEs have pledged their respective equity interests in these entities to guarantee the performance and the payment of the service fees by these entities under the Exclusive Consulting Services Agreements described above. If the VIEs or shareholders of the VIEs breach any of their obligations under the Equity Interests Pledge Agreements, the Company will be entitled to certain rights, including the right to sell the pledged equity interests. The Equity Interests Pledge Agreements will remain effective as long as the Exclusive Consulting Services Agreements are effective.

<u>Indonesia</u>

PT Cakrawala Alam Semesta, or Cakrawala, and PT Innoform are Indonesian companies which the Group control through contractual arrangements and treated as VIE for accounting purposes. Each company has two shareholders who are employees of GMC Group.

Cakrawala Loan Agreement. In June 2010, Cakrawala and the Company executed a placement loan agreement pursuant to which the Company loaned the aggregate principal amount of $35.0 million. Amounts outstanding under this loan facility are due and payable in full on demand at any time by the Company, and the Company has the sole right to call for payment or terminate the agreement. Cakrawala agrees that the rate of interest payable to the company is an amount equivalent to the interest paid by the banks in which proceeds from the loan described above are deposited.

Cakrawala also may not assign or transfer all or any of its rights or obligations under the placement loan agreement. As at 31 December 2014 and 2015, the loan was fully repaid.

1. Organization and nature of operations (Continued)

PT Innoform Loan Agreements. In March 2012, each of the two shareholders of PT Innoform entered into a cooperation and loan facility agreement with Linktone International, a wholly-owned subsidiary of the Group, pursuant to which Linktone International loaned the aggregate principal amount of IDR1,250.0 million ($0.1 million) to these shareholders. Amounts outstanding under these loan facilities are due and payable in full on demand through transfers of shares at any time by Linktone International, and Linktone International has the sole right to call for payment or to terminate the facility agreements. No interest is payable on the loan facilities. As at 31 December 2014 and 2015, the outstanding loan balance was $0.1 million. Linktone International will provide financial support as and when required.

In addition, in April 2012, PT Innoform entered into a working capital loan agreement with Noveltech, the Group's wholly-owned subsidiary, pursuant to which Noveltech loaned the aggregated principal amount of IDR250.0 million ($0.03 million) to PT Innoform for use as working capital. Amounts outstanding under this loan facility are due and payable in full on demand at any time by Noveltech, and Noveltech has the sole right to call for payment or to terminate the facility agreement. Noveltech agrees that the rate of interest payable by PT Innoform is an amount equivalent to the interest paid by the banks in which proceeds from the loan described above are deposited. As at 31 December 2014 and 2015, the outstanding loan balance was $0.02 million.

In addition to irrevocable powers of attorney under which the shareholders of Cakrawala and PT Innoform granted a power of attorney to Noveltech to exercise all of their shareholder rights with respect to Cakrawala and PT Innoform, including convening and voting at shareholder meetings, our contractual arrangements with respect to Cakrawala and PT Innoform include the following:

- Share pledge agreements, under which the shareholders of Cakrawala and PT Innoform pledge their shares in each company as security for the loans from the Company to Cakrawala and from Linktone International to the shareholders of PT Innoform, respectively;
- Irrevocable powers of attorney to sell, under which the shareholders of Cakrawala and PT Innoform grant a power of attorney to the company and to Linktone International, respectively, to cause the sale of their shares in Cakrawala and PT Innoform to any third party designated by the Company or by Linktone International at any time, at such price and upon such terms and conditions as the Company or Linktone International shall approve;
- Pledge of operating account, under which Cakrawala pledges to the Company all of its rights, title and interest in and to the deposit balances in all current and future bank accounts of Cakrawala to secure the repayment of the loan to Cakrawala;
- Irrevocable power of attorney to manage operating account, under which Cakrawala grants to the Company a power of attorney to exercise all rights for and on behalf of Cakrawala over its banks accounts, including depositing money into or withdrawing money from such accounts, while our loan to Cakrawala remains outstanding;
- Assignment of rights to dividends agreements, under which the shareholders of Cakrawala and PT Innoform assign to the Company and to Linktone International, respectively, all of their rights to any dividends paid by Cakrawala and PT Innoform;
- Technical assistance agreement, under which Noveltech agrees to provide PT Innoform with technical assistance for its operational activities in return for a monthly technical assistance fee; and
- The Company's relationships with Cakrawala and PT Innoform are structured as loan agreements due to Indonesian law's prohibition on companies or individuals from entering into a nominee arrangement with another individual or entity. Despite the lack of a nominee arrangement, the Company believes that these contractual arrangements meet the criteria for consolidation under Standing Interpretations Committee standards ("SIC") 12 on "Consolidation – Special Purpose Entities") as the Company is the primary beneficiary of Cakrawala and PT Innform, because it has power to direct the activities of Cakrawala and PT Innform that most significantly impact these entities' economic performance and to receive substantially all of the economic benefits of Cakrawala and PT Innoform. The Company also believes that it will absorb all of Cakrawala's and PT Innoform's expected losses and receive a majority of these entities' expected residual returns through the arrangements and agreements that are in place.

1. Organization and nature of operations (Continued)

Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between the Company, through its direct ownership of the WFOEs and its subsidiaries, and the VIEs through the aforementioned agreements, whereby the equity holders of the VIEs effectively assigned all of their voting rights underlying their equity interest in the VIEs to the Company, which gives the Company the power to direct the activities that most significantly impact the VIEs' economic performance. In addition, through the other aforementioned agreements, the Company demonstrates its ability and intention to continue to exercise the ability to absorb substantially all of the profits and all of the expected losses of the VIEs. Based on these contractual arrangements, the Company consolidates these VIEs as required by Standing Interpretations Committee standards ("SIC") 12 on "Consolidation – Special Purpose Entities") International Financial Reporting Standards ("IFRS") because the Company holds all of the variable interests of these VIEs and is the primary beneficiary of the VIEs.

The ownership structure of the Company and the contractual arrangements with the VIEs in PRC and Indonesia are in compliance with applicable laws and are legally valid, binding, and enforceable. However, uncertainties in the PRC and Indonesian legal systems could limit the Company's ability, through its direct ownership of the WFOEs, to enforce its rights under these contractual arrangements. Furthermore, shareholders of the VIEs may have interests that are different than those of the Company, which could potentially increase the risk that they would seek to act contrary to the terms of the above aforementioned agreements.

In addition, if the current structure or if any of the contractual arrangements were found to be in violation of any existing or future PRC or Indonesian laws, as applicable, the Group may be subject to penalties, which may include, but not limited to, the cancellation or revocation of the Group's business and operating licenses, or discontinuance of the Group's operating activities. The imposition of any of these or other penalties may result in a material and adverse effect on the Group's operations. In such case, the Company may not be able to operate or control the VIEs, which may result in deconsolidation of the VIEs.

2. Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee ("IFRS IC") interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and liabilities (including derivative instruments at fair value through profit or loss).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or area, where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2. Basis of preparation (Continued)

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the VIEs for which the Company, through its direct ownership of the WFOEs, is the primary beneficiary. All significant transactions and balances between the Company, its subsidiaries and VIEs have been eliminated upon consolidation. All subsidiaries are majority owned by the Company. As of 31 December 2014 and 2015, the Company does not hold any investments accounted for under the cost or equity method.

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Basis of preparation (Continued)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Foreign currency translation

(a) Functional and presentation currency

The accompanying consolidated financial statements are presented in U.S. dollars ("$" or "USD"). The functional currency of the Company is US$ while those of the Company's significant operating subsidiaries and consolidated VIEs in the PRC, Hongkong, Malaysia, Singapore and Indonesia are the Chinese Renminbi ("RMB"), Hong Kong Dollar ("HKD"), Malaysia Ringgit ("MYR"), Singapore Dollar ("SGD") and Indonesian Rupiah ("IDR"), respectively, as determined based on the criteria of International Accounting Standard ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of operations and comprehensive income.

All assets and liabilities of our subsidiaries and consolidated VIEs are translated into USD at the exchange rates in effect at the balance sheet dates and revenues and expenses are translated into USD at the average exchange rates in effect during the reporting periods. The exchange differences resulting from translating these entities' financial statements into USD are included in accumulated other comprehensive income, which is a separate component of shareholders' equity on the consolidated balance sheets.

The Company's business is primarily conducted in and from China, Singapore and Indonesia in their respective currencies: RMB, SGD and IDR. All references in this report to RMB, SGD and IDR are to the legal currencies of China, Singapore and Indonesia, respectively, and all references to U.S. dollars, dollars, $ and US$ are to the legal currency of the United States. The conversions of RMB, SGD and IDR into U.S. dollars are based on the middle rate between buying and selling as published by the People's Bank of China of PRC, the Development Bank of Singapore and Bank Indonesia, respectively.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss under "Loss on foreign exchange – net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

2. Basis of operations (Continued)

Foreign currency translation (Continued)

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 4(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations required the use of estimates (Note 12).

An impairment charge of $3.5 million arose from the PC Games segment as of 31 December 2014, resulting in the carrying amount of the cash-generating unit being written down to $Nil. The net carrying amount of goodwill as at year-end is disclosed in Note 12.

