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PCG Entertainment Plc

("PCGE", the "Company" or the "Group")

PCG Entertainment Plc / Index: AIM / Epic: PCGE

Final Results for the year ended 31 December 2014

Notice of Annual General Meeting

PCG Entertainment Plc (AIM: PCGE), the AIM listed Asia-Pacific online gaming and associated media company today announces its final results for the financial year ended 31 December 2014. These results are also being posted to shareholders today along with notice of the annual general meeting of the Company to be held at 10.00 a.m. on 2 September 2015 at the offices of the Company, G1 Haven Court, 5 Library Ramp, Gibraltar.

A summary of the report and accounts is set out below. The full report and accounts and the notice of annual general meeting are available to view on the Company's website www.pcge.com

- ends -

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Chairman and Chief Executive Officer's Statement

For PCG Entertainment Plc ("PCG Entertainment" or the "Company") this year has been about the admission of the Company to the AIM.

The admission process has put a spotlight on every aspect of PCG Entertainment's business strategy, requiring us to:

- Refine and sharpen our business plan
- Complete negotiations for shareholdings in two Chinese companies, Hainan Huan'ao Culture Media Co., Ltd.,("HPC") and Hainan Huan'ao Sports Industry Co., Ltd.,("HLC")
- Consolidate our media licenses in the People's Republic of China (the "PRC" or "China") held through our Beijing registered company Beijing Sihaigeju Culture Media Company Ltd., ("Sihai Geju")
- Establish infrastructure and resources in China
- Articulate our vision to potential investors in the UK and worldwide.

We successfully listed on 4th December 2014, raising US$ 5.42 million (GBP 3.41 million) on flotation and establishing a market capitalisation of US$ 97 million (GBP 61 million).

Our principal commercial objectives, as stated in our admission document, are to grow PCG Entertainment's business through the exploitation of our licenses and by acquisition.

Acquisition

As well as the 10% stakes, we negotiated pre-admission in the two Hainan-based companies HPC and HLC we started, in January 2015, negotiations to acquire Center Point Development Corp., ("CPDC"), a Belize-registered distributor of online games management software. Under AIM rule 14 this acquisition, of a company with a turnover which exceeds ours, is classified as a reverse takeover. Consequently, we were suspended on 13 February 2015 and expect to be re-admitted in the summer of 2015.

Exploitation of Licenses

On 4 December 2014, the Company gave notice to exercise its options to acquire 10 per cent stakes in HLC, a sports lottery reseller in Hainan Province, and HPC, an operator of real-world poker tournaments across China. It remains our intention to use the licenses in Sihai Geju to take these businesses online, greatly extending their geographical reach and significantly increasing the revenue potential of both. We expect both businesses to be fully operational before the end of 2015.

The consolidated accounts for year ended December 2014 show a loss of US$ 8.7 million – made up of our flotation costs (US$ 2.22 million), administration and setup costs (US$ 0.83 million) and the costs of various share issues (US$ 0.31 million) as set out in our admission document of 4th December 2014, as well as additional goodwill impairments (US$ 5.24 million).

These costs are higher than originally anticipated due to the delay in gaining admission to AIM which took from July to December 2014, the change of Nomad and the associated additional professional fees.

In conclusion, we believe that actions taken by the Company up to and immediately following our admission to AIM in December 2014 puts us in a position to be able to deliver profitability and greater shareholder value in FY 2015 and beyond.

Kung-Min Lin
Director, Chairman
Date: 11 August 2015.

Nicholas Bryant
Director, CEO
Date 11 August 2015

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2014

	Notes	2014 US$	2013 US$
Revenue		4,450	-
Administrative expenses	2	(3,362,658)	(4,886,984)
Operating loss		(3,358,208)	(4,886,984)
(Goodwill impairment) / gain on bargain purchase	5	(5,242,460)	2,211,938
Foreign exchange loss		(89,892)	(663)
Interest payable		(5,492)	-
Loss on ordinary activities before taxation		(8,696,052)	(2,675,709)
Tax on loss on ordinary activities	4	-	-
Retained loss for the financial year/period		(8,696,052)	(2,675,709)

Change in foreign currency	(1,205)	-
Total comprehensive loss for the financial year/period	(8,697,257)	(2,675,709)

Weighted average loss per share:	US cents	Revised US cents
Basic and diluted	(1.08)	(7.25)

There are no recognised gains or losses other than disclosed above and there have been no discontinued activities in the year.

