MNC MEDIA INVESTMENT LTD

(Formerly known as "Linktone Ltd.")

(ABRN 164-134-472)

AND ITS SUBSIDIARIES

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

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,

In 2014, we further sharpened our strategic focus in our transformation journey by concentrating our efforts on two sunrise sectors – mobile games and customer-focused social-e-commerce – both of which have delivered strong sales growth for the Group. Group revenue surged to US$60.3 million – up 67% from US$36.0 million in FY2013. Gross profit also improved 26% to US$16.5 million from US$13.2 million.

Revenue from the Group's mobile games business in China, run by the Group's subsidiary, Letang was US$42.8 million in FY2014. This is almost a five-fold jump from US$8.8 million in FY2013. Contributions from our games business now represent 71% of the Group's total revenue.

The Group's games revenue stemmed mainly from two popular games in China – Boonie Bears and Armor Warriors. These two games accounted for about 79% of the Group's total revenue in China. We were particularly pleased with their stunning performance – as Boonie Bears garnered more than 180 million downloads to date since it was launched in January 2014. Armor Warriors drew more than 60 million downloads since its inception in the fourth quarter of last year.

Our online portal businesses (focusing on social e-commerce and lifestyle/ edutainment content and services) also delivered improved results. In China, our proprietary parenting, edutainment and family-oriented portal - Fumubang (父母邦), posted more than a fifteen-fold revenue jump from US$0.3 million in FY2013 to US$4.9 million.

With rising education and affluence in China, the new generation of parents today places strong emphasis on their children's education, health and social development. Fumubang has definitely hit a sweet spot with these parents as our base of active users rose more than 6 fold last year. With Fumubang, parents not only found a platform to share experiences, it also provides a wide range of curated edutainment activities and programmes for their children.

In Indonesia, we have also achieved very positive results from the re-launch of Okezone's revamped website in Oct 2014 - more users spent more time on the website, while the bounce rate was reduced and consumer loyalty increased to 76%. Overall, the number of unique visitors to the site has also risen due to a combination of factors such as strong editorial content and partnerships with global media and online sites such as the Wall Street Journal and Yahoo, and provision of football games statistics to cater to sports fans/enthusiasts.

Financial Performance

The Group remained financially strong with US$19.2 million of cash and cash equivalents, and US$91.9 million of short-term investments, which positions us well for continued growth ahead.

While growing our online and mobile businesses in line with the Group transformational changes, we also took strategic steps to scale down and exit some of our traditional product lines such as the telecommunications value-added services (VAS), PC games and DVDs, which are facing significant headwinds and thinning margins.

Discontinued operations, tax, depreciation and foreign exchange differences as well as higher general and admin costs coupled with higher operating expenses from the transformation of the Group led to the Group posting a net loss attributable to equity holders of the Company of US$16.9 million, compared to US$15.3 million in FY2013.

The net loss in FY2014 was cushioned by a net foreign exchange loss of US$1.4 million, against US$17.9 million of net foreign exchange loss in FY2013. This was due to the appreciation of the Indonesia Rupiah against the US Dollar, resulting in lower net foreign exchange loss for the Group's quoted investments denominated in Indonesia Rupiah.

Going Forward

Looking ahead, the Group's growth strategy will continue to be powered by our mobile games, internet properties, media content and branded events businesses.

We are confident of a brighter outlook in 2015 as we have in place strategies and plans to achieve increased sales and improved profitability driven mainly by our operations in two key markets – China and Indonesia.

Both these markets' mobile penetration and internet user population are poised for exponential growth.

In China, we expect a significant upward trend in our revenue growth on the back of surging mobile games demand.

As we continue to gain traction for our existing games, we will also be developing and acquiring new IPs (intellectual properties) to build up our mobile game portfolio to offer a continuous stream of games to users. Some of the new titles we have in the pipeline include Ultraman, Backkom and A Chinese Odyssey.

We will continue to leverage on our strong distribution network of telco operators and mobile app stores to strengthen and grow our base of Chinese gamers. We may also scout for expansion into new markets beyond China.

Fumubang, with its impressive growth last year, is expected to maintain its strong revenue growth trajectory. It has in place effective sales strategies to develop more user-customised and unique products offering a holistic platform to enhance users' experience and meeting the needs of young parents in bringing up their children.

With our strong business model and effective strategies in place, we are hopeful of doubling revenue this year.

In Indonesia, we will continue to beef up our content portfolio through acquisition as well as through user-generated content on our Okezone.

We will leverage on our strong distribution networks with telcos in Indonesia as well as tap the strengths of our parent company – the MNC Group, which is the largest integrated media group in Indonesia.

Our content services unit – under MNC Innoform is well-poised to reap the gains from our efforts in content distribution as well as the organization of unique and branded events for families at shopping malls and staging of musicals and concerts.

We will also be creating our own proprietary branded events and one of such events will be the launch of "Pancake & Pajamas" in Singapore, in the second half of 2015. We believe our rich media and entertainment heritage puts us in a good position to produce and stage more entertaining and engaging events with franchise potential.

While steering the growth in all our core businesses, we will continue to stay vigilant against market risks. We will adopt a prudent approach to ensure the financial health of the Group and a positive shareholder value.

Acknowledgement

On behalf of the Board of Directors, I would like to extend my utmost 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 principal activities of the Group include (i) providing online and mobile game services in China; (ii) providing media content distribution, other related services, including creation of branded events with franchise potential in Singapore, Malaysia, Hong Kong and Indonesia; (iii) operating online news, entertainment as well as parenting and family-oriented portal in Indonesia and China respectively; and (iv) trading in quoted securities.

Group Financial Performance Review

The Group achieved a turnover of US$60.3 million for FY2014, up 67% from US$36.0 million for the previous corresponding period. Group gross profit in FY2014 also rose to US$16.5 million, up from US$13.2 million in FY2013.

The increase in sales was mainly due to the Group's new strategic emphasis on its mobile games businesses – which saw an almost five-fold increase in revenue this year, contributing 71% of the Group's total revenue.

For the full year ended 31 December 2014, the Group saw a higher net loss to US$16.9 million against a loss of US$15.3 million in 2013.

The loss was mainly due to the other operating *loss* of US$0.7 million from investment in FY2014, compared to the other operating *income* of US$10.3 million in FY2013. The Group also booked in losses from some restructuring done in 2014.

The Group recorded a one-off US$3.5 million impairment of goodwill relating to Yuan Hang, PC games division, and provision for stock obsolescence of US$2.4 million for DVDs inventory.

However, the net loss in FY2014 was softened by its lower net foreign exchange loss of US$1.4 million, compared to a net foreign exchange loss of US$17.9 million in FY2013. This was due to the appreciation of the Indonesia Rupiah against the US Dollar, which benefitted the Group's investments that were denominated in Indonesian Rupiah.

Earnings Per Share and Net Asset Value Per Share

The Group's Loss Per Share from continuing operations was US$0.01 in FY2014, compared to Loss Per Share of US$0.03 in FY2013.

Net Tangible Asset Value (NAV) Per Share as at 31 December 2014 was US$0.27, compared to US$0.30 as at 31 December 2013.

Working Capital Position

The Group's financial position remains healthy.

Total current assets as at 31 December, 2014 were US$125.0 million against US$135.0 million as at 31 December 2013. The decrease was due to lower cash and cash equivalents, and assets of discontinued operations which were partially offset by higher short-term investments and deposits and other current assets.

The net decrease in cash and cash equivalents in FY2014 amounted to US$9.0 million. This was mainly due to the Group's transfer of cash to fixed deposits (classified as short-term investments) in order to earn higher interest income. As a result, the total short-term investment increased to US$91.9 million as at 31 December 2014, compared to US$86.1 million as at 31 December 2013.

Assets of discontinued operations as at 31 December 2013 was reduced by US$8.7 million to US$1.4 million mainly due to cessation of certain product lines, which resulted in provision for stock obsolescence of US$2.4 million, and amortization/write-off of licensing rights of US$3.8 million. Accounts receivables of discontinued operations reduced by US$2.4 million due to collections of US$1.7 million and provision for doubtful debts of US$0.7 million.

Total current liabilities as at 31 December 2014 were US$26.0 million, compared to US$23.8 million as at 31 December 2013. The increase was mainly due to higher account payables, accrued liabilities and other payables. Long-term liabilities were lower at US$2.0 million from US$2.1 million as at 31 December 2013.