No impairment charge was recorded for the year ended 31 December 2015.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the group-wide provision for income taxes. There are mainly transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of where additional taxes will be due. Where the final outcome of these matters if different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3. Critical accounting estimates and judgements (Continued)

(c) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows outflows expected to be required to settle the pension obligations. additional taxes will be due. Where the final outcome of these matters if different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The net carrying amount of trade and other receivables is disclosed in Note 8.

4. Summary of significant accounting policies

(a) Cash and cash equivalents

The Group considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are composed primarily of time deposits and investments in money market accounts that are stated at cost, plus accrued interest, which approximates fair value.

(b) Short-term investments

Short-term investments comprise time deposits with original maturity terms of more than three months but due within one year and marketable equity securities. Beginning 2012, due to an increase in trading activities in marketable equity securities, the Company has since deemed trading in quoted securities as one of the principal activities. Marketable equity securities purchased are classified as held-for-trading and reported initially at fair value on the balance sheet. At each reporting date, these investments are remeasured and reported at fair value. Any unrealised gains or losses arising from changes in fair value are reported in statement of profit or loss. Realised gains or losses are recognised in the statement of profit or loss during the period in which the gain or loss is realised.

The Company invests in marketable equity securities with the intent to make such funds readily available for operating or acquisition purposes and, accordingly, classifies them as short-term investments. Management determines the appropriate classification of its short-term investments and re-evaluates such determination at each balance sheet date.

4. Summary of significant accounting policies (Continued)

(b) Short-term investments (Continued)

The carrying values of time deposits approximate fair value because of their short maturities. The Company determines the fair value of marketable equity securities using quoted market prices. During the financial year, management evaluated and determined short-term investments as being held-for-trading.

(c) Accounts receivables

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

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

A provision for impairment is provided based on an aging analysis of accounts receivable balances, historical bad debt rates, repayment patterns, customer credit worthiness and industry trend analysis. The Group also makes a specific allowance if there is strong evidence showing that the receivable is not likely to be recoverable. An account receivable is written off after all collection efforts have ceased.

(d) Minimum guarantees

The Group is required to pay non-refundable minimum guarantees to movie studios in order to obtain the exclusive licensing rights (in Singapore and Malaysia) to distribute various feature films and television series. These licensing rights are recorded as minimum guarantees in the consolidated statement of financial position and subsequently charged to expense in accordance with the expected useful life of the license, which typically has a term of one to two years. If all or a portion of the minimum guarantee subsequently appears not to be recoverable through future use of the rights obtained under the license, the non-recoverable portion is charged to expense in the statement of profit or loss.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using a weighted-average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventory held at consignment locations is included in finished goods inventory as the Group retains full title and rights to the product.

(f) Property, plant and equipment

Buildings are shown at costs. However, valuations are performed with sufficient regularity by external independent valuers to ensure that the carrying amount does not differ materially from the fair value of the asset. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the statement of profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

4. Summary of significant accounting policies (Continued)

(f) Property, plant and equipment (Continued)

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Property, plant and equipment are depreciated over their estimated useful lives on a straight-line basis to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Useful lives
Office equipment	1-3 years
Computer hardware and other equipment	3-5 years
Motor vehicles	7-10 years
Leasehold improvements	the shorter of their estimated useful lives or the lease term
Buildings	45 years

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditures for repairs and maintenance are expensed as incurred. The gain or loss on disposal of property and equipment, if any, is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in the statement of profit or loss and comprehensive income.

(g) Intangible assets

The Group applies the criteria specified in IFRS 3, "Business Combinations," to determine whether an intangible asset should be recognized separately from goodwill. Intangible assets acquired through business acquisitions are recognized as assets separate from goodwill if they satisfy either the "contractual-legal" or "separability" criteria. Intangible assets with definite lives are amortized using the straight-line method over their respective estimated useful life. Intangible assets arising from business acquisitions are recognized and measured at fair value upon acquisition.

	Useful lives
Technology	1 - 5 years
VAS short codes licensed to PT Linktone	25 years
Customer base	1 - 4 years
Licenses	1 - 4 years
Partnership and non-compete agreements	1 - 5 years
Domain names	1 - 4 years
Software	1 - 10 years

4. Summary of significant accounting policies (Continued)

(h) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in statement of profit or loss.

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

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

As of 31 December 2015, the Company performed impairment tests on goodwill assigned to each reporting unit (except for investment reporting unit which has no goodwill). The Company determined the fair value of the reporting units using the income approach based on the discounted expected future cash flows associated with these units.

Based on the annual impairment tests as of 31 December 2015, the reporting units of Mobile game and Indonesia Digital Media had fair values higher than their carrying value, hence management did not recognise any impairment expense on these 2 reporting units during the financial year ended 31 December 2015.

In 2014, the PC games business unit ceased operations. Accordingly, the Group recorded an impairment charge of $3.5 million on the goodwill relating to PC games segment, during the financial year ended 31 December 2014.

(i) Impairment of non-financial assets

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

The Group uses estimates and judgments in its impairment tests and, if different estimates or judgments had been utilized, the timing or the amount of the impairment charges could be different. No impairment of long-lived assets was recorded for the years ended 31 December 2014 and 2015.

(j) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

4. Summary of significant accounting policies (Continued)

(j) Leases (Continued)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(k) Revenue recognition

The Group recognizes revenues in the period in which the services are performed or the goods are delivered, provided that persuasive evidence of a contractual arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured.

China VAS, mobile game & PC game

The Group's revenues in the PRC are mainly derived from Mobile Games and the online parenting portal, Fumubang ("FMB"). In 2014, the Group ceased operations in PC games segment has ceased operations and the China VAS business has been outsourced to third parties.

The Group's mobile game service revenue is primarily derived from providing downloadable mobile games products to mobile game operators. The Group contracts with mobile game operators who in turn provide a platform for users to download the Group's mobile games. The Group earns a fixed fee on a per download basis based on monthly or quarterly statements from the mobile game operators. The revenue is recognized on a gross basis when most of the gross indicators discussed above are met. If the gross indications are not met then revenue is recognized on a net basis.

Prior to October 2014, the Group used to provide its PC game services through its subsidiaries, Brilliant, Wang You, and its VIE, Yuan Hang. The Group receives subscription fees from distributors for the sales of game cards, in either physical or virtual form, with a certain number of game points incorporated in the cards. The corresponding revenue is recognized as the game points are consumed by game players in games. Any sold game cards which are not activated by users and activated points which are not consumed in games constitute deferred revenue. Any game points held by players who are considered to be inactive are deemed consumed and recognized in revenue. The costs of PC game services include the cost of producing the game cards and bandwidth and server leasing charges.

Revenue for Fumubang ("FMB") is recognized when the items/ services sold are consumed/ used. Accruals are made for revenue which has not been billed but items are consumed/ used.

Indonesian VAS

The Group's revenues in Indonesia are derived from entertainment-oriented telecom value-added services to users of mobile telecommunications networks in Indonesia. The Group provides VAS services through agreements with Infokom, a related party, who in turn have cooperative arrangements with network operators in Indonesia as well as through agreements made directly with the operators in Indonesia. The Group assessed its relationship with Infokom and the network operators in Indonesia and the terms of the fee arrangements and determined that from the end users' perspective, Infokom is responsible for fulfillment of the services for VAS services provided through Infokom. Hence, under IFRS 15, the Group characterized the revenue share attributable to Infokom as a reduction to the Group's revenue for VAS services provided through Infokom. In addition, the Group also assessed its relationship with the network operators in Indonesia for VAS services provided through agreements made directly with the Indonesia operators under IFRS 15, and concluded that reporting the net amount received from the Indonesia operators as revenue is appropriate based on consideration that the operators bear a significant portion of the credit risk and have the latitude to establish the prices.

4. Summary of significant accounting policies (Continued)

(k) Revenue recognition (Continued)

Indonesian VAS (Continued)

A substantial portion of the Group's revenue from Indonesia is recorded based on monthly statements received from Infokom. In certain instances, when a statement is not received within a reasonable period of time, the Group is required to make an estimate of the revenues and cost of revenue earned during the period covered by the statement. On a quarterly basis, the Group estimates a portion of its revenues using internally generated transmission data and various other assumptions the Group has developed, that are believed to be reasonable under the circumstances. For the years ended 31 December 2014 and 2015, an insignificant amount of the Group's revenues from Indonesia was based on management's estimate.

Advertising revenue

The Group derives advertising revenue from Okezone.com in Indonesia and mobile advertising from China. Advertising revenue on Okezone.com is recognised ratably over the advertisement period as specified in the contract or online order. For mobile advertising in China, revenue is recognized upon receipt of payment from third party internet companies advertisements aggregators such as AdMob and Chartboost. Revenue (net of internet companies' fees) is recognised when payment is received from third party internet companies, as the fees are not fixed and determinable until payment received. In accordance with the agreements with these internet companies, they are only liable to pay the Group when payment is received from the advertisers. As such, the criteria of price is fixed and determinable is met only when payment is received from the internet companies.

Media contents

The Group's media sales arrangements are evidenced by sales agreements. The prices are stated in the agreements and not subject to adjustment. The Group recognizes revenue from the sale of goods when the risk of loss and title has been transferred to the customer, which usually occurs at the time shipment is made (i.e., destination point). For consignment sales, revenue is recognized when the Group receives notification that the goods have been sold by their customers. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognized as a reduction of revenue when the sales are recognized. In December 2014, the Group discontinued the DVD business unit.