Consolidated Statement of Financial Position
as at 31 December 2014

	Notes	2014 US$	2013 US$
Current assets			
Trade and other receivables	6	980,840	77,447
Cash and cash equivalents		3,219,785	44,599
		4,200,625	122,046
Non-current assets			
Intangible assets	7	3,500,000	3,500,000
Property, plant and equipment	8	11,680	13,091
		3,511,680	3,513,091
Total assets		7,712,305	3,635,137
Current liabilities	10	1,728,685	561,486
Non-current liabilities	11	965,080	-
Capital and reserves			
Share capital	12	1,722,684	1,223,292
Share premium	12	17,321,417	4,528,491
Foreign currency translation reserve		(1,205)	-
Share based payment reserve	13	309,408	-
Issued shares reserve	14	(3,000,000)	-
Other reserves		40,420	-
Retained earnings		(11,374,184)	(2,678,132)
Total liabilities and shareholders' funds		7,712,305	3,635,137

PCG Entertainment Plc

Company Statement of Financial Position
as at 31 December 2014

	Notes	2014 US$	2013 US$

	Note		
Current assets			
Trade and other receivables	6	994,803	15,605
Cash and cash equivalents		3,198,736	-
		4,193,539	15,605
Non-current assets			
Investments	9	876,140	876,140
Total assets		5,069,679	891,745
Current liabilities	10	1,168,580	30,032
Non-current liabilities	11	965,080	-
Capital and reserves			
Share capital	12	1,722,684	1,223,292
Share premium	12	17,321,417	4,528,491
Share based payment reserve	13	309,408	-
Issued shares reserve	14	(3,000,000)	-
Other reserves		40,420	-
Retained earnings		(13,457,910)	(4,890,070)
Total liabilities and shareholders' funds		5,069,679	891,745

PCG Entertainment Plc

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

	Share Capital US$	Share Premium US$	Foreign Currency Translation Reserve US$	Share based Payment Reserve US$	Issued Shares Reserve US$	Other Reserve US$	Retained Earnings US$	Total Equity US$
Balance at 1 January 2013	1	-	-	-	-	-	(2,423)	(2,422)
Comprehensive loss for the year	-	-	-	-	-	-	(2,675,709)	(2,675,709)
Transactions with owners:								
Shares issued during the year	1,223,291	4,528,491	-	-	-	-	-	5,751,782
Balance at 31 December 2013	1,223,292	4,528,491	-	-	-	-	(2,678,132)	3,073,651
Retained loss for the year	-	-	-	-	-	-	(8,696,052)	(8,696,052)
Foreign currency impact on consolidation	-	-	(1,205)	-	-	-	-	(1,205)
Total comprehensive loss for the year	-	-	(1,205)	-	-	-	(8,696,052)	(8,697,257)
Share based payments	-	-	-	309,408	-	-	-	309,408
Equity element of convertible loan note	-	-	-	-	-	40,420	-	40,420
Issued shares awaiting transaction completion	-	-	-	-	(3,000,000)	-	-	(3,000,000)
Cost of issuing share capital	-	(594,337)	-	-	-	-	-	(594,337)
Transactions with owners:								
Shares issued during the year	499,392	13,387,263	-	-	-	-	-	13,886,655
Balance at 31 December 2014	1,722,684	17,321,417	(1,205)	309,408	(3,000,000)	40,420	(11,374,184)	5,018,540

PCG Entertainment Plc

Company Statement of Changes in Equity
for the year ended 31 December 2014

	Share Capital US$	Share Premium US$	Share based Payment Reserve US$	Issued Shares Reserve US$	Other Reserves US$	Retained Earnings US$	Total Equity US$
Balance at 1 January 2013	1	-	-	-	-	(2,423)	(2,422)
Comprehensive loss for the year	-	-	-	-	-	(4,887,647)	(4,887,647)
Transactions with owners:							
Shares issued during the year	1,223,291	4,528,491	-	-	-	-	5,751,782
Balance at 31 December 2013	1,223,292	4,528,491	-	-	-	(4,890,070)	861,713
Comprehensive loss for the year	-	-	-	-	-	(8,567,840)	(8,567,840)
Share based payments	-	-	309,408	-	-	-	309,408
Equity element of convertible loan note	-	-	-	-	40,420	-	40,420
Issued shares awaiting transaction completion	-	-	-	(3,000,000)	-	-	(3,000,000)
Cost of issuing share capital	-	(594,337)	-	-	-	-	(594,337)
Transactions with owners:							
Shares issued during the year	499,392	13,387,263		-	-	-	13,886,655
Balance at 31 December 2014	1,722,684	17,321,417	309,408	(3,000,000)	40,420	(13,457,910)	2,936,019