Segmental Performance / Review of Key Business Segments

(i) CHINA

(a) Mobile Games

Mobile games are now the key contributors to the Group's performance. Revenue from the Group's mobile games business in China, run by Letang, leapt almost five-fold to US$42.8 million in FY2014 from US$8.8 million in FY2013. Contributions from the mobile and PC games business now make up 71% of the Group's total revenue, compared to only 20% of total revenue in FY2013.

Letang has become more popular in domestic and overseas markets such as Russia, Brazil, Mexico and Southeast Asia. Letang's games are distributed to these markets through telecommunications mobile network operators, internet and mobile platforms such as Baidu, 360, Tencent, as well as via Google Play.

Letang's revenue comes mainly from two games in China, Boonie Bears and Armour Warriors, and advertisement revenue from mobile game apps. The company has notched up more than 180 million downloads for its latest casual game Boonie Bear, and has garnered revenue close to US$30.0 million from China gamers.

Gross profit from the Group's mobile games business in China was US$12.5 million, accounting for 76% of the Group's total gross profit.

In view of Boonie Bear's success, Letang will continue focusing on acquiring Intellectual Property (the "IP") assets to develop new games for China and its overseas markets. We expect a significant upward trend in our online games revenue growth. We will expand our games IP portfolio through development of our proprietary titles, and via collaborative efforts with partners beyond our current collection of Crayon Shin-chan, Backkom, Boonie Bears and Ultraman.

(b) Online Portal Businesses (Social e-commerce and lifestyle/Edutainment content and services)

Our online portal business segment in China contributed 7.6% to the Group's revenue in FY2014, compared to only 0.7% in FY2013. This segment has seen significant growth over the year.

Under this segment, the Group owns a proprietary parenting and family-oriented entertainment portal, fumubang.com ("fumubang" or "父母邦"). This portal, launched in 2012, has been gaining significant popularity among parents in Beijing and Shanghai.

Revenue from the Group's social e-commerce business in China, generated from Fumubang and its parents/ kids' activities was US$4.9 million in FY2014, surging more than fifteen-fold from US$0.3 million in FY2013. Revenue from this business is expected to rise further. Its current conversion rate is expected to double in FY2015. The business is supported by effective sales strategies to develop more user-customised and unique products offering a holistic platform to enhance users' experience.

(c) Telecommunication Value Added Services (the "VAS")

Due to the increasingly challenging regulatory framework for provision of VAS in China, the Group has trimmed its VAS business significantly this year.

Revenue from the VAS business in China was US$4.0 million in FY2014, against sales of US$17.7 million in FY2013. This revenue decline reflects the Group's strategy to transit itself from the VAS business to mobile games and the online portal business.

(ii) INDONESIA

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

The Group also owns an online news and entertainment portal in Indonesia, Okezone.com ("Okezone"). Its official website, was revamped this year to improve its editorial content, advertorial content and functionality. Since its launch in Oct 2014, users are now spending more time on the website and the number of unique visitors has risen exponentially.

This was mainly due to a combination of factors such as strong editorial content and partnerships with global media and online sites such as the Wall Street Journal and Yahoo as well as provision of football games statistics to cater to sports fans/ enthusiasts.

Our Indonesia digital media business contributed only 4.6% to the Group's total revenue in FY2014, compared to 9% in FY2013. Revenue from both our VAS business and online news and entertainment portal Okezone.com in Indonesia was US$3.1 million in FY2014, against sales of US$3.9 million in FY2013.

This softer performance of our businesses in Indonesia was due to the Group's strategy to scale down the VAS business and higher operating expenses incurred from the expansion of our development and marketing team for Okezone.com and the revamping of our portal last year.

We believe that our efforts will deliver positive outcomes in the longer term.

(iii) MEDIA CONTENT GROUP

(a) Media content, audio distribution and other related services

In FY2014, the Group's subsidiary MNC Innoform contributed 14% to the Group's revenue this year, compared to 25% of total revenue in FY2013.

Innoform's revenue eased to US$8.8 million in FY2014 – from US$10.8 million in FY2013. This lower revenue was mainly due to falling demand for DVDs as consumers switch to the internet for free web content and online home entertainment options.

In view of this trend, the Group has progressively moved away from the DVD market to zero in on providing media content and audio distribution services, organising both music and non-music events such as family-oriented events in Singapore, Malaysia, Hong Kong and Indonesia.

In the coming years, MNC Innoform aims to secure the rights for more branded events and create our own events in Singapore and the region.

FINANCIAL HIGHLIGHTS

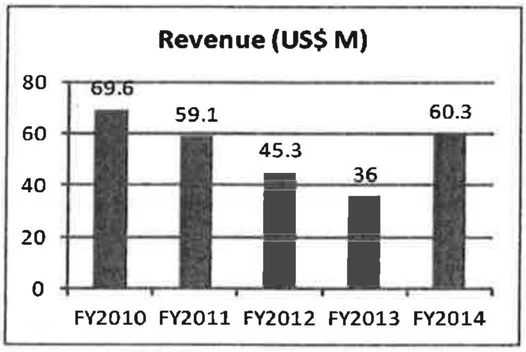
Financial year ended 31 December

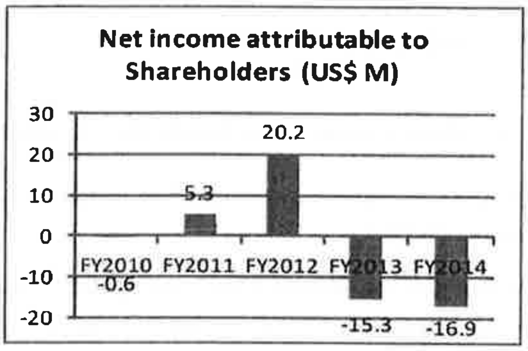
(in US$ million, except per share data)	FY2013	FY2014	*Change*
Revenue	36.0	**60.3**	*67.5%*
Gross profit	13.2	**16.5**	*25.0%*
Total operating expenses	(18.6)	**(20.0)**	*(7.5%)*
Other operating income/(loss)	10.3	**(0.7)**	*(106.8%)*
Operating income/(loss)	4.9	**(4.2)**	*(185.7%)*
Loss on foreign exchange – net	(17.9)	**(1.4)**	*92.2%*
Loss before income tax from continuing operations	(12.7)	**(5.0)**	*60.6%*
Income tax benefit	0.4	**0.3**	*(25%)*
Net loss for the year from discontinued operations	(4.5)	**(11.7)**	*(160%)*
Loss attributable to ordinary shareholders of the Company	(16.8)	**(16.4)**	*n.m.*

Per Share Data*

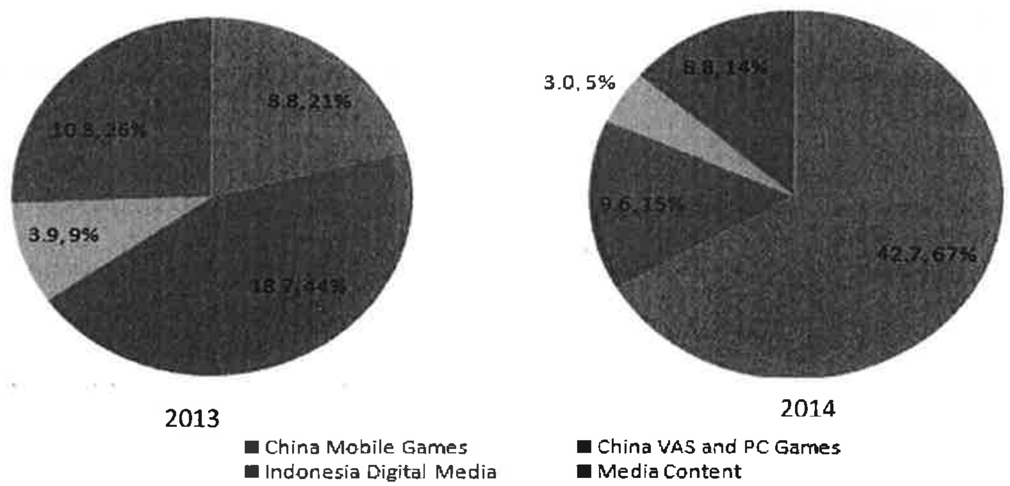
Loss Per Share (in US$ cents)	**(0.04)**	**(0.04)**	***n.m.***
Net Tangible Asset Value Per Share (in US$ cents)	**0.30**	**0.27**	***(10.0%)***

**Per Share Data is based on basic weighted average number of ordinary shares of 404,391,710 in FY2013 and FY2014*
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 28 February 2015, 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 2014, there were 20,165,011 MMIL ADSs listed on the NASDAQ Global Market. As 1 ADS represents 10 ordinary shares, 201,650,110 or 49.9% of MMIL's outstanding ordinary shares are held in the form of ADSs. As of 28 February 2015, there were 1,967,477 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 2014, MMIL has granted options over 6,886,000 ordinary shares. The options were granted pursuant to MMIL's employee stock options scheme and have been issued to 18 employees.