(l) Income and other taxes

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

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

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

4. Summary of significant accounting policies (Continued)

(l) Income and other taxes (Continued)

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reveral of the temporary difference not recognised.

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

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

PRC

In 2014 and 2015, the Group is also subject to business taxes of 3-9% on the provision of taxable services, which include services provided to customers and, in certain instances, consultancy services provided by certain subsidiaries to the VIEs. The related business taxes paid for the services provided to customers and consultancy services are recognized as a reduction of revenues and in operating expenses, respectively. In 2014, the Chinese government announced the nationwide rollout of the VAT pilot programme in phases with the objective of replacing business tax throughout mainland China with value added tax ("VAT"). Different sectors are subject to different VAT rates. The VAT rate applicable to our operations in China ranges from 3% to 17%.

Huitong and Linktone Internet charge software license fees to the VIEs that are subject to value-added tax ("VAT") at 17% (2014: 17%). The Group is entitled to a tax refund equivalent to the portion of VAT expense in excess of 3% (2014 3%). The 3% portion of VAT expense is recognized as sales tax.

Singapore

Goods and services tax ("GST") is a tax charged on the supply of goods and services made in Singapore and on the importation of goods into Singapore. The current rate for GST is 7% (2014: 7%). A company must be GST-registered to collect GST if its annual turnover exceeds SGD1 million from the sale of taxable goods and services. GST-registered companies may also claim back the GST incurred on their business purchases.

4. Summary of significant accounting policies (Continued)

(l) Income and other taxes (Continued)

Indonesia

VAT is imposed on importers, providers of most goods and services, and users of intangible goods. The current VAT rate is 10% (2014: 10%). The export of goods from Indonesia is zero-rated (i.e., subject to VAT at 0%) for all years presented.

Malaysia

Goods and services tax ("GST") in Malaysia is a value added tax that is based on multi-level tax based on consumption. GST has replaced the current Government sales and service tax from 1st April 2015.

(m) Stock-based compensation

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

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

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

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

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

The grant of options by the Company over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The Group calculates the fair value of each option grant on the date of grant using the Black-Scholes option pricing model and recognizes the compensation costs, net of a forfeiture rate, on a straight-line basis over the requisite service period of the award.

The determination of fair value of awards on the grant date using an option pricing model requires a number of complex and subjective assumptions, including our expected share price volatility over the term of the awards, the expected exercise behavior of our staff, and the expected dividend yield. The Group estimates the share price volatility based on the historical data. In the absence of sufficient historical data in the exercise behavior of our staff, the Group estimates for the short-term using the simplified method which applies the mid-point of the life of the option and average vesting period.

4. Summary of significant accounting policies (Continued)

In addition, the Group is required to estimate forfeitures at the time of grant and record share-based compensation expense only for those awards that are expected to vest. If actual forfeitures differ from those estimates, the Group may need to revise those estimates used in subsequent periods.

The assumptions and estimates used in calculating share-based compensation expense involve inherent uncertainties and the use of management judgment. Although the Group believes the assumptions and estimates made are reasonable and appropriate, changes in factors and assumptions could materially affect the results.

(n) Pensions and other post employment benefits

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to the schemes are recognized as an expense in the period in which the related service is performed. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Full time employees of the Group in the PRC participate in a government mandated multi-employer defined contribution plan. The Group has no legal obligation for the benefits beyond the contributions in these 2 countries.

In Indonesia, one of the subsidiaries of the Group has a defined contribution pension plan covering substantially all of its eligible employees and an unfunded employee benefits liability in accordance with Indonesia's Labor Law No. 13/2003 dated 23 March 2003 (the "Law"). The provision for the Law has been calculated by comparing the benefit that will be received by an employee at normal pension age from the pension plan with the benefit as stipulated under the Law after deduction of accumulated employee contributions and the related investment results. If the employer-funded portion of the pension plan benefit is less than the benefit as required by the Law, the Company will provide for such shortage.

The calculation of estimated liability of employee benefits is determined using the projected-unit-credit method. Actuarial gains and losses for defined benefit plans are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

(o) Subsidy income

Local governments in some provinces in the PRC grant the Group a subsidy income based on a certain percentage of business taxes and income taxes paid by the Group, either on a monthly or annual basis. The Group records such local government subsidy income in other income upon receipt. Local government subsidy income totalled $289,359 and $374,114 during the years ended 31 December 2015 and 2014, respectively. Where applicable, subsidy income is netted off against individual lines in the income statement for which the expenses are incurred.

(p) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(q) Dividends

Dividend income
Dividend income is recognised when the right to receive payment is established.

Dividend distribution
Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

4. Summary of significant accounting policies (Continued)

(r) Comprehensive income/(loss)

Comprehensive income or loss is defined as the change in equity of the Group during a period from transactions and other events and circumstances, excluding transactions resulting from investments by owners and distributions to owners. Accumulated other comprehensive income or loss of the Group includes cumulative foreign currency translation adjustments.

(s) Earnings per share

In accordance with IAS 33, "Earnings Per Share," basic earnings per share is computed by dividing net income attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted-average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method).

(t) Financial assets

Classification

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'cash and cash equivalents' and 'trade and other receivables' in the statement of financial position [Notes 4(a) and 4(c)].

Recognition and measurement

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

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

4. Summary of significant accounting policies (Continued)

(u) Offsetting financial instruments

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

(v) Impairment of financial assets

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

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

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

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

(w) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(x) Trade payables

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

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

(In U.S. dollars, unless otherwise stated)

4. Summary of significant accounting policies (Continued)

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The Group is organized into business units based on their different service offerings. The Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer, who reviews and evaluates separate sets of financial information for the Group's operating segments for the purpose of making decisions regarding resource allocation and performance assessment. The Group's CODM reviews the Group's results in four business segments, namely: (i) China VAS, mobile games and PC games; (ii) Indonesia Digital Media; (iii) Media content; and (iv) investment, for the purpose of making decisions regarding resource allocation and performance assessment. There is no change in business segment for the financial year ended 31 December 2014, except for the discontinuance of the PC games and DVD sales business units. During the financial year ended 31 December 2015, the Karaoke music and song business segment has been discontinued and the Music Box business segment has been disposed off.

(z) Business combinations

The Group accounts for business combinations using the acquisition method of accounting. This method requires that the acquisition cost be allocated to the assets, including separately identifiable tangible and intangible assets, and liabilities the Group has acquired based on their estimated fair values. The Company makes estimates and judgments in determining the fair value of the acquired assets and liabilities with the assistance of independent appraisal reports as well as its experience with similar assets and liabilities in similar industries. If different judgments or assumptions were used, the amounts assigned to the individual assets acquired or liabilities assumed could be materially affected.

5. Cash and cash equivalents

	As at 31 December	
	2015	2014
Cash	4,911,270	6,774,557
Time deposits with tenor < 90 days	6,000,011	12,449,758
Total	10,911,281	19,224,315

Interest income earned from the above cash and cash equivalents amounted to $308,919 and $470,671 for the years ended 31 December, 2015 and 2014, respectively.

(In U.S. dollars, unless otherwise stated)

5. Cash and cash equivalents (Continued)

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2015	2014
USD	490,804	479,740
RMB	9,756,449	16,623,537
SGD	530,982	521,888
IDR	129,110	1,466,780
MYR	650	35,738
HKD	3,286	79,126
Taiwan Dollar ("TWD")	-	17,506
	10,911,281	19,224,315

6. Short-term investments

	As at 31 December	
	2015	2014
Quoted securities, at market value	73,025,634	74,232,784
Time deposits with tenor > 90 days	13,285,071	17,689,420
	86,310,705	91,922,204

The carrying amounts of the Group's short-term investments are denominated in the following currencies:

	As at 31 December	
	2015	2014
RMB	13,285,071	17,689,420
IDR	73,025,634	74,232,784
	86,310,705	91,922,204

Net unrealized gain of $6.0 million for the year ended 31 December 2015 and net unrealized loss of $1.2 million for the year ended 31 December 2014 was recorded on the marked-to-market valuation of these held-for-trading quoted investments. Such amounts were recorded in other operating income.

Net unrealised forex loss on short-term investments amounted to $8.5 million and $1.4 million as at 31 December 2015 and 2014, respectively.

As at 31 December 2015, all time deposits have original maturity terms more than three months and are due within one year.

7. Fair value measurement

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December:

2015:	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)	Fair value
Short-term investments:				
Held-for-trading investments	73,025,634	–	–	–

2014:	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)	Fair value
Short-term investments:				
Held-for-trading investments	74,232,784	–	–	–

There are no level 1 assets or transfers between levels 1 and 2 during 2015 or 2014.

(In U.S. dollars, unless otherwise stated)

7. Fair value measurement (Continued)

Assets and liabilities measured at fair value on a non-recurring basis

The Group measures certain financial assets at fair value on a nonrecurring basis only if an impairment charge were to be recognized. The Group's non-financial assets, such as intangible assets, goodwill and fixed assets, would be measured at fair value only if they were determined to be impaired. For the years ended 31 December 2014 and 2015, the Group recognized $3.6 million and nil impairment loss on goodwill respectively based on the fair value measurement (Level 3) on a non-recurring basis. The fair value was determined using a discounted cash flow model under the income approach based on future revenues and operating costs, using internal projections.