Consolidated Statement of Cash Flows
for the year ended 31 December 2014

	2014 US$	2013 US$
Cash flows from operating activities		
Loss for the year/period	(8,696,052)	(2,675,709)
Reconciliation to cash generated from operations:		
Depreciation	1,411	-
Decrease/(increase) in receivables	15,831	(15,605)
Increase in payables	1,172,699	27,609
Impairment of goodwill / (gain on bargain purchase)	5,242,460	(2,211,938)
Equity instruments issued	-	4,875,643
Share based payment charge	309,408	-
Exchange differences	-	663
Net cash flow from operating activities	(1,954,243)	663
Cash flows from investing activities		
Acquisition of subsidiaries - cash acquired	-	44,599
Cash flows from financing activities		
Issue of shares for cash	4,724,973	-
Issue of convertible loan note	1,000,000	-
Share issue expenses capitalised against share premium account	(594,339)	-
Net cash flow from financing activities	5,130,634	-
Net increase in cash	3,176,391	45,262
Effects of exchange rates on cash and cash equivalents	(1,205)	(663)
	3,175,186	44,599
Cash at bank and in hand at 1 January	44,599	-
Cash at bank and in hand at 31 December	3,219,785	44,599

Company Statement of Cash Flows
for the year ended 31 December 2014

	2014 US$	2013 US$
Cash flows from operating activities		
Loss for the year/period	(8,582,268)	(4,887,647)
Reconciliation to cash generated from operations:		
Increase in receivables	(59,974)	(15,605)
Increase in payables	1,158,476	27,609
Impairment of goodwill	5,242,460	-
Equity instruments issued	-	4,875,643
Share based payment charge	309,408	-
Exchange differences	-	663
Net cash flow from operating activities	(1,931,898)	663
Cash flows from financing activities		
Issue of shares for cash	4,724,973	-
Issue of convertible loan note	1,000,000	-
Share issue expenses capitalised against share premium account	(594,339)	-
Net cash flow from financing activities	5,130,634	-
Net increase in cash	3,198,736	663
Effects of exchange rates on cash and cash equivalents	-	(663)
	3,198,736	-
Cash at bank and in hand less overdrafts at 1 January	-	-
Cash at bank and in hand less overdrafts at 31 December	3,198,736	-

Notes to the Financial Statements
for the year ended 31 December 2014

1 Accounting policies

The principal accounting policies adopted by the Group in the preparation of its financial information for the year ended 31 December 2014 with comparatives for the period from incorporation to 31 December 2013. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The financial information set out above for the year ended 31 December 2014 and for the period from incorporation to 31 December 2013 does not constitute the Group's statutory accounts but is derived from those accounts.

Statutory accounts for the period ended 31 December 2013 have been delivered to the Registrar of Companies in Gibraltar together with a report under section 10 of the Gibraltar Companies (Accounts) Act 1999. Statutory accounts for the year ended 31 December 2014 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The auditors have reported on both the 2014 and 2013 accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 10(2) of the Gibraltar Companies (Accounts) Act 1999 or section 182(1) (a) of the Gibraltar Companies Act.

Going concern

The Group reported an operating loss for the year to 31 December 2014. In February 2015, the Company announced that it had entered into an option agreement to acquire CPDC at a price of up to US$ 20 million. The acquisition constitutes a reverse takeover under Rule 14 of the AIM Rules for Companies and as such the Company’s shares were suspended from trading.

The Directors have reviewed the current cash position and projected cash flows, including the acquisition cost of CPDC, and it is expected that a further issue of the Company's ordinary shares will be made on re-admission to AIM in the summer of 2015. Based on this, the Directors consider that the Group will have adequate resources to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, they consider it appropriate to continue to prepare the financial statements on a going concern basis.