Options at 31 December 2014:

Range	Number of employee participating	Number of options	% to total options
0 - 1,000	-	-	-
1,001 - 10,000	11	42,500	1
10,001 - 100,000	2	70,500	1
100,001 - 1,000,000	2	273,000	4
1,000,001 - 999,999,999	3	6,500,000	94
TOTAL	**18**	**6,886,000**	**100**

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 28 February 2015 based on information known to MMIL.

NAMES OF SHAREHOLDER	NO. OF ORDINARY SHARES HELD	% OF OUTSTANDING ORDINARY SHARES
JPMorgan Chase Bank, N.A.	201,650,110	49.9%
MNC International Ltd.	180,004,580	44.7%
CHESS Depositary Nominees Pty Ltd	19,674,770	4.9%
Fidelity Investors III Limited Partnership	926,740	0.2%
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 2014.

Distribution of ADS holdings[1]

Range	Number of holders	Number of units (ADSs)	% to total units (ADSs)
0 - 1,000	1,086	431,506	2
1,001 - 5,000	156	576,468	3
5,001 - 10,000	17	228,802	1
10,001 - 100,000	27	1,285,466	6
100,001 – 9,999,999,999	6	17,642,769	88
TOTAL	**1,292**	**20,165,011**	**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	1,933,314	98
TOTAL	**4**	**1,967,477**	**100**

Unmarketable Parcels

As at 28 February 2015, 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 small 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 securityholder 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 securityholder 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.

There are several areas where MMIL departs from the ASX Recommendations as follows:

- 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);
- the Audit Committee of MMIL consists of only one member (see "Audit Committee" 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); and
- the Nominating and Compensation Committee consists only of one member and that member is not independent (see "Board Committees" 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, both the CEO and CFO have formal letters of appointment identifying the terms of their appointment.

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.

David Audy is currently considered by the Board not to be independent on the basis of his relationship with PT Global Mediacom Tbk ("GMC") 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.

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

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.

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.

	Number of women	Total number of employees	% of women to total number of employees
Total employees	339	687	49
Senior executives	7	18	39
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 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 a process for effective 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.

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.

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.

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).

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.

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 2014, 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.

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. 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.

MMIL Media Corporate Directory

Directors

Hary Tanoesoedibjo
David Audy
Peck Joo Tan
Billy Hsieh

Company Secretary

Peck Joo Tan

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

Mazars LLP
133 Cecil Street #15-02 Keck Seng Tower
Singapore 069535
+65 6224 4022

Share Registry

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

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.

MAZARS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of MNC Media Investment Ltd
39 MacTaggart Road
Singapore 368084

Report on the Financial Statements

We have audited the accompanying financial statements of MNC Media Investment Ltd (formerly known as Linktone Ltd.) [the "Company"] and its subsidiaries (the "Group") set out on pages 20 to 77, which comprise the consolidated statement of financial position of the Group as at 31 December 2014, and the consolidated statements of profit or loss and comprehensive income/(loss), changes in equity and cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (the "IFRS"), and for devising and maintaining a system of internal controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 management, as well as evaluating the overall presentation of the 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 of the Group are properly drawn up in accordance with IFRS so as to give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the year ended on that date.

Mazars LLP

MAZARS LLP
Public Accountants and
Chartered Accountants
Singapore

17 March 2015

133 Cecil Street, #15-02 Keck Seng Tower, Singapore 069535
Tel: (65) 6224 4022 - Fax: (65) 6225 3974 - www.mazars.sg

Mazars LLP
玛泽有限责任合伙会计师事务所
Chartered Accountants of Singapore

MNC MEDIA INVESTMENT LTD
(Formerly known as Linktone Ltd.)
AND ITS SUBSIDIARIES

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

	Note	As at 31 December 2014	2013 Restated	As at 1 January 2013 Restated
Assets				
Current assets:				
Cash and cash equivalents	5	19,224,315	28,274,207	35,041,672
Short-term investments	6	91,922,204	86,136,929	90,318,579
Accounts receivable	8	7,325,028	6,782,385	10,306,175
Tax refund receivable		417,273	532,387	795,852
Inventories	9	-	9,254	63,351
Due from related parties	26	1,674,844	1,938,739	1,756,401
Deposits and other current assets	10	3,023,501	1,199,383	1,556,223
Assets of discontinued operations	24	1,398,154	10,109,444	11,248,170
		124,985,319	134,982,728	151,086,423
Non-current assets:				
Property, plant and equipment	11	10,109,279	10,577,313	11,437,705
Intangible assets	12	6,131,942	7,346,170	7,705,118
Goodwill	13	15,000,580	18,534,077	18,534,077
Deferred tax assets	23	1,813,603	1,388,073	1,073,462
Other long-term assets	14	828,767	387,199	3,280,478
		33,884,171	38,232,832	42,030,840
Total assets		158,869,490	173,215,560	193,117,263
Liabilities and shareholders' equity				
Current liabilities:				
Account payable, accrued liabilities and other payables	15	10,814,969	7,245,841	10,601,853
Due to related parties	26	1,934,060	3,092,014	1,246,120
Loans and borrowings	16	7,942,706	7,114,088	6,122,924
Taxes payable		1,768,948	1,597,963	1,559,804
Deferred revenue		478,285	109,243	179,375
Liabilities of discontinued operations	24	3,011,351	4,654,132	5,311,102
		25,950,319	23,813,281	25,021,178
Non-current liabilities:				
Deferred tax liabilities	23	1,910,922	2,134,815	2,321,904
Other long-term liabilities	17	104,158	896	1,258,029
		2,015,080	2,135,711	3,579,933
Total liabilities		27,965,399	25,948,992	28,601,111
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 408,018,820 outstanding as of 31 December 2012 and 421,435,030 shares issued and 404,391,710 outstanding as of 31 December 2013 and 2014)		42,144	42,144	42,144
Additional paid-in capital		138,066,146	138,004,146	137,902,242
Treasury stock		(2,890,213)	(2,890,213)	(1,905,608)
Statutory reserves	22	3,315,918	2,913,996	2,499,512
Cumulative translation adjustments		12,089,390	12,050,779	11,407,104
Accumulated losses		(27,257,430)	(9,966,813)	5,791,408
		123,365,955	140,154,039	155,736,802
Non-controlling interests		7,538,136	7,112,529	8,779,350
Total equity		130,904,091	147,266,568	164,516,152
Total liabilities and equity		158,869,490	173,215,560	193,117,263

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

MNC MEDIA INVESTMENT LTD
(Formerly known as Linktone Ltd.)
AND ITS SUBSIDIARIES

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

		For the year ended 31 December	
	Note	2014	2013 Restated
Revenue		60,315,552	36,022,592
Cost of revenue		(43,861,081)	(22,866,180)
Gross profit		16,454,471	13,156,412
Operating expenses:			
Product development		(6,444,490)	(4,914,374)
Selling and marketing		(1,953,825)	(3,940,284)
General and administrative		(11,607,775)	(9,761,184)
Total operating expenses		(20,006,090)	(18,615,842)
Other operating (loss)/income	19	(669,171)	10,294,810
Operating (loss)/income		(4,220,790)	4,835,380
Interest income		906,527	1,243,358
Interest expense		(352,420)	(310,256)
Loss on foreign exchange – net		(1,432,017)	(17,905,766)
Other loss – net		70,630	(523,084)
Loss before income tax from continuing operations		(5,028,070)	(12,660,368)
Income tax benefit	23	305,582	391,158
Net loss for the year from discontinued operations	24	(11,719,360)	(4,482,001)
Net loss for the year		(16,441,848)	(16,751,211)
Profit/(loss) attributable to:			
Owners of the Company		(16,888,695)	(15,343,737)
Non-controlling interests		446,847	(1,407,474)
		(16,441,848)	(16,751,211)
Basic loss per ordinary share (in $ cents):			
Net loss		(0.04)	(0.04)
Diluted loss per ordinary share (in $ cents):			
Net loss		(0.04)	(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		(16,441,848)	(16,751,211)
Other comprehensive loss:			
Foreign currency translation adjustments		17,371	384,328
Total comprehensive loss for the year		(16,424,477)	(16,366,883)
Attributable to:			
Owners of the Company		(16,850,084)	(14,700,062)
Non-controlling interests		425,607	(1,666,821)
Total comprehensive loss for the year		(16,424,477)	(16,366,883)
Loss per share from continuing operations attributable to owners of the Company (in $ cents):			
(per weighted-average number of ordinary shares)			
Basic		(0.01)	(0.03)
Diluted		(0.01)	(0.03)
Loss per share from discontinuing 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)