8. Accounts receivables

	As at 31 December	
	2015	2014 (restated)
Accounts receivables	7,569,347	8,973,783
Less: Allowance for doubtful receivables	(2,399,164)	(2,186,156)
	5,170,183	6,787,627
Movement in allowance for doubtful receivables:		
Balance at beginning of year	(2,186,156)	(1,898,807)
Write back of provision	28,696	–
Additional provision	(156,454)	(329,477)
Translation differences	(85,250)	42,128
Balance at the end of year	(2,399,164)	(2,186,156)

The carrying amounts of the Group's accounts receivables are denominated in the following currencies:

	As at 31 December	
	2015	2014 (restated)
USD	437,245	183,114
RMB	3,724,040	5,823,893
SGD	35,825	144,905
IDR	973,073	635,715
	5,170,183	6,787,627

(In U.S. dollars, unless otherwise stated)

9. Deposits and other current assets

	As at 31 December	
	2015	2014 (restated)
Minimum guarantees	–	111,463
Prepayments to VAS advertising, content and other suppliers	2,974,535	2,274,025
Interest income receivable from non-related parties	13,858	49,800
Unbilled receivables	559,052	655,776
Others	1,398,770	68,986
	4,946,215	3,160,050
Less: Allowance for doubtful Receivables	(236,869)	(222,705)
	4,709,346	2,937,345

Movement in allowance for doubtful receivables:		
Balance at beginning of year	(222,705)	(223,164)
Write-back of provision/(additional provision)	(14,164)	459
Balance at the end of year	(236,869)	(222,705)

(In U.S. dollars, unless otherwise stated)

9. Deposits and other current assets (Continued)

The carrying amounts of the Group's deposits and other current assets are denominated in the following currencies:

	As at 31 December	
	2015	2014 (restated)
USD	51,091	395,433
RMB	4,324,617	2,358,727
SGD	86,595	10,842
IDR	247,043	172,343
	4,709,346	2,937,345

(In U.S. dollars, unless otherwise stated)

10. Property, plant and equipment

	Buildings	Computer hardware and other equipment	Office equipment	Leasehold improvements	Motor vehicles	Total
Cost or valuation						
Balance at 1 January 2014 (restated)	10,419,117	4,749,604	951,472	986,358	88,040	17,194,591
Additions	–	472,866	61,096	10,959	52,390	597,311
Exchange translation differences	(585,430)	110,773	(18,489)	(9,691)	15,285	(487,552)
Disposals	–	(203,457)	(70,923)	–	(23,369)	(297,749)
Balance at 31 December 2014 and 1 January 2015 (restated)	9,833,687	5,129,786	923,156	987,626	132,346	17,006,601
Additions	–	1,115,244	75,714	13,379	–	1,204,337
Exchange translation differences	(513,563)	(400,896)	36,632	(30,841)	(34,913)	(943,581)
Disposals	–	(664,175)	(8,608)	–	(47,512)	(720,295)
Balance at 31 December 2015	9,320,124	5,179,959	1,026,894	970,164	49,921	16,547,062

(In U.S. dollars, unless otherwise stated)

10. Property, plant and equipment (Continued)

	Buildings	Computer hardware and other equipment	Office Equipment	Leasehold improvements	Motor vehicles	Total
Accumulated depreciation						
Balance at 1 January 2014 (restated)	(826,336)	(3,947,384)	(909,559)	(909,339)	(43,690)	(6,636,308)
Depreciation	(223,374)	(283,622)	(46,195)	(56,809)	(18,918)	(628,918)
Exchange translation differences	168,831	(121,294)	15,667	14,489	(15,531)	62,162
Disposals	–	191,954	71,486	–	23,205	286,645
Balance at 31 December 2014 and 1 January 2015 (restated)	(880,879)	(4,160,346)	(868,601)	(951,659)	(54,934)	(6,916,419)
Depreciation	(213,915)	(341,300)	(15,389)	(55,199)	(36,259)	(662,062)
Exchange translation differences	(54,555)	509,236	(29,935)	36,694	50,626	512,066
Disposals	–	381,628	7,511	–	–	389,139
Balance at 31 December 2015	(1,149,349)	(3,610,782)	(906,414)	(970,164)	(40,567)	(6,677,276)
Net carrying amounts						
Balance at 31 December 2014	8,952,808	969,440	54,555	35,967	77,412	10,090,182
Balance at 31 December 2015	8,170,775	1,569,177	120,480	–	9,354	9,869,786

For the years ended 31 December 2015 and 2014, the depreciation charges amounted to $685,101 and $628,918, respectively.

The Group incurred (loss) of ($383,018) and ($38,461) from disposal of property, plant and equipment during the year ended 31 December 2015 and 2014, respectively.

11. Investment in associated company

In April 2015, the Noveltech Enterprises Limited ("Noveltech"), a subsidiary of the Company acquired a 21.7% stake in Yododo Inc. ("Yododo"), a travel related O2O business in China, for a consideration of $5.07 million. As a result, Yododo became an associated company of the Group. The primary purpose of the acquisition was to enter the travel industry in China.

The following table summarises the estimated fair values of the assets acquired and liabilities assumed as the date of acquisition:

	2015
Cash	110,954
Other current assets	159,926
Fixed assets	32,228
Intangible assets	13,105,619
Total assets acquired	13,408,727
Deferred tax liabilities	3,277,199
Other liabilities	500,771
Total liabilities assumed	3,777,970
Total net assets	9,630,757

Net assets	9,630,757
Proportion of the Group's ownership	21.7%
Group's share of net assets	2,089,874
Goodwill	2,980,126
Carrying amount of the investment	5,070,000

(In U.S. dollars, unless otherwise stated)

12 Intangible assets

The following table summarises intangible assets:

	Technology	Customer base	Licenses	Partnership and non-compete agreements	Domain names	VAS short code licensed to PT Linktone	Total
Cost:							
Balance at 1 January 2014	3,292,281	171,523	525,671	3,867,677	82,347	7,062,653	15,002,152
Additions	50,803	–	–	–	–	–	50,803
Balance at 31 December 2014 and 31 December 2015	3,343,084	171,523	525,671	3,867,677	82,347	7,062,653	15,052,955
Accumulated amortisation:							
Balance at 1 January 2014	(2,385,752)	(171,523)	(525,671)	(3,554,376)	(82,347)	(936,313)	(7,655,982)
Amortisation for the year	(181,774)	–	–	(313,301)	–	(282,506)	(777,581)
Impairment loss recognised in the year	(487,450)	–	–	–	–	–	(487,450)
Balance at 31 December 2014 and 1 January 2015	(3,054,976)	(171,523)	(525,671)	(3,867,677)	(82,347)	(1,218,819)	(8,921,013)
Amortisation for the year	(88,648)	–	–	–	–	(282,509)	(371,157)
Balance at 31 December 2015	(3,143,624)	(171,523)	(525,671)	(3,867,677)	(82,347)	(1,501,328)	(9,292,170)
Net carrying amounts:							
Balance at 31 December 2014	288,108	–	–	–	–	5,843,834	6,131,942
Balance at 31 December 2015	199,460	–	–	–	–	5,561,325	5,760,785

(In U.S. dollars, unless otherwise stated)

13. Goodwill

The following table summarises the activity in the balance of goodwill during the respective periods by reporting unit:

	Mobile games	Indonesia Digital Media	Total
Balance at 31 December 2014 and 31 December 2015	5,310,843	9,689,737	15,000,580

As of 31 December 2015, the Company performed impairment tests on goodwill assigned to each reporting unit (except for Investment reporting unit which has no goodwill). The Company determined the fair value of the reporting units using the income approach based on the discounted expected future cash flows associated with these units.

Based on the annual impairment tests as at 31 December 2015, the reporting units of Mobile game and Indonesia Digital Media had fair values higher than their carrying value, hence management did not recognise any impairment expense on these 2 reporting units during the financial year ended 31 December 2015. Due to the cessation of operations of the PC game unit, the goodwill of $3,533,497, related to the PC game unit, was fully impaired in 2014.

For each of the CGUs with significant amount of goodwill, the key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows:

2015	Mobile games	Indonesia digital media
Sales volume (% annual growth rate)	19% - 22%	38% - 57%
Gross margin (% annual growth rate)	10%	44% - 59%
Other operating costs	15% - 22%	-12% - 57%
Annual capital expenditure	2016 – $200,000	2016 - $1,355,000
	2017 – $300,000	2017 - $213,000
	2018 – $300,000	2018 - $177,000
	2019 – $300,000	2019 - $52,000
Long-term growth rate	3%	3%
Pre-tax discount rate	18.5%	17%

(In U.S. dollars, unless otherwise stated)

13. Goodwill (Continued)

2014	Mobile games	Indonesia digital media
Sales volume (% annual growth rate)	12% - 49%	3% - 71%
Gross margin (% annual growth rate)	5% -322%	26% - 100%
Other operating costs	20% - 50%	13% - 60%
Annual capital expenditure	2016 – $32,000	2016 - $988,000
	2017 – $48,000	2017 - $247,900
	2018 – $80,000	2018 - $206,000
	2019 – $80,000	2019 - $61,000
Long-term growth rate	3%	3%
Pre-tax discount rate	18.5%	17%

14. Other long-term assets

	As at 31 December	
	2015	2014 (restated)
Minimum guarantees and prepayments	313,760	300,371
Mandatory convertible bonds	307,592	–
Others	571,430	132,317
Total	1,192,782	432,688