2 Administrative expenses

Administrative expenses are as follows:	**2014** **US$**	**2013** **US$**
Amortisation of tangible fixed assets	1,411	-
Directors' remuneration	114,988	-
Auditor's remuneration - Auditors to the Group	53,625	-
Auditor's remuneration - non-audit fees (transaction services related to AIM admission)	277,200	-
Auditor's remuneration - Statutory Auditor	14,025	11,341
Travel and subsistence	119,829	-
Warrant issue costs (note 19)	309,408	-
Consultancy fees	14,461	4,875,643
Other legal and professional costs	118,628	-
Other costs	117,730	-
Flotation costs, other than separately disclosed above	2,221,353	-
	3,362,658	4,886,984

3 Staff costs

During the year ended 31 December 2014, excluding Directors, the average number of people employed by the Group was 9. During the year, the Group paid wages and salaries of US$ 52,000.

There are no staff employed by the Group in the year ended 31 December 2013

4 Taxation

	2014 US$	2013 US$
Taxation payable	-	-

The Company is subject to taxation in respect of all income which is deemed to accrue in or be derived from Gibraltar at the standard rate of corporation tax of 10%.

Taxation of the subsidiaries is recognised based on the rules and regulations in their respective countries of incorporation.

Tax reconciliation:	2014 US$	2013 US$
Loss on ordinary activities before taxation	(8,696,052)	(2,675,709)
Loss on ordinary activities multiplied by the standard rate of corporation tax in Gibraltar of 10%	(869,605)	(267,571)
Non-deductible expenses	870,050	488,765
Non-taxable income	(445)	(221,194)
Total tax expense	-	-

5. Goodwill impairment

Pursuant to a supplemental agreement with the vendors of PCGEL, on 10 October 2014 the Company allotted 105,091,436 ordinary shares at a premium of GBP 0.029 per ordinary share, being US$ 5,242,460. These shares were initially recorded as goodwill and immediately written off to the statement of comprehensive income.

6 Trade and other receivables

	Group 2014 US$	Group 2013 US$	Company 2014 US$	Company 2013 US$
Amounts owed by Group undertakings	-	-	75,579	15,605
Proceeds from share allotment not received	919,224	-	919,224	-
Other receivables	61,616	2,074	-	-
Prepayments and accrued income	-	75,373	-	-
	980,840	77,447	994,803	15,605

Amounts owed by Group undertakings relate to amounts receivable from PCGEL.

Substantially all of the receivable in respect of share allotment not received was recovered after the balance sheet date.

7 Intangible assets

Investment in licences:	2014 US$	2013 US$
Cost		
At 1 January 2014	3,500,000	-
Additions	-	3,500,000
At 31 December 2014	3,500,000	3,500,000
Amortisation		
At 1 January 2014 and 31 December 2014	-	-
Net book value		

At 31 December	3,500,000	3,500,000

The Directors of PCG Entertainment are of the opinion that the licences and Group structure which has been put in place are worth US$ 3,500,000 and accordingly have recognised an asset in the consolidated financial statements. The Directors consider that the intangible assets have an indefinite useful life and therefore the intangible assets are subject to an annual impairment review.

The valuation of the licences acquired in 2013 per note 11 was made by the Directors by utilising cash flow forecasts for the cash generating units over a period of five years. Various scenarios were considered by the Directors whereby discount factors between 10% and 25% were considered and projected cash flows were reduced by up to 85% from the Directors' best estimate. Although the Directors' best estimate shows projected cash flows far in excess of the valuation of the licences recognised, the Directors have considered the fair value of US$ 3.5 million based on the worst case scenario reflecting the uncertainty as disclosed in note 4, which is also not significantly different to the costs involved in establishing the relevant Chinese ownership structure. This review process is also performed on an annual basis and the Directors remain of the view that the licences are fairly stated and no impairment is necessary as at 31 December 2014.