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

MNC MEDIA INVESTMENT LTD
(Formerly known as Linktone 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 31 December 2013 (before restatement)	**404,391,710**	**42,144**	**138,004,146**	**(2,890,213)**	**2,913,996**	**12,050,779**	**(10,148,027)**	**18,150,434**	**158,123,259**
Adjustments relating to conversion from U.S. GAAP to IFRS (Note 28)	–	–	–	–	–	–	181,214	(11,037,905)	(10,856,691)
Balance as at 31 December 2013 (as restated)	**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
(Formerly known as Linktone 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 31 December 2012 (before restatement)	**408,018,820**	**42,144**	**137,902,242**	**(1,905,608)**	**2,499,512**	**11,407,104**	**5,407,903**	**19,817,255**	**175,170,552**
Adjustments relating to conversion from U.S. GAAP to IFRS (Note 28)	–	–	–	–	–	–	383,505	(11,037,905)	(10,654,400)
Balance as at 31 December 2012 (as restated)	**408,018,820**	**42,144**	**137,902,242**	**(1,905,608)**	**2,499,512**	**11,407,104**	**5,791,408**	**8,779,350**	**164,516,152**
Loss for the year	–	–	–	–	–	–	(15,343,737)	(1,407,474)	(16,751,211)
Other comprehensive income:									
Foreign currency translation adjustments	–	–	–	–	–	643,675	–	(259,347)	384,328
Total comprehensive income/(loss) for the year	–	–	–	–	–	643,675	(15,343,737)	(1,666,821)	(16,366,883)
Share repurchase	(3,627,110)	–	–	(984,605)	–	–	–	–	(984,605)
Stock-based compensation	–	–	101,904	–	–	–	–	–	101,904
Transfer from accumulated losses to statutory reserve	–	–	–	–	414,484	–	(414,484)	–	–
Balance as at 31 December 2013	**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**

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

MNC MEDIA INVESTMENT LTD
(Formerly known as Linktone Ltd.)
AND ITS SUBSIDIARIES

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

	For the year ended 31 December	
	2014	2013 Restated
Cash flow from operating activities		
Loss before income tax from continuing operations	(5,028,070)	(12,660,368)
Loss before income tax from discontinued operations	(11,715,344)	(4,481,815)
	(16,743,414)	(17,142,813)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	62,000	101,904
Provision for impairment of goodwill	3,533,497	-
Depreciation	746,779	740,306
Amortization of intangible assets and impairment charge	1,324,226	970,288
Provision for doubtful debts	949,357	933,278
Provision for stocks obsolescence	2,356,665	7,995
Realised loss on sale of quoted securities	-	(5,658,303)
Unrealised loss on quoted securities	1,150,896	(4,136,045)
Write-off of property, plant and equipment	11,424	38,461
Dividend income	(481,725)	(500,462)
Interest expense	352,392	310,256
Interest income	(906,527)	(1,243,358)
Net foreign exchange differences	1,462,319	18,007,186
	10,561,303	9,571,506
Changes in assets and liabilities:		
Decrease in accounts receivables	3,004,045	2,684,624
Decrease/(increase) in inventories	72,048	(637,944)
(Increase) in short-term investments	(8,358,013)	(3,359,942)
(Increase)/decrease in other assets	(441,567)	3,483,291
Decrease in long-term liabilities	-	(1,211,422)
Increase/(decrease)/increase in accounts payable, accrued liabilities and other payables	1,269,690	(1,759,680)
Interest received	906,527	1,243,358
Interest paid	(352,392)	(310,256)
Income taxes (paid)/received	(120,371)	100,155
Dividend received	481,725	500,462
Net cash used in operating activities	(9,720,419)	(6,838,031)
Cash flow from investing activities:		
Purchase of property, plant and equipment	(241,138)	(592,922)
Net cash used in investing activities	(241,138)	(592,922)

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

MNC MEDIA INVESTMENT LTD
(Formerly known as Linktone Ltd.)
AND ITS SUBSIDIARIES

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

	For the year ended 31 December	
	2014	2013 Restated
Cash flow from financing activities:		
Share repurchase	–	(984,605)
Proceeds from bank borrowings	932,775	1,805,656
Repayment of bank loans	–	(523,370)
Net cash from financing activities	932,775	297,681
Effect of currency translation on cash and cash equivalents	(21,110)	365,807
Net decrease in cash and cash equivalents	(9,049,892)	(6,767,465)
Cash and cash equivalents at beginning of year	28,274,207	35,041,672
Cash and cash equivalents at end of year	19,224,315	28,274,207

The accompanying notes are an integral part of these 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 2014, the Company is 83.2% owned by PT. Global Mediacom Tbk, and Indonesian corporation ("GMC").

The change of Company's name from Linktone Ltd. to MNC Media Investment Ltd ("MMIL") approved by shareholders at the Annual General Meeting hold on 26 June 2014 in Singapore.

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 (formerly known as InnoForm Media Pte. Ltd.)	MNCI		Publisher, licensee, importer, exporter and distribution of entertainment programs	75% by Linktone International	Singapore
MNC InnoForm (HK) Limited	InnoForm HK		Publisher, licensee, importer, exporter and distribution of compact discs and DVDs of all kinds	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
InnoForm Media (Taiwan) Co. Limited	InnoForm Taiwan		Importer, exporter and distribution of compact discs, tapes and records	100% by MNCI	Taiwan
MNC Innoform Malaysia	InnoForm Malaysia		Production and distribution of tapes, DVD and compact discs	100% by MNCI	Malaysia
InnoForm Entertainment Pte. Ltd.	InnoForm Entertainment		Exclusive collective licensing agent for music label companies for karaoke music and songs	100% by MNCI	Singapore
InnoForm Digital Media Pte. Ltd.	InnoForm Digitial		Supplying and leasing of karaoke-on-demand hardware and software	100% by MNCI	Singapore
MNC Innoform (Singapore) Pte. Ltd. (formerly known as Alliance Entertainment Singapore Pte Ltd)	MNCI (S)		Motion picture, video distribution and services related to motion picture, video production and 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	PRC
Shanghai Unilink Computer Co., Ltd.	Unilink	(i)	Provides telecom VAS	Lin Lin and Wenju Hu	815.6 each	PRC
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.

Creditors of the VIEs have no recourse to the general credit of the Company, which is the primary beneficiary.

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 2013 and 2014 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.

Indonesia

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 2013 and 2014, 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 2013 and 2014, 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 2013 and 2014, 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).

This is a change from prior years, where the consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). Certain prior year balances were restated to conform with IFRS. Please see note 28 for the impact of the restatement in prior year balances.

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 2013 and 2014, 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 acquire 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 acquire 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 13).

An impairment charge of $3.5 million arose from the PC Games segment during the year, 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 13.

(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 acquire and the acquisition-date fair value of any previous equity interest in the acquire 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 2014, 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 2013, the reporting units of Mobile game, PC game and Indonesia Digital Media had fair values higher than their carrying value, hence management did not recognise any impairment expense on these 3 reporting units during the financial year ended 31 December 2013.

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.

(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 2013 and 2014.

(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 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 2013 and 2014, 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 2013 and 2014, 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 2013, 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% (2013: 17%). The Group is entitled to a tax refund equivalent to the portion of VAT expense in excess of 3% (2013: 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% (2013: 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% (2013: 10%). The export of goods from Indonesia is zero-rated (i.e., subject to VAT at 0%) for all years presented.

(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.

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.

4. Summary of significant accounting policies (Continued)

(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 $374,114 and $588,217 during the years ended 31 December 2014 and 2013, 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.

(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.

On 1 May 2012, PT Linktone acquired online portal Okezone.com and certain fixed assets from PT Okezone for cash consideration of IDR4.5 billion ($0.5 million). The carrying value of the assets acquired were IDR1.7 billion ($0.2 million). As the transaction was deemed to be a business combination under common control, the excess consideration recorded in retained earnings as deemed distribution to controlling shareholder, MNC, at the time of the transaction, and no new goodwill recognized. The transaction was accounted for in accordance with IFRS 3. Comparatives are not restated to reflect the combined results as the accumulated results of Okezone.com operations is immaterial to the Group.