15. Accounts payable, accrued liabilities and other payables

	As at 31 December	
	2015	2014 (restated)
Accounts payable	2,977,754	3,524,445
Accrued payroll and welfare benefits	4,937,138	3,010,944
Accrued professional and consulting fees	165,771	302,449
Accrued VAS content fees	2,238,637	1,663,708
Accrued expenses	1,559,344	327,082
Other payables	1,786,882	824,478
	13,665,526	9,653,106

(In U.S. dollars, unless otherwise stated)

15. Accounts payable, accrued liabilities and other payables (Continued)

The carrying amounts of the Group's accounts payable, accrued liabilities and other payables are denominated in the following currencies:

	As at 31 December	
	2015	**2014 (restated)**
USD	1,188,008	1,554,230
RMB	8,750,959	5,284,930
SGD	2,188	171,255
IDR	3,724,371	2,642,691
	13,665,526	9,653,106

16. Loans and borrowings

	As at 31 December	
	2015	**2014**
Bank overdrafts	1,293,883	1,507,303
Revolving term loans	5,674,624	6,032,401
Loan from related party	299,775	403,002
	7,268,282	7,942,706

The carrying amounts of the Group's loans and borrowings are denominated in the following currencies:

	As at 31 December	
	2015	**2014**
SGD	6,968,507	7,539,704
IDR	299,775	403,002
	7,268,282	7,942,706

The facilities expiring within one year are annual facilities subject to review at various dates during 2015. The other facilities have been arranged to help finance the group's activities.

The Group's subsidiary in Singapore, MNC Innoform Pte Ltd ("MNCI") has $7.12 million (SGD10.0 million) credit facility from a bank in Singapore. The facilities are secured by a corporate guarantee from PT. Media Nusantara Citra Tbk ("MNC"), a related party.

The details of bank facilities utilised are as follow:

- As at 31 December 2015 and 2014, InnoForm Media has utilised $1.3 million (SGD1.8 million)] and $1.5 million (SGD1.9 million) of the overdraft facility, respectively. The effective interest rate was 5.7% (2014: 3.7%) per annum.

- As 31 December 2015, and 2014, InnoForm Media has utilised revolving term loans facility of $5.7 million (SGD7.95 million) and $6.0 million (SGD7.95 million), respectively. The revolving loans are of three-months and six-months tenor. Interest rates are by quotation from the bank payable quarterly in arrears. The effective interest rate was 4.4% (2014: 4.7%) per annum.

(In U.S. dollars, unless otherwise stated)

16. Loans and borrowings (Continued)

PT Linktone obtained an unsecured loan of $0.3 million (IDR 5.0 billion) from PT. Media Nusantara Citra Tbk, a related party at interest rate of 8% per annum and repayable on demand. The loan was obtained in 2013 and remains unpaid as at 31 December 2015.

17. Other long-term liabilities

	As at 31 December	
	2015	2014
Other long-term payables	–	104,158

Other long-term payables consist mainly of long term financing by an Indonesian subsidiary for purchases of fixed assets in 2014.

The carrying amounts of the Group's other long-term liabilities are denominated in the following currencies:

	As at 31 December	
	2015	2014
IDR	–	104,158

18. Segment information

For the years ended December 31, 2015 and 2014, the Group operates in four business segments - China VAS and mobile game; Indonesia Digital Media; Media content; and Investment, based on the different product and geographic operating segments. Pursuant to IFRS 8, the Group presents summarised statement of operations and net assets information by segment below, as used by the Group's chief operating decision maker ("CODM").

Statement of operations Information:

	31 December 2015				
	China VAS and mobile game	Indonesia Digital Media	Media content	Investment	Total
Revenues	62,851,843	2,509,179	3,222,236	–	68,583,258
Segment cost of revenue	(49,037,886)	(995,607)	(2,517,812)	–	(52,551,305)
Segment gross profit	13,813,957	1,513,572	704,424	–	16,031,953
Segment operating expenses	(17,940,750)	(3,183,024)	(848,249)	(1,966,127)	(23,938,150)
Segment profit/(loss) from operations	(4,126,793)	(1,669,452)	(143,825)	(1,966,127)	(7,906,197)
Other (expenses)/income	(104,035)	(2,669)	(229,019)	(8,330,640)	(8,666,363)
Segment profit/(loss) before interest and taxes	(4,230,828)	(1,672,121)	(372,844)	(10,296,767)	(16,572,560)

(In U.S. dollars, unless otherwise stated)

18. Segment information (Continued)

	31 December 2014 (restated)				
	China VAS and mobile game	Indonesia Digital Media	Media content	Investment	Total
Revenues	51,639,816	3,064,053	2,966,057	–	57,669,926
Segment costs of revenue	(38,353,944)	(1,782,684)	(1,961,079)	–	(42,097,707)
Segment gross profit	13,285,872	1,281,369	1,004,978	–	15,572,219
Segment operating (expenses)/income	(13,099,297)	(2,917,015)	(472,995)	(2,837,071)	(19,326,378)
Segment profit/(loss) from operations	186,575	(1,635,646)	531,983	(2,837,071)	(3,754,159)
Other (expenses)/income	(39,179)	(5,053)	261,282	(1,432,816)	(1,215,766)
Segment loss before interest and taxes	147,396	(1,640,699)	793,265	(4,269,887)	(4,969,925)

The following table summarises the gross revenue by product in China VAS and mobile game segment:

	2015	2014
China VAS	4,529,640	4,007,188
Fumubang	12,773,203	4,871,571
Mobile game	45,549,000	42,761,057
	62,851,843	51,639,816

Statement of Financial Position Information:

	As at 31 December 2015				
	China VAS and mobile game	**Indonesia digital media**	**Media content**	**Investment**	**Total**
Current assets	25,949,659	1,874,675	1,132,240	80,732,688	109,689,262
Non-current assets	6,872,118	17,034,477	9,242,809	5,377,591	38,526,995
Total assets	32,821,777	18,909,152	10,375,049	86,110,279	148,216,257
Current liabilities	(11,568,782)	(4,157,690)	(9,883,316)	(1,209,238)	(26,819,026)
Non-current liabilities	–	(1,390,326)	(245,528)	–	(1,635,854)
Total liabilities	(11,568,782	(5,548,016)	(10,128,844)	(1,209,238)	(28,454,880)
Net assets	21,252,995	13,361,136	246,205	84,901,041	119,761,377

	As at 31 December 2014 (restated)				
	China VAS and mobile game	**Indonesia digital media**	**Media content**	**Investment**	**Total**
Current assets	29,900,280	2,633,242	4,532,357	88,334,616	125,400,495
Non-current assets	7,229,822	16,850,563	9,388,610	–	33,468,995
Total assets	37,130,102	19,483,805	13,920,967	88,334,616	158,869,490
Current liabilities	(9,106,916)	(3,329,257)	(12,836,690)	(681,447)	(25,954,310)
Non-current liabilities	(445,977)	(1,565,112)	–	–	(2,011,089)
Total liabilities	(9,552,893)	(4,894,369)	(12,836,690)	(681,447)	(27,965,399)
Net assets	27,577,209	14,589,436	1,084,277	87,653,169	130,904,091

(In U.S. dollars, unless otherwise stated)

18. Segment information (Continued)

The following table summarises the Group's gross revenues by geographic region based on the location of the customers:

	For the year ended 31 December	
	2015	2014 (restated)
PRC	63,076,471	51,696,417
Indonesia	3,730,781	4,360,492
Singapore	312,203	491,577
Malaysia	1,463,803	1,121,440

The PRC geographic segment includes operations of China, Hong Kong and Taiwan entities.

The following table summarises the Group's long-lived assets by geographic region:

	As at 31 December	
	2015	2014 (restated)
PRC	6,872,118	7,434,153
Indonesia	22,526,993	16,861,610
Singapore	9,127,884	9,173,232

The following table summarises the Group's net assets by geographic region:

	As at 31 December	
	2015	2014 (restated)
PRC	21,710,794	27,902,024
Indonesia	98,362,147	102,333,286
Singapore	2,106,150	1,854,734
Malaysia	(2,418,192)	(2,172,962)

19. Other operating (loss)/income

	For the year ended 31 December	
	2015	2014
Dividend income from short-term investments	429,227	481,725
Unrealised (loss)/gain on valuation of marketing securities	5,952,113	(1,150,896)
	6,381,340	(669,171)

The Group classified short-term investments in securities as held-for-trading.

20. Financial risk management

The Group's activities expose it to credit risk, market risks (including foreign currency risks and interest rate risks) and liquidity risk. The overall risk management strategy seeks to minimise adverse effect from the volatility of financial markets on the Group's financial performance.

The Directors are responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits, in accordance with the objectives and underlying principles approved by the directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(a) Revenue concentration risk

For the financial year ended 31 December 2015, 66% and 17% of the Group's revenue is contributed by the mobile game and Fumubang, respectively (2014: 71% and 8% respectively). The Company has no concentration risk in customers or business partners.

(b) Credit risk

Financial instruments that potentially subject the Group to significant concentration of credit risk primarily consist of cash and cash equivalents, short-term investments and accounts receivable. At 31 December 2015 and 2014, the Group has $97.2 million and $111.1 million in cash and cash equivalents and short-term investments respectively. At 31 December 2015 and 2014, the Group's cash, bank deposits and money market funds in the PRC amounted to $17.0 million and $20.7 million respectively, representing 17.5% and 18.6% of total cash and cash equivalent and short term investments in 2015 and 2014 respectively.