8 Property, plant and equipment

	Fixtures and fittings	
	2014	**2013**
	US$	**US$**
Cost		
At 1 January 2014 and 31 December 2014	13,091	-
Additions	-	13,091
At 31 December 2014	13,091	13,091
Depreciation		
At 1 January 2014	-	-
Charge for the year	1,411	-
At 31 December 2014	1,411	-
Net book value		
At 31 December	11,680	13,091

9 Investments

	Group 2014 US$	Group 2013 US$	Company 2014 US$	Company 2014 US$
Shares in Group undertakings	-	-	876,140	876,140

The Company holds effective control the following companies:

Company	Country of registration or incorporation	%	Class of Shares Held
PCGEL	Hong Kong	100	Ordinary
Jingtuo	China	100	Ordinary
	China	100	See below

Through the VIE Arrangements with Jingtuo (a wholly owned subsidiary of PCGEL), the Group currently has effective control over Sihai Geju which holds the licences (note 13) relating to the internet operation of online games and, via the Framework Agreement, the Group has given notice to exercise its options to acquire 10 per cent stakes in HLC and HPC (note 20). In addition, the Group has arrangements in place to roll out its business strategy in partnership with HPC and HLC pursuant to the Cooperation Agreements.

The Group has no direct control over Sihai Geju, but exercises control via contractual arrangements and therefore Sihai Geju is treated as a 100% subsidiary. The structure used is typical for overseas investment into China and is called a WFOE and VIE structure as disclosed in the general information in note 1.

Following the year end, the company acquired 100% of the issued ordinary share capital of PCGSS, a company incorporated in Gibraltar, on 17 March 2015.

10 Current liabilities	**Group 2014 US$**	**Group 2013 US$**	**Company 2014 US$**	**Company 2013 US$**
Other payables including taxation and social security	1,276,749	544,595	725,215	15,605
Accruals and deferred income	451,936	16,891	443,365	14,427
	1,728,685	561,486	1,168,580	30,032

11 Non-current liabilities	**Group 2014 US$**	**Group 2013 US$**	**Company 2014 US$**	**Company 2013 US$**
Other payables (note 27)	965,080	-	965,080	-

Included within current and non-current other payables are amounts payable to Kolarmy Technology Inc ("Kolarmy") of US$ 1,855,245 as disclosed in note 27. The amount due to Kolarmy relates to a convertible loan note of US$ 1 million ("the Loan Note") and the remainder relate to short-term payables, including the assignment of balances disclosed in note 27, which were repaid on 16 January 2015.

The Loan Note bears interest at 6% and is repayable by 5 May 2016, or any earlier time at the discretion of the Company. A conversion option allows Kolarmy to demand that the Loan Note be settled by the allotment of ordinary shares, based on the average closing price of the Company's shares in the preceding five days of trading prior to the date of Kolarmy's notice to the Company. As a result, US$ 40,420 of the nominal loan value is held in equity (See note 1; financial liabilities and equity).

12 Share capital	**2014 GBP**	**2013 GBP**
Authorised:		
Ordinary shares of GBP 0.001 each	3,000,000	1,000,000

Allotted and called up:

	2014 Number of shares	**2014 Share capital US$**	**2014 Share premium US$**	**2013 Number of shares**	**2013 Share capital US$**	**2013 Share premium US$**
As at 1 January	750,000,007	1,223,292	4,528,491	7	1	-
Issued during the year	312,147,870	499,392	12,792,926	750,000,000	1,223,291	4,528,491
As at 31 December	1,062,147,877	1,722,684	17,321,417	750,000,007	1,223,292	4,528,491

During the year and the comparative year, the Company issued the following shares:

(a) 747,314,193 ordinary shares at a premium of 0.3p per share on 13 December 2013 in consideration of the services provided by Black Swan Plc and Forbidden City Limited as detailed in note 27.

(b) 2,685,807 ordinary shares at a premium of 19.9p per share on 21 December 2013 in consideration of the acquisition of Hong Kong Strategic Services Limited as detailed in note 11.

(c) 10,000,000 ordinary shares at a premium of nil per share on 17 September 2014 in consideration of consultancy services provided by Ashton Nominees Inc.

(d) 107,100,000 ordinary shares at a premium of 0.0617p per share on 10 October 2014 in consideration of

Limited (10,710,000 shares) and Zippy Management Limited (10,710,000 shares).

(e) 105,091,436 ordinary shares at a premium of 2.9p per share on 10 October 2014 as additional consideration in respect of the acquisition of Hong Kong Strategic Services Limited as detailed