5. Cash and cash equivalents

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Cash	6,774,557	25,206,311	19,074,190
Time deposits with tenor < 90 days	12,449,758	3,067,896	15,967,482
Total	19,224,315	28,274,207	35,041,672

Interest income earned from the above cash and cash equivalents amounted to $470,671 and $723,417 for the years ended 31 December, 2013 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		As at 1 January
	2014	2013 Restated	2013 Restated
USD	479,740	767,775	19,942,269
RMB	16,623,537	25,247,377	14,046,637
SGD	521,888	531,468	627,979
IDR	1,466,780	336,674	306,880
MYR	35,738	23,143	82,448
HKD	79,126	1,349,524	16,525
Taiwan Dollar ("TWD")	17,506	18,246	18,934
	19,224,315	28,274,207	35,041,672

6. Short-term investments

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Quoted securities, at market value	74,232,784	76,786,305	68,580,354
Time deposits with tenor > 90 days	17,689,420	9,350,624	21,738,225
	91,922,204	86,136,929	90,318,579

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

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
RMB	17,689,420	9,350,624	21,738,225
IDR	74,232,784	76,786,305	68,580,354
	91,922,204	86,136,929	90,318,579

Net unrealized loss of $1.2 million for the year ended 31 December 2014 and net unrealized gain of $4.1 million for the year ended 31 December 2013 was recorded on the marked-to-market valuation of these held-for-trading quoted investment and realized gain of $Nil and $5.7 million for the year ended 31 December 2014 and 2013, respectively. Such amounts were recorded in other operating income.

Net unrealised forex loss on short-term investments amounted to $1.4 million and $9.1 million as at 31 December 2014 and 2013, respectively while the realised forex loss arising from the disposal of short-term investments in 2014 and 2013 amounted to $Nil and $8.2 million, respectively.

As at 31 December 2014, all time deposits have original maturity terms more than three months and are due within one year.

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

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:

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	–	–	–

2013:	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	76,786,305	–	–	–

2013:	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	68,580,354	–	–	–

There are no level 1 assets or transfers between levels 1 and 2 during 2014 or 2013 or 2012.

(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 2013 and 2014, the Group recognised impairment loss on goodwill of $Nil and $3.6 million 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		As at 1 January
	2014	2013 Restated	2013 Restated
Accounts receivables	9,609,323	8,823,951	12,237,639
Less: Allowance for doubtful receivables	(2,284,295)	(2,041,566)	(1,931,464)
	7,325,028	6,782,385	10,306,175
Movement in allowance for doubtful receivables:			
Balance at beginning of year	(2,041,566)	(1,931,464)	(1,863,798)
Write-off against provision	–	–	111,466
Write back of provision	3,202	5,899	18,903
Additional provision	(291,249)	(63,026)	(185,094)
Translation differences	45,318	(52,975)	(12,941)
Balance at the end of year	(2,284,295)	(2,041,566)	(1,931,464)

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

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
USD	183,114	197,062	337,693
RMB	5,823,893	4,112,538	6,024,466
SGD	682,306	1,002,261	1,193,101
IDR	635,715	1,470,524	2,750,915
	7,325,028	6,782,385	10,306,175

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

9. Inventories

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Raw materials	–	–	–
Finished goods	–	9,254	71,120
	–	9,254	71, 120
Allowance for inventory obsolescence	–	–	(7, 769)
	–	9,254	63,351
Movement in allowance for inventory obsolescence:			
Balance at beginning of year	–	(7,769)	–
(Additional provision)/write back/utilisation of provision	–	6,120	(7,769)
Translation differences	–	1,649	–
Balance at the end of year	–	–	(7,769)

10. Deposits and other current assets

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Minimum guarantees	111,463	134,390	197,667
Prepayments to VAS advertising, content and other suppliers	2,274,025	425,061	118,072
Interest income receivable from non-related parties	49,800	38,431	164,945
Unbilled receivables	655,776	670,032	628,914
Others	155,142	154,633	662,954
	3,246,206	1,422,547	1,772,552
Less: Allowance for doubtful receivables	(222,705)	(223,164)	(216,329)
	3,023,501	1,199,383	1,556,223
Movement in allowance for doubtful receivables:			
Balance at beginning of year	(223,164)	(216,329)	(820,624)
Write-back of provision/(additional provision)	459	(6,835)	604,295
Balance at the end of year	(222,705)	(223,164)	(216,329)

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

10. 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		As at 1 January
	2014	2013 Restated	2013 Restated
USD	395,433	219,624	325,535
RMB	2,358,727	644,059	659,289
SGD	96,998	263,159	527,622
IDR	172,343	72,541	43,777
	3,023,501	1,199,383	1,556,223

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

11. Property, plant and equipment

	Buildings	Computer hardware and other equipment	Office equipment	Leasehold improvements	Motor vehicles	Total
Cost or valuation						
Balance at 1 January 2013	10,796,663	5,028,452	867,255	1,042,371	99,474	17,834,215
Additions	–	212,323	26,392	–	37,222	275,937
Exchange translation differences	(377,546)	(154,047)	77,803	24,523	(24,800)	(454,067)
Disposals	–	(170,694)	(16,096)	–	–	(186,790)
Balance at 31 December 2013 and 1 January 2014	10,419,117	4,916,034	955,354	1,066,894	111,896	17,469,295
Additions	–	472,866	61,096	10,959	52,390	597,311
Exchange translation differences	(585,430)	(46,978)	(21,113)	(14,459)	(8,571)	(676,551)
Disposals	–	(203,457)	(70,923)	–	(23,369)	(297,749)
Balance at 31 December 2014	9,833,687	5,138,465	924,414	1,063,394	132,346	17,092,306

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

11. Property, plant and equipment (Continued)

	Buildings	Computer hardware and other equipment	Office Equipment	Leasehold improvements	Motor vehicles	Total
Accumulated depreciation						
Balance at 1 January 2013	(592,464)	(4,006,035)	(839,471)	(903,733)	(54,807)	(6,396,510)
Depreciation	(267,623)	(248,142)	(12,055)	(55,157)	(17,566)	(600,543)
Exchange translation differences	33,751	(9,649)	(62,668)	(24,900)	5,956	(57,510)
Disposals	–	161,828	753	–	–	162,581
Balance at 31 December 2013 and 1 January 2014	(826,336)	(4,101,998)	(913,441)	(983,790)	(66,417)	(6,891,982)
Depreciation	(223,374)	(283,622)	(46,195)	(56,809)	(18,918)	(628,918)
Exchange translation differences	168,831	37,949	18,292	18,960	7,196	251,228
Disposals	–	191,954	71,486	–	23,205	286,645
Balance at 31 December 2014	(880,879)	(4,155,717)	(869,858)	(1,021,639)	(54,934)	(6,983,027)
Net carrying amounts						
Balance at 1 January 2013 (restated)	10,204,199	1,022,417	27,784	138,638	44,667	11,437,705
Balance at 31 December 2013 (restated)	9,592,781	814,036	41,913	83,104	45,479	10,577,313
Balance at 31 December 2014	8,952,808	982,748	54,556	41,755	77,412	10,109,279

For the years ended 31 December 2014 and 2013, the depreciation charges amounted to $628,918 and $600,543, respectively.

The Group incurred (loss)/gain of ($11,424) and ($38,461) from disposal of property, plant and equipment during the year ended 31 December 2014 and 2013, respectively.