In the event of bankruptcy of one of the financial institutions in which the Group has deposits or investments, it may be unlikely to claim its deposits or investments back in full.

Accounts receivable are typically unsecured and derived from revenue earned from customers, which are exposed to credit risk. The risk is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances. The Group maintains reserves for estimated credit losses and these losses have generally been within its expectations. The Group has $5.2 million and $6.8 million in accounts receivables as at 31 December 2015 and 2014, respectively.

(i) Financial assets that are neither past due or impaired

At the balance sheet date, no financial assets are past due or impaired other than trade receivables noted below.

Cash and cash equivalents are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets at fair value through profit or loss are redeemable on demand. These are placed with reputable fund managers.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables. Trade debtors relate to excesses which are due in relation to claims.

20. Financial risk management (Continued)

(b) Credit risk (Continued)

(ii) Financial assets that are past due and/or impaired (Continued)

The age analysis of trade receivables past due but not impaired is as follows:

	As at 31 December	
	2015	**2014**
Past due < 3 months	2,956,848	5,732,110
Past due 3 to 6 months	534,995	259,329
Past due over 6 months	4,077,504	2,802,344
	7,569,347	8,793,783

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	As at 31 December	
	2015	**2014**
Past due 3 to 6 months	–	–
Past due over 6 months	(2,399,164)	(2,186,156)
	(2,399,164)	(2,186,156)

The impaired trade receivables arise mainly from sales to a customer which has suffered significant losses in its operations.

(c) Foreign exchange risk

The Group's sales, purchase and expense transactions are generally denominated in RMB, SGD and IDR and a significant portion of the Group's assets and liabilities are denominated in IDR and RMB. The RMB is not freely convertible into foreign currencies. In the PRC, foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China ("PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through the PBOC or other PRC foreign exchange regulatory bodies and require certain supporting documentation in order to affect the remittance.

The following tables demonstrate the sensitivity to a reasonably possible change in RMB, IDR and SGD exchange rates, with all other variables held constant.

(In U.S. dollars, unless otherwise stated)

20. Financial risk management (Continued)

(c) Foreign exchange risk (Continued)

	2015		
	Change in rate	**Effect on profit before tax**	**Effect on net assets**
IDR	+5%	78,606	3,835,052
	-5%	(78,606)	(3,835,052)
RMB	+5%	166,737	1,362,650
	-5%	(166,737)	(1,362,650)
SGD	+5%	56,581	12,310
	-5%	(56,581)	(12,310)

	2014 (restated)		
	Change in rate	**Effect on profit before tax**	**Effect on net assets**
IDR	+5%	(83,751)	3,711,851
	-5%	83,751	(3,711,851)
RMB	+5%	27,126	1,321,460
	-5%	(27,126)	(1,321,460)
SGD	+5%	9,016	(488,077)
	-5%	(9,016)	488,077

There are currently no such legal foreign exchange controls in Singapore and Indonesia.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

(d) Financial instruments by category

	As at 31 December	
	2015	**2014 (restated)**
Financial assets:		
Trade and other receivables excluding prepayments	7,357,688	7,450,947
Short-term investments	86,310,705	91,922,204
Cash and cash equivalents	10,911,281	19,224,315
	104,579,674	118,597,466

(In U.S. dollars, unless otherwise stated)

20. Financial risk management (Continued)

(d) Financial instruments by category

	As at 31 December	
	2015	2014 (restated)
Financial liabilities:		
Trade and other payables excluding non-financial liabilities	13,665,526	10,505,625
Borrowings	7,268,282	7,942,706
	20,933,808	18,448,331

(e) Price risk

The Group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

(f) Legal and regulatory uncertainties

PRC

The Chinese market poses certain legal and regulatory risks and uncertainties to the Group's operations. These uncertainties extend to the ability of the Group to develop its telecom VAS business and to provide internet services in the PRC. Though the PRC has, since 1978, implemented a wide range of market-oriented economic reforms, continued reforms and progress towards a full market-oriented economy are uncertain. In addition, the telecommunication and internet industries remain highly regulated. Restrictions are currently in place or are unclear with regard to which specific industry segments foreign-owned entities, like the Group, may operate. The Group's legal structure and scope of operations in the PRC could be subject to restrictions which could result in severe limitations on the Group's ability to conduct business in the PRC, and this could have a material adverse impact on the Group's financial position, results of operations and cash flows.

Indonesia

The Group operates in a legal and regulatory environment in Indonesia that is undergoing change. The reformed regulation of the Indonesian telecommunications sector, which was initiated by the Indonesian Government in 1999, has to a certain extent resulted in the liberalization of the telecommunications industry, including facilitation of new market entrants for telecommunications service providers and changes to the competitive structure of the telecommunications industry. As we rely on our partnership with the telecommunications service providers and depend to a significant degree on the uninterrupted operation of their network to provide our VAS services, any disruption could have a material adverse impact on the Group's financial position, results of operations and cash flows.

The Board of Indonesian Telecommunication Regulatory ("BRTI") through its circular letter dated October 18, 2011 No. 177/BRTI/X/2011 addressed to ten telecommunication network operators has requested those operators to cease promoting premium messages through SMS broadcast, pop-screen, voice broadcast, and to deactivate all premium messages such as SMS, MMS, ring tone, games and wall paper until a period of time to be further determined by BRTI. The process of deactivation is done by issuing notification to deactivate and information on how to re-activate by those who intends to re-subscribe without charging additional re-activation costs. This circular letter was issued as a response to public complaints against operators of premium messaging. This could have a material adverse impact on the Group's revenue, results of operations and cash flows.

21. Employee benefits

PRC contribution plan

Full-time employees of the Company, its subsidiaries and VIEs in the PRC participate in a government-mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the Company and its subsidiaries accrue for these benefits based on certain percentages of the employees' salaries. The total expenses for such employee benefits were $2,182,895 and $3,374,215 for the years ended 31 December 2014 and 2015, respectively.

Singapore contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity such as the Central Provident Fund or pension on a mandatory, contractual or voluntary basis. The entity will have no legal or constructive obligation to pay further amounts once the contributions have been paid. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the consolidated statement of operations and comprehensive income/loss in the periods during which services are rendered by employees. For the years ended 31 December 2014 and 2015, the Group, via its Singaporean subsidiary, recorded an expense of $173,196 and $35,095, respectively.

Indonesian contribution plan

PT Linktone, the Group's Indonesian subsidiary, has a defined contribution pension program in which it had entered into a Cooperation Agreement Pension Benefit Service Program with the Financial Institution Pension Fund in October 2009 for an indefinite period of cooperation. The total provision for such employee benefits of $62,280 and $128,710 was charged to the statement of operations and comprehensive income/loss during the year ended 31 December 2014 and 2015, respectively.

22. Statutory reserves

The Company's subsidiaries and VIEs in the PRC must make appropriations from after-tax profits to non-distributable reserve funds. Its subsidiaries, in accordance with the laws on Enterprise with Foreign Investment in China, must make appropriations to (i) a general reserve and (ii) an enterprise expansion fund. The general reserve fund requires annual appropriations of 10% of after-tax profit, as determined under generally accepted accounting principles in the PRC ("PRC GAAP") at each year end, until such fund has reached 50% of the subsidiary's registered capital. The enterprise expansion fund appropriation is at the subsidiary's discretion. The Company's VIEs, in accordance with PRC Company Laws, may make appropriations to (i) a statutory reserve fund and (ii) a discretionary surplus fund. The statutory reserve fund requires annual appropriations of 10% of after-tax profit, as determined under PRC GAAP at each year end, until such fund has reached 50% of the VIE's registered capital. Discretionary surplus fund appropriation is at the VIE's discretion.

The general reserve fund and statutory reserve fund can only be used for specific purposes, such as offsetting of accumulated losses, enterprise expansion or increasing the registered capital. The enterprise expansion fund is generally used to expand the production and operations; however, it also may be used for increasing the registered capital. The discretionary surplus fund may be used for any purposes at management's discretion. These funds are not transferable to the Company in the form of cash dividends, loans or advances.

As of December 31, 2015 and 2014, the Group had balance of $3,315,918 in these non-distributable reserve funds.

23. Income taxes

Cayman Islands, British Virgin Islands and UAE

Under the current laws of the Cayman Islands, British Virgin Islands and UAE, Linktone, Brilliant, Ojava Overseas Linktone International and Innoform International are not subject to tax on income or capital gains.

Hong Kong

Under the current laws of Hong Kong, Noveltech, InnoForm HK and Linktone Media are subject to tax on income in Hong Kong at 16.5%.

Indonesia

Under the current laws of the Republic of Indonesia, PT Linktone, PT Innoform and Cakrawala is subject to tax on income at 25%.

Singapore

Under the current laws of the Republic of Singapore, InnoForm Media and its subsidiaries in Singapore are subject to tax on income at 17%.

Malaysia

Under the current laws of Malaysia, InnoForm Malaysia is subject to tax on income at 25%.

PRC

On 16 March 2007, the National People's Congress of China approved the new Enterprise Income Tax Law of the PRC (the "new EIT law"), which is effective from 1 January 2008.