(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 2013	3,031,517	171,523	525,671	3,867,677	82,347	7,062,653	14,741,388
Additions	260,764	–	–	–	–	–	260,764
Balance at 31 December 2013 and 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	3,343,084	171,523	525,671	3,867,677	82,347	7,062,653	15,052,955
Accumulated amortisation:							
Balance at 1 January 2013	(2,254,091)	(171,523)	(525,671)	(3,348,834)	(82,347)	(653,804)	(7,036,270)
Amortisation for the year	(131,661)	–	–	(205,542)	–	(282,509)	(619,712)
Balance at 31 December 2013 and 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	(3,054,976)	(171,523)	(525,671)	(3,867,677)	(82,347)	(1,218,819)	(8,921,013)
Net carrying amounts:							
Balance at 1 January 2013 (restated)	777,426	–	–	518,843	–	6,408,849	7,705,118
Balance at 31 December 2013 (restated)	906,529	–	–	313,301	–	6,126,340	7,346,170
Balance at 31 December 2014	288,108	–	–	–	–	5,843,834	6,131,942

(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:

	China VAS	Mobile games	Indonesia Digital Media	Media content	PC games	Total
Balance at 1 January 2012 (before restatement)	8,550,715	9,189,843	16,848,642	2,360,658	3,533,497	40,483,355
Adjustments relating to conversion from U.S. GAAP to IFRS (Note 29)	–	(3,879,000)	(7,158,905)	–	–	(11,037,905)
Balance at 1 January 2012 (as restated)	8,550,715	5,310,843	9,689,737	2,360,658	3,533,497	29,445,450
Goodwill impairment	(8,550,715)	–	–	(2,360,658)	–	(10,911,373)
Balance at 31 December 2012 1 January 2013, 31 December 2013 and 1 January 2014	–	5,310,843	9,689,737	–	3,533,497	18,534,077
Goodwill impairment	–	–	–	–	(3,533,497)	(3,533,497)
Balance at 31 December 2014	–	5,310,843	9,689,737	–	–	15,000,580

As of 31 December 2014, 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 2014, 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 2014. Due to the cessation of operations of the PC game unit, the goodwill of $3,533,497 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:

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 2017 – $48,000 2018 – $80,000 2019 – $80,000	2016 - $988,000 2017 - $247,900 2018 - $206,000 2019 - $61,000
Long-term growth rate	3%	3%
Pre-tax discount rate	18.5%	17%

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

13. Goodwill (Continued)

2013	Mobile games	Indonesia digital media	Yuan Hang
Sales volume (% annual growth rate)	11% - 72%	30% - 42%	30% - 60%
Gross margin (% annual growth rate)	11% - 79%	33% - 115%	30% - 67%
Other operating costs	10% - 35%	10% - 18%	5%
Annual capital expenditure	$16,000 annually	$62,000 annually	$30,000 annually
Long-term growth rate	3%	3%	3%
Pre-tax discount rate	19.1%	17%	19.1%

14. Other long-term assets

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Investment deposits (a)	–	–	2,470,382
Minimum guarantees	696,450	387,199	3,247,511
Others	132,317	–	–
Prepayment for insurance policy	–	–	32,967
	828,767	387,199	5,750,860
Less: Impairment loss on investment deposit (a)	–	–	(2,470,382)
Total	828,767	387,199	3,280,478

(a) In April 2007, the Company paid an investment deposit of $3 million to eChinaCash Inc. ("eCC") to purchase 49% of the equity in eChinaMobile (BVI) Ltd. ("eCM"), a wholly owned subsidiary of eCC. eCM is a U.S. incorporated, Beijing-based company that builds and maintains customer loyalty affinity programs and payment card programs for large corporations and financial institutions, including Chinese blue chip companies. The primary objective of eCM was to establish a platform to provide VAS service and original content to customers of the Company and eCM through cross-selling opportunities that arise through having access to each other's extensive database of users. Because of certain disputes over the resources to be made available for use by eCM, eCM refunded $529,618 of the Company's investment deposit of $3 million in January 2008. The Company has sought legal remedies to recover the remaining amount. In view of the uncertainty of recovering this remaining amount, the Company recorded an impairment provision of $2,470,382 in 2007 against the remaining investment deposit. The investment has been written off against impairment provision as at 31 December 2013 as the investment deposit is deemed irrecoverable.

15. Accounts payable, accrued liabilities and other payables

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Accounts payable	5,093,875	578,415	2,650,098
Accrued payroll and welfare benefits	1,510,944	1,429,394	1,854,812
Accrued professional and consulting fees	302,449	325,771	405,478
Accrued VAS content fees	1,663,708	1,991,292	3,093,902
Accrued expenses	1,151,905	1,176,443	2,410,907
Other payables	1,092,088	1,744,526	186,656
	10,814,969	7,245,841	10,601,853

(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		As at 1 January
	2014	2013 Restated	2013 Restated
USD	1,554,230	903,493	966,485
RMB	5,284,930	2,499,810	5,865,548
SGD	1,333,118	1,747,013	934,738
IDR	2,642,691	2,095,525	2,835,082
	10,814,969	7,245,841	10,601,853

16. Loans and borrowings

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Bank overdrafts	1,507,303	2,269,097	480,916
Revolving term loans	6,032,401	4,434,492	4,580,403
Term loan, current portion	–	–	543,105
Loan from related party	403,002	410,499	518,500
	7,942,706	7,114,088	6,122,924

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

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
SGD	7,539,704	6,703,589	5,604,424
IDR	403,002	410,499	518,500
	7,942,706	7,114,088	6,122,924

The facilities expiring within one year are annual facilities subject to review at various dates during 2014. The other facilities have been arranged to help finance the proposed expansion of the group's activities.

The Group's subsidiary in Singapore, MNC Innoform Pte Ltd ("MNCI") has $7.56 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 2014 and 2013, InnoForm Media has utilised $1.5 million (SGD1.9 million) and $2.3 million (SGD2.9 million) of the overdraft facility, respectively. The effective interest rate was 3.7% (2013: 5.9%) per annum.

- As 31 December 2014, and 2013, InnoForm Media has utilised revolving term loans facility of $6.0 million (SGD7.95 million) and $4.4 million (SGD 5.6 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 4.7% (2013: 3.9%) per annum.

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

16. Loans and borrowings (Continued)

PT Linktone obtained an unsecured loan of $0.4 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 2014.

17. Other long-term liabilities

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Other long-term payables	104,158	896	1,258,029

Other long-term payables consist mainly non-refundable minimum guarantees fees payable to music labels by the Group's subsidiaries in Singapore and Malaysia for exclusive licensing rights based on the contractual payment terms of those contracts.

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

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
SGD	–	896	1,258,029
IDR	104,158	–	–
	104,158	896	1,258,029

18. Segment information

For the years ended December 31, 2014 and 2013, the Group operates in four business segments - China VAS, mobile game and PC 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 perations Information:

	31 December 2014				
	China VAS, mobile game	Indonesia Digital Media	Media content	Investment	Total
Revenues	51,639,816	3,064,053	5,611,683	–	60,315,552
Segment cost of revenue	(38,353,944)	(1,782,684)	(3,724,453)	–	(43,861,081)
Segment gross profit	13,285,872	1,281,369	1,887,230	–	16,454,471
Segment operating expenses	(13,099,297)	(2,917,015)	(1,821,878)	(2,837,071)	(20,675,261)
Segment profit/(loss) from operations	186,575	(1,635,646)	65,352	(2,837,071)	(4,220,790)
Other (expenses)/income	(39,179)	(5,053)	115,661	(1,432,816)	(1,361,387)
Segment profit/(loss) before interest and taxes	147,396	(1,640,699)	181,013	(4,269,887)	(5,582,177)

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

18. Segment information (Continued)

	31 December 2013				
	China VAS, mobile game and PC game	Indonesia Digital Media	Media content	Investment	Total
Revenues	26,777,340	3,852,803	5,392,449	–	36,022,592
Segment costs of revenue	(17,227,280)	(1,754,558)	(3,884,342)	–	(22,866,180)
Segment gross profit	9,550,060	2,098,245	1,508,107	–	13,156,412
Segment operating (expenses)/income	(10,233,870)	(3,447,158)	(2,652,541)	8,012,537	(8,321,032)
Segment profit/(loss) from operations	(683,810)	(1,348,913)	(1,144,434)	8,012,537	4,835,380
Other (expenses)/income	49,464	(232)	42,842	(18,520,924)	(18,428,850)
Segment loss before interest and taxes	(634,346)	(1,349,145)	(1,101,592)	(10,508,387)	(13,593,470)

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

	2014	2013
China VAS	4,007,188	17,692,340
Fumubang	4,871,571	315,000
Mobile game	42,761,057	8,770,000
	51,639,816	26,777,340

Statement of Financial Position Information:

	As at 31 December 2014				
	China VAS and mobile game	**Indonesia digital media**	**Media content**	**Investment**	**Total**
Current assets	29,900,280	2,633,242	4,117,181	88,334,616	124,985,319
Non-current assets	7,229,822	16,850,563	9,803,786	–	33,884,171
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)	(12,832,701)	(681,445)	(25,950,319)
Non-current liabilities	(445,977)	(1,565,112)	(3,989)	–	(2,015,078)
Total liabilities	(9,552,893)	(4,894,369)	(12,836,690)	(681,445)	(27,965,397)
Net assets	27,577,209	14,589,436	1,084,277	87,653,171	130,904,093