The new EIT law imposes a unified income tax of 25%. The new EIT law allows a five-year transitional period for entities established before 16 March 2007 that enjoyed a reduced tax rate or a tax holiday under the old EIT law. The transitional rule generally provides for a gradual increase to 25% and, where applicable, continuation of prior tax holidays until their expiration otherwise provided under the old EIT law. Under the new EIT law, qualified and approved high and new technology enterprises enjoy a preferential income tax rate of 15%.

The applicable income tax rates for the Group's PRC subsidiaries and VIEs vary. Linktone Consulting, Weilan, Ruida, Wei Lian, Lang Yi, Xian Feng and Xintong's applicable tax rates are 25% starting 2008. From 2012 onwards, tax rates for Zhong Tong, Linktone Software, Wang You and Ling Yu is 25%.

Huitong and Linktone Internet are foreign investment production enterprises located in a coastal economic development zone in the old urban district. Huitong was recognized as high and new technology enterprise ("HNTE") by the Local Science and Technology Committee in May 2010. In 2012, Huitong received renewed HNTE certificate that is valid for the years 2012 to 2015. Linktone Internet applicable tax rate starting 2010 is 25%.

23. Income taxes (Continued)

Yuan Hang, Cosmos, Lian Fei and Beijing Ojava were high and new technology enterprises prior to 1 January 2008 and enjoyed a reduced tax rate of 15% and tax holiday of either two or three years of exemption followed by three years of 50% reduced tax rate. In 2011, Yuan Hang qualified as a high and new technology enterprise and will continued to be entitled to reduced tax rate of 15% from 2011 to 2015, subject to meeting certain criteria on an annual basis. Cosmos, Lian Fei and Beijing Ojava did not qualify as high and new enterprises and the applicable tax rates will be at 25%.

Letang qualified as a comic and animation enterprise in 2010 and was therefore entitled to a two year national and local tax exemption followed by three years of 50% reduction in national and local income tax rates. The qualification for the preferential tax rate needs to be applied to and re-approved on an annual basis. Letang started its tax holiday of two years exemption from 2010. From 2012 to 2015, the tax rate applicable to Letang is 12.5%.

Unilink, Qimingxing and Lianyu are considered as small businesses and are taxed based on the deemed profit method.

The new PRC Enterprise Income Tax Laws (the "PRC Income Tax Laws") also impose a 10% withholding income tax for dividends distributed by a foreign invested enterprise to its immediate holding company outside the PRC, which were exempted under the previous income tax and rules. A lower withholding tax rate will be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign holding company.

According to the relevant PRC regulations, dividends on profit earned before 1 January 2008 were exempted from the withholding income tax, while the dividend on profits earned after 1 January 2008 are subject to the withholding income tax. However as of 31 December 2012 and 2013, the Group did not make any provision on withholding tax of profit earned by some of its PRC subsidiaries because based on the business plan for the foreseeable future, there is no plan to distribute the retained earnings of the Group's PRC subsidiaries as it intend to retain such cash for re-investment in the PRC operations.

In accordance with the PRC Income Tax Laws effective from 1 January 2008, enterprises established under the laws of foreign countries or regions and whose "place of effective management" is located within the PRC territory are considered PRC resident enterprises, subject to the PRC income tax at the rate of 25% on worldwide income. The definition of "place of effective management" shall refer to an establishment that exercises, in substance, overall management and control over the production and business, personnel, accounting, properties, etc. of an enterprise. The Group's non-PRC entities, if considered a PRC tax residence enterprise for tax purposes, would be subject to the PRC Enterprise Income Tax at the rate of 25% on their worldwide income.

Huitong and Linktone Internet are foreign investment production enterprises located in a coastal economic development zone in the old urban district. Huitong was recognized as high and new technology enterprise ("HNTE") by the tax bureau in May 2010. In 2012, Huitong received renewed HNTE certificate that is valid for the years 2012 to 2015. Linktone Internet applicable tax rate starting 2010 is 25%.

Yuan Hang, Cosmos, Lian Fei and Beijing Ojava were high and new technology enterprises prior to 1 January 2008 and enjoyed a reduced tax rate of 15% and tax holiday of either two or three years of exemption followed by three years of 50% reduced tax rate. In 2011, Yuan Hang qualified as a high and new technology enterprise and will continued to be entitled to reduced tax rate of 15% from 2011 to 2013, subject to meeting certain criteria on an annual basis. Cosmos, Lian Fei and Beijing Ojava did not qualify as high and new enterprises and the applicable tax rates will be at 25%.

Letang qualified as a comic and animation enterprise in 2010 and was therefore entitled to a two year national and local tax exemption followed by three years of 50% reduction in national and local income tax rates. The qualification for the preferential tax rate needs to be applied to and re-approved on an annual basis. Letang started its tax holiday of two years exemption from 2010.

Unilink, Qimingxing and Lianyu are considered as small businesses and are taxed based on the deemed profit method.

(In U.S. dollars, unless otherwise stated)

23. Income taxes (Continued)

The new PRC Enterprise Income Tax Laws (the "PRC Income Tax Laws") also impose a 10% withholding income tax for dividends distributed by a foreign invested enterprise to its immediate holding company outside the PRC, which were exempted under the previous income tax and rules. A lower withholding tax rate will be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign holding company.

According to the relevant PRC regulations, dividends on profit earned before 1 January 2008 are not subject to the withholding income tax, while the dividend on profits earned after 1 January 2008 are subject to the withholding income tax. However as of 31 December 2012 and 2014, the Group did not make any provision on withholding tax of profit earned by some of its PRC subsidiaries because based on the business plan for the foreseeable future, there is no plan to distribute the retained earnings of the Group's PRC subsidiaries as it intend to retain such cash for re-investment in the PRC operations.

In accordance with the PRC Income Tax Laws effective from 1 January 2008, enterprises established under the laws of foreign countries or regions and whose "place of effective management" is located within the PRC territory are considered PRC resident enterprises, subject to the PRC income tax at the rate of 25% on worldwide income. The definition of "place of effective management" shall refer to an establishment that exercises, in substance, overall management and control over the production and business, personnel, accounting, properties, etc. of an enterprise.

Income/(loss) before income taxes from continuing operations consists of:

	As 31 December	
	2015	2014 (restated)
Cayman	(4,049,348)	(4,045,436)
Indonesia	(1,477,224)	(1,256,748)
Singapore	(1,320,840)	(482,915)
Malaysia	144,512	193,740
PRC	(3,403,355)	542,518
Total income/(loss) before taxes	(10,106,255)	(5,048,841)

Tax expense attributable to profit is made up of:

	As at 31 December	
	2015	2014
Current income tax	634,710	313,819
Deferred income tax	(186,377)	(619,401)
	448,333	(305,582)

The following is reconciliation between the statutory PRC Enterprise Income Tax rate in China and the Group's effective tax rate for continuing operations:

	As at 31 December	
	2015	2014
Statutory PRC Enterprise Income Tax rate	25%	25%
International tax rate differences	(12%)	(16%)
Unrecognised tax benefits	11%	–
Others	–	(3%)
Effective tax rate for continuing operations	(1)%	6%

(In U.S. dollars, unless otherwise stated)

23. Income taxes (Continued)

The Group's deferred tax assets and deferred tax liabilities at each balance sheet date are as follows:

	As at 31 December	
	2015	2014 (restated)
Deferred tax assets:		
Accrued liabilities and other payables	800,478	765,951
Advertising expenses	47,948	25,137
Net operating losses	681,487	875,973
Others	103,149	146,542
Total deferred tax assets for continuing operations	1,633,062	1,813,603
Total deferred tax assets for discontinued operations	–	48,412
Total deferred tax assets	1,633,062	1,862,015
Deferred tax liabilities:		
Accrued income	(202,427)	(391,995)
Intangible assets	(1,433,101)	(1,488,399)
Others	(326)	(26,537)
Deferred tax liabilities for continuing operations	(1,635,854)	(1,906,931)
Deferred tax liabilities for discontinued operations	–	(109,726)
Total deferred tax liabilities	(1,635,854)	(2,016,657)
Net deferred tax liabilities	(2,792)	(154,642)

As of December 31, 2015 and 2014, the Group has a net tax operating loss carry forward of $1,174,669 and $3,293,903 attributed to 15 PRC subsidiaries.

The Company intends to permanently reinvest all undistributed earnings of its foreign subsidiaries as of 31 December 2015. The amount of unrecognized deferred tax liabilities for temporary differences related to investments in foreign subsidiaries is not determined because such a determination is not practicable.

In general, the PRC tax authority have up to five years to conduct examinations of the tax filings, accordingly, the PRC entities' tax years for 2010 through 2015 remains open to examination by the PRC tax authority. The Indonesia and Singapore subsidiaries' tax filings for 2010 through 2015 remains open to examination by the respective tax authority.

24. Discontinued operations

The assets and liabilities related to the 4 product lines of Karaoke, Music Box, DVD and PC games division of the Group are classified as discontinued operations on the statement of financial position, and the results are presented separately on the consolidated statement of comprehensive income as "Discontinued operations". The Group ceased DVD and PC games product lines in FY2014 and Karaoke and Music Box in FY 2015.

(In U.S. dollars, unless otherwise stated)

24. Discontinued operations (Continued)

The results of the discontinued operations for the financial year ended 31 December 2015 and 2014 are as follows:

	For the year ended 31 December	
	2015	**2014 (restated)**
Revenue	1,373,569	6,396,750
Cost of revenue	(459,347)	(5,775,326)
Gross profit	914,222	621,424
Operating expenses	(742,533)	(5,198,367)
Impairment of goodwill	–	(3,533,497)
Impairment of intangible assets	–	(938,459)
Provision for stocks obsolescence	–	(2,352,455)
Operating loss	171,689	(11,401,354)
Interest expense	(107,613)	(183,258)
Gain/(loss) on foreign exchange	(454,978)	15,513
Other income	553,920	(89,474)
Loss before tax from discontinued operations	163,018	(11,658,573)
Income tax expense	1,035	(4,016)
Loss after tax from discontinued operations	164,053	(11,662,589)

The impact of the discontinued operations on the Statement of Financial Position of the Group is as follows:

	As at 31 December	
	2015	**2014 (restated)**
Accounts receivables	159,076	1,351,373
Deferred tax assets	–	48,412
Tax refund receivable	74,664	97,664
Deposits and other current assets	65,532	458,753
	299,272	1,956,202
Property, plant and equipment	–	84,606
Intangible assets	–	396,079
	–	480,685
Total assets	299,272	2,436,887
Account payable, accrued liabilities and other payables	871,122	4,008,186
Deferred revenue	–	147,782
Deferred tax liabilities	3,755	21,237
Total liabilities	874,877	4,177,205

(In U.S. dollars, unless otherwise stated)

25. Stock option plans

The Board of Directors approved two stock options plans: the 2000-1 Employee Stock Option Scheme and 2003 Stock Incentive Plan (together referred to as "2003 Plans") in November 2003. The 2003 Plans govern all stock incentive awards since November 2003. The plans provide for the grant of share options to employees, directors and consultants. Options are granted with a term of up to 10 years and generally vest over service periods that range from one to four years. The plans are administered by the Compensation Committee designated by the Board of Directors.

The awards under the 2003 Plans are evidenced by an award agreement which contains, among other things, provisions, concerning exercisability and forfeiture upon termination of employment or consulting arrangement (by reason of death, disability, retirement or otherwise) as have been determined by the Board of Directors. In addition, in the case of stock options, the award agreement also specifies whether the option constitutes an ISO or a non-qualified stock option (also known as NQSs) and may but need not, include a provision whereby a grantee at any time during his or her employment with the Company may exercise any part or all of the award prior to full vesting of the awards.

Stock-based compensation costs

The share-based compensation costs charged as an expense was $nil and $62,000 for the years ended 31 December 2015 and 2014, respectively, which was recorded in general and administrative expenses.

Valuation assumptions

The Company calculated the fair value of each option grant on the date of grant using the Black-Scholes option pricing model using the following inputs: risk free interest rate of 1.20% to 2.50% per annum, expected life of 6 years and volatility of 63% to 65%.

Movement during the year

The following table illustrates the number and weighted average exercise prices of, and movements in, stock options during the year.

	31 December 2015		31 December 2014	
Share options granted to employees	**Number of shares**	**Weighted-average exercise price**	**Number of shares**	**Weighted-average exercise price**
		$		$
Outstanding, 1 January 2015	6,866,000	0.16	7,106,000	0.19
Cancelled	(386,000)	0.35	(220,000)	1.08
Outstanding, 31 December 2015	6,500,000	0.15	6,886,000	0.16
Vested and expected to vest as at 31 December 2015	6,500,000	0.15	6,886,000	0.16
Exercisable as at 31 December 2015	6,500,000	0.15	6,886,000	0.16

The weighted average remaining contractual life for the stock options outstanding as at 31 December 2015 was 4.77 years (2014: 5.58 years).

There were no new options issued for the year ended 31 December 2015 and 2014.

The range of exercise prices for options outstanding at the end of the year was $0.11 to $0.19 (2014: $0.11 to $0.78).

(In U.S. dollars, unless otherwise stated)

26. Related party transactions

Due from/(to) related parties include:

	As at 31 December	
	2015	2014 (restated)
Accounts receivables (i)	444,701	747,931
Receivable from other related parties	1,742,804	926,913
Due from related parties	2,187,505	1,674,844
Due to related parties	(2,362,710)	(1,934,060)

The carrying amounts of the Group's due from/(to) related parties are denominated in the following currencies:

.	As at 31 December	
	2015	2014
Due from related parties		
IDR	444,701	948,497
USD	1,742,804	726,347
	2,187,505	1,674,844
Due to related parties		
USD	(2,362,710)	(1,934,060)

The Group and the following entities are under the common control:

1) MNC
2) Infokom
3) PT Rajawali Citra Televisi Indonesia ("RCTI")
4) PT Global Informasi Bermutu ("Global TV")
5) Sky Vision
6) PT Cipta Telivisi Pendidikan Indonesia ("MNC TV")

(i) In October 2009, PT Linktone entered into cooperation agreement with Infokom. Infokom is an Indonesia corporation and a subsidiary of GMC. Pursuant to these agreements, PT Linktone operated its VAS business in Indonesia through the VAS access numbers owned by Infokom.

Total revenue generated from the use of short codes owned by Infokom was $89,287 and $1,006,051 for the financial years ended 31 December 2015 and 2014 respectively. As of 31 December 2015 and 2014, amount due from Infokom was $444,701 and $747,931.

As at 31 December 2015 and 2014 and PT Linktone recorded total fees payable to Infokom of nil and $51,527, respectively.

(In U.S. dollars, unless otherwise stated)

26. Related party transactions (Continued)

Key management personnel remuneration

	For the year ended 31 December	
	2015	2014
Salaries and other short-term benefits	643,875	638,015

Included in the key management personnel's remuneration are costs of defined contribution plans of $6,989 (2014: $6,725).

(ii) Short-term investments

In 2015, net unrealized gain for the financial year ended 31 December 31 2015 of $6.0 million and unrealized loss for the financial year ended December 31, 2014 of $1.2 million was recorded on the marked-to-market valuation of these held-for-trading quoted investment. Such amounts were recorded under "Other operating income".

(iii) Credit facility

In October 2010 and May 2011, a bank in Singapore extended a credit facility to the Group's subsidiary, InnoForm Media, with a total facility limit of $7.9 million (S$10 million) and a sub-limit of $2.4 million (S$3 million) for overdraft facility. The facilities are secured by a corporate guarantee from MNC. As of December 31, 2015 and 2014, the Group utilised $7.0 million and $7.5 million respectively, of the credit facility on bank overdraft and revolving loans.

(iv) Distribution of MNC content

In January 2012, Innoform International Ltd ("IIL") entered into a distributorship agreement with MNC International Ltd ("MIL") whereby MIL agreed to appoint IIL to be its non-exclusive distributor to distribute and market certain television programs and channels outside of Indonesia. MIL is an indirect subsidiary of GMC. As compensation, IIL is entitled to any income generated from the distribution of such programs and channels after paying certain fixed fees to MIL. For year ended 31 December 2015 and 2014, IIL generated $1.9 million and $1.3 million in revenues from this distributorship agreement. As of 31 December 2015 and 2014, amount payable to MIL was $1.5 million and $1.4 million, respectively.

(v) Loan from related party

In 2012, PT Linktone obtained a loan of $0.5million (IDR 5.0 billion) from PT. Media Nusantara Citra Tbk at interest rate of 8% per annum. As of 31 December 2015, this loan of $0.3 million (IDR 5 billion) is still outstanding.

(In U.S. dollars, unless otherwise stated)

27. Commitments and contingencies

(a) Operating lease commitments

The Group rents offices under operating lease agreements. As at 31 December 2015, the net aggregate minimum future lease payments under non-cancelable operating leases are as follows:

	As at 31 December	
	2015	2014
12 months ended 31 December 2015	-	815,099
12 months ended 31 December 2016	799,167	58,637
12 months ended 31 December 2017	-	24,308
	799,167	898,044

As at 31 December 2015, the Group has no operating lease commitments beyond 31 December 2016.

For the years ended 31 December 2015 and 2014, the Group incurred total office rental expense of $1,390,792 and $942,048, respectively under operating lease arrangements.

28. Prior year comparatives

During the year, the Group discontinued the Karaoke and Music Box business segments. Prior year comparatives have been restated in order to reclassify the balance sheet and statement of financial position as discontinued operations.

	For the year ended 31 December	
Consolidated Statement of Financial Position	**2014 (previous)**	**2014 (restated)**
Assets		
Current assets:		
Accounts receivable	7,325,028	6,787,627
Deposits and other current assets	3,023,501	2,937,345
Assets of discontinued operations	1,398,154	2,436,887
Property, plant and equipment	10,109,279	10,090,182
Other long-term assets	828,767	432,688
Account payable, accrued liabilities and other payables	10,814,969	9,653,106
Liabilities of discontinued operations	3,011,351	4,177,205
Deferred tax liabilities	1,910,922	1,906,931

	For the year ended 31 December	
Consolidated Statement of Profit or Loss	**2014 (previous)**	**2014 (restated)**
Revenue	60,315,552	57,669,926
Cost of revenue	(43,861,081)	(42,097,707)
Selling and marketing	(1,953,825)	(1,888,399)
General and administrative	(11,607,775)	(10,993,489)
Net gain/(loss) for the year from discontinued operations	(11,719,360)	(11,662,589)