	As at 31 December 2013				
	China VAS and mobile game	**Indonesia digital media**	**Media content**	**Investment**	**Total**
Current assets	25,418,006	3,312,318	12,636,802	93,615,602	134,982,728
Non-current assets	11,274,800	16,744,965	10,213,067	–	38,232,832
Total assets	36,692,806	20,057,283	22,849,869	93,615,602	173,215,560
Current liabilities	(4,689,121)	(2,680,262)	(15,495,701)	(948,197)	(23,813,281)
Non-current liabilities	(414,241)	(1,531,582)	(189,888)	–	(2,135,711)
Total liabilities	(5,103,362)	(4,211,844)	(15,685,589)	(948,197)	(25,948,992)
Net assets	31,589,444	15,845,439	7,164,280	92,667,405	147,266,568

(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	
	2014	2013 Restated
PRC	51,696,417	26,822,540
Indonesia	4,360,492	4,344,598
Singapore	3,137,203	3,714,173
Malaysia	1,121,440	1,141,281

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	
	2014	2013 Restated
PRC	7,434,153	11,549,594
Indonesia	16,861,610	16,747,924
Singapore	9,588,408	9,103,884
Malaysia	–	831,430

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

	As at 31 December	
	2014	2013 Restated
PRC	27,902,024	32,355,513
Indonesia	102,333,286	108,552,622
Singapore	2,841,743	7,256,576
Malaysia	(2,172,960)	(898,143)

19. Other operating (loss)/income

	For the year ended 31 December	
	2014	2013 Restated
Dividend income from short-term investments	481,725	500,462
Unrealised (loss)/gain on valuation of marketing securities	(1,150,896)	4,136,045
Gain on sale of marketable securities	–	5,658,303
	(669,171)	10,294,810

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) Dependence on the operators

For the financial year ended 31 December 2014, 75% and 15% of the Group's revenue is contributed by the mobile game and China VAS, (including Fumubang which contributed 8% to total revenue), 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 2014 and 2013, the Group has $111.1 million and $114.4 million in cash and cash equivalents and short-term investments respectively. At 31 December 2014 and 2013, the Group's cash, bank deposits and money market funds in the PRC amounted to $20.7 million and $20.4 million respectively, representing 18.6% and 17.8% of total cash and cash equivalent and short term investments in 2014 and 2013 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 $7.3 million and $6.8 million in accounts receivables as at 31 December 2014 and 2013, 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		As at 1 January
	2014	2013 Restated	2013 Restated
Past due < 3 months	6,547,650	5,092,781	7,826,508
Past due 3 to 6 months	3,061,709	965,382	1,016,731
Past due over 6 months	–	2,765,788	3,394,400
	9,609,359	8,823,951	12,237,639

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

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Past due 3 to 6 months	(98,139)	(142,759)	(117,868)
Past due over 6 months	(2,186,192)	(1,898,807)	(1,813,596)
	(2,284,331)	(2,041,566)	(1,931,464)
Less: allowance for impairment	–	–	–
	(2,284,331)	(2,041,566)	(1,931,464)

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)

	2014		
	Change in rate	**Effect on profit before tax**	**Effect on net assets**
IDR	+5%	3,667,889	2,750,916
	-5%	(3,667,889)	(2,750,916)
RMB	+5%	1,860,532	1,395,399
	-5%	(1,860,532)	(1,395,399)
SGD	+5%	(378,582)	(283,936)
	-5%	378,582	283,936
Others	+5%	6,619	(4,964)
	-5%	(6,619)	(4,964)

	2013		
	Change in rate	**Effect on profit before tax**	**Effect on net assets**
IDR	+5%	3,808,001	2,856,001
	-5%	(3,808,001)	(2,856,001)
RMB	+5%	1,842,739	1,382,055
	-5%	(1,842,739)	(1,382,055)
SGD	+5%	(332,731)	(249,548)
	-5%	332,731	249,548
Others	+5%	69,546	52,159
	-5%	(69,546)	(52,159)

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		**As at 1 January**
	2014	**2013 Restated**	**2013 Restated**
Financial assets:			
Trade and other receivables excluding prepayments	8,074,504	7,556,707	11,744,326
Short-term investments	91,922,204	86,136,929	90,318,579
Cash and cash equivalents	19,224,315	28,274,207	35,041,672
	119,221,023	121,967,843	137,104,577

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

20. Financial risk management (Continued)

(d) Financial instruments by category

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Financial liabilities:			
Trade and other payables excluding non-financial liabilities	10,814,969	7,245,841	10,601,853
Borrowings	7,942,706	7,114,088	6,112,924
	18,757,675	14,359,929	16,714,777

(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-forsale 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 $1,760,939 and $2,182,895 for the years ended 31 December 2013 and 2014, 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 2013 and 2014, the Group, via its Singaporean subsidiary, recorded an expense of $233,674 and $173,196, 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 $19,307 and $62,280 was charged to the statement of operations and comprehensive income/loss during the year ended 31 December 2013 and 2014, 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, 2014, 2013 and 2012, the Group had balance of $3,315,918, $2,913,996 and $2,913,996, respectively 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 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. From 2012 to 2014, 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 2014. 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%.

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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.

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

	As 31 December	
	2014	2013 Restated
Cayman	(4,045,436)	(10,751,932)
Indonesia	(1,256,748)	(1,967,094)
Singapore	(462,144)	(642,792)
Malaysia	193,740	(79,040)
PRC	542,518	780,490
Total income/(loss) before taxes	(5,028,070)	(12,660,368)

Tax expense attributable to profit is made up of:

	As at 31 December	
	2014	2013 Restated
Current income tax	313,819	225,394
Deferred income tax	(619,401)	165,764
	305,582	391,158

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	
	2014	2013 Restated
Statutory PRC Enterprise Income Tax rate	25%	25%
International tax rate differences	(16%)	(16%)
Unrecognised tax benefits		
Change in valuation allowance	–	(5%)
Others	(3%)	(1%)
Effective tax rate for continuing operations	6%	3%

(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		As at 1 January
	2014	2013 Restated	2013 Restated
Deferred tax assets:			
Deferred revenue	–	1,520	–
Accrued liabilities and other payables	765,951	191,006	425,742
Advertising expenses	25,137	25,781	53,524
Net operating losses	875,973	660,448	213,871
Others	146,542	509,318	380,325
Total deferred tax assets for continuing operations	1,813,603	1,388,073	1,073,462
Total deferred tax assets for discontinued operations	–	124,885	129,507
Total deferred tax assets	1,813,603	1,521,958	1,202,969
Deferred tax liabilities:			
Accrued income	(391,995)	–	(146,635)
Intangible assets	(1,488,399)	(1,624,417)	(1,951,113)
Others	(30,528)	(510,398)	(224,156)
Deferred tax liabilities for continuing operations	(1,910,922)	(2,134,815)	(2,321,904)
Deferred tax liabilities for discontinued operations	(17,246)	(142,219)	(44,480)
Total deferred tax liabilities	(1,928,168)	(2,277,034)	(2,746,122)
Net deferred tax liabilities	(114,565)	(755,076)	(1,163,415)

As of December 31, 2014 and 2013, the Group has a net tax operating loss carry forward of $3,293,903 and $17,993,161 attributed to 15 PRC subsidiaries, including discontinued operations of $16,601,753 and $8,499,751, respectively. The net operating losses will expire between 2013 and 2015 if unutilised.

The Company intends to permanently reinvest all undistributed earnings of its foreign subsidiaries as of 31 December 2013. 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 2008 through 2013 remains open to examination by the PRC tax authority. The Indonesia and Singapore subsidiaries' tax filings for 2010 through 2013 remains open to examination by the respective tax authority.

24. Discontinued operations

The assets and liabilities related to the 2 product lines of 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.

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

24. Discontinued operations (Continued)

The results of the discontinued operations for the financial year ended 31 December 2014 and 2013 are as follows:

	For the year ended 31 December	
	2014	2013 Restated
Revenue	3,751,124	6,095,127
Cost of revenue	(4,011,952)	(5,553,681)
Gross profit	(260,828)	541,446
Operating expenses	(4,518,656)	(4,836,557)
Impairment of goodwill	(3,533,497)	-
Impairment of intangible assets	(938,459)	-
Provision for stocks obsolescence	(2,352,455)	9,569
Operating loss	(11,603,895)	(4,285,542)
Interest expense	(183,110)	(134,889)
Gain/(loss) on foreign exchange	15,514	(115,580)
Other income	56,147	54,196
Loss before tax from discontinued operations	(11,715,344)	(4,481,815)
Income tax expense	(4,016)	(186)
Loss after tax from discontinued operations	(11,719,360)	(4,482,001)

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

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Accounts receivables	813,972	3,156,944	3,981,072
Deferred tax assets	–	124,885	129,507
Tax refund receivable	97,664	97,728	110,345
Inventories	–	2,419,459	1,785,201
Deposits and other current assets	374,741	4,039,624	4,509,147
	1,286,377	9,838,640	10,515,272
Property, plant and equipment	111,777	211,609	323,127
Intangible assets	–	59,195	409,771
	111,777	270,804	732,898
Total assets	1,398,154	10,109,444	11,248,170
Account payable, accrued liabilities and other payables	2,846,323	4,307,090	5,014,739
Taxes payable	–	8,136	9,535
Deferred revenue	147,782	196,687	242,348
Deferred tax liabilities	17,246	142,219	44,480
Total liabilities	3,011,351	4,654,132	5,311,102

(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 $62,000 and $101,904 for the years ended 31 December 2014 and 2013, 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 2014		31 December 2013	
Share options granted to employees	**Number of shares**	**Weighted-average exercise price**	**Number of shares**	**Weighted-average exercise price**
		$		$
Outstanding, 31 December 2013	7,106,000	0.19	7,109,000	0.19
Cancelled	(220,000)	1.08	(3,000)	0.68
Outstanding, 31 December 2014	6,886,000	0.16	7,106,000	0.19
Vested and expected to vest as at 31 December 2014	6,886,000	0.16	7,106,000	0.19
Exercisable as at 31 December 2014	6,886,000	0.16	5,106,000	0.22

The weighted average remaining contractual life for the stock options outstanding as at 31 December 2014 was 5.58 years (2013: 5.90 years).

There were no new options issued for the year ended 31 December 2014 and 2013.

The range of exercise prices for options outstanding at the end of the year was $0.11 to $0.78 (2013: $0.11 to $1.10).

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

26. Related party transactions

Due from/(to) related parties include:

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Accounts receivables (i), (ii)	948,497	1,207,112	1,641,016
Receivable from other related parties	726,347	731,627	115,385
Due from related parties	1,674,844	1,938,739	1,756,401
Due to related parties	(1,934,060)	(3,092,014)	(1,246,120)

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

	As at 31 December		As at 1 January
	2014	2013 Restated	2013 Restated
Due from related parties			
IDR	948,497	1,207,112	1,641,016
USD	726,347	731,627	115,385
	1,674,844	1,938,739	1,756,401
Due to related parties			
USD	(1,934,060)	(3,092,014)	(1,246,120)

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 agreements with Infokom and MNC. 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 and MNC. In 2011, PT Linktone has successfully changed the ownership of VAS access number owned by MNC to PT Linktone.

In 2014, total revenue generated from the use of short codes owned by Infokom was $1,006,051 and $1,916,857 for the financial years ended 31 December 2014 and 2013 respectively. As of 31 December 2014 and 2013, amount due from Infokom was $747,931 and $936,470.

As at 31 December 2013 and 2014 and PT Linktone recorded total fees payable to Infokom of $51,527 and $44,633, respectively.

(ii) In 2013 and 2014, PT Linktone has generated revenue other than VAS including TV promotions and trading from MNC amounting to $Nil for both years. As of 31 December 2013 and 2014, amounts due from MNC were $31,861 and $18,945, respectively.

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

26. Related party transactions (Continued)

(iii) In October 2009, PT Linktone entered into another cooperation agreement with MNC whereby MNC agreed to promote PT Linktone's products, programs or content on three television stations owned by MNC — PT Rajawali Citra Televisi Indonesia ("RCTI"), PT Cipta Televisi Pendidikan Indonesia ("MNC TV") and PT Global Informasi Bermutu ("Global TV"). As compensation, RCTI, MNC TV and Global TV each receive a percentage of the revenue generated when customers used the short code suffix specific to their respective television program. PT Linktone also provides SMS services, such as SMS polling for each television station's entertainment programs, in exchange for a percentage of the revenues generated by such services. The term of this agreement is five years from the date of the agreement. In 2013, PT Linktone paid MNC TV $Nil. For the financial years ended 2014 and 2013, revenue generated from the Group's cooperation with RCTI was $0.8 million and $0.6 million respectively.

Key management personnel remuneration

	For the year ended 31 December	
	2014	2013
Salaries and other short-term benefits	638,015	626,349

Included in the key management personnel's remuneration are costs of defined contribution plans of $6,725 (2013: $6,804).

(iv) Short-term investments

In 2014, net unrealized loss for the financial year ended 31 December 31 2014 of $1.2 million and unrealized gain for the financial year ended December 31, 2013 of $4.1 million and realized gain for the financial year ended 31 December 2013 of $5.7 million was recorded on the marked-to-market valuation of these held-for-trading quoted investment. Such amounts were recorded under "Other operating income".

(v) Credit facility

In October 2010 and May 2011, a bank in Singapore extended a term loan of S$2 million and credit facility to the Group's subsidiary, InnoForm Media, with a total facility limit of S$10 million ($7.9 million) a sub-limit of S$3 million ($2.4 million) for overdraft facility. The facilities are secured by a corporate guarantee from MNC. As of December 31, 2014 and 2013, the Group utilised $7.5 million and $6.7 million respectively, of the credit facility on bank overdraft and revolving loans and the term loan outstanding as of December 31, 2014 and 2013 were $1.5 million and $Nil million respectively.

(vi) 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 2014 and 2013, IIL generated $1.3 million and $1.0 million in revenues from this distributorship agreement. As of 31 December 2014 and 2013, amount payable to MIL was $1.4 million and $2.1 million, respectively.

(vii) 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 2014, this loan of $0.4 million 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 2014, the net aggregate minimum future lease payments under non-cancelable operating leases are as follows:

	As at 31 December	
	2014	**2013**
12 months ended 31 December 2014	–	942,048
12 months ended 31 December 2015	815,099	54,004
12 months ended 31 December 2016	58,637	22,691
12 months ended 31 December 2017	24,308	25,335
	898,044	1,044,078

As at 31 December 2014, the Group has no operating lease commitments beyond 31 December 2017.

For the years ended 31 December 2014 and 2013, the Group incurred total office rental expense of $942,048 and $955,906, respectively under operating lease arrangements.

(b) Standby letter of credit ("SBLC")

A bank issued a SBLC on behalf of one of the subsidiaries of the Group, Innoform Media Pte Ltd, for amount $Nil and $1.1 million for the years ended 31 December 2014 and 2013 to a licensor to guarantee payment of quarterly installments of minimum guarantees under a licensing contract for 2 years from September 2012.

28. Prior year comparatives

During the year, the Group changed the basis of financial statements preparation from generally accepted accounting principles in the United States of America ("US GAAP") to International Financial Reporting Standards ("IFRS"). The effect of the change in the accounting standard relates mainly to the accounting of goodwill from full goodwill method to percentage of net assets. Prior year comparatives have been restated in order to align with the IFRS.

	31 December			
Consolidated Statement of Financial Position:	**2012 (Previous)**	**2012 (Restated)**	**2013 (Previous)**	**2013 (Restated)**
Assets of continuing operations				
Deferred tax assets (Current)	732,987	–	326,952	–
Deferred tax assets (Non-current)	729,386	1,073,462	45,228	1,388,073
Goodwill	29,571,982	18,534,077	29,571,982	18,534,077

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

28. Prior year comparatives (Continued)

	31 December			
Consolidated Statement of Financial Position:	**2012 (Previous)**	**2012 (Restated)**	**2013 (Previous)**	**2013 (Restated)**
Liabilities of continuing operations				
Deferred tax liabilities (Current)	(516,977)	–	(227,828)	–
Deferred tax liabilities (Non-current)	(2,182,299)	(2,321,904)	(905,476)	(2,134,815)
Taxes payable	(1,879,355)	(1,559,804)	(1,790,308)	(1,597,963)
Non-controlling interests	(19,817,255)	(8,779,350)	(18,150,434)	(7,112,529)
Liability of discontinued operations				
Deferred tax liabilities	–	(44,480)	–	(142,219)
Equity				
Retained earnings/(accumulated losses)	5,407,903	5,791,408	(10,148,027)	(9,966,813)

Consolidated Statement of Profit or Loss

	For the year ended 31 December	
	2013 (Previous)	**2013 (Restated)**
Income tax benefit	(593,263)	(391,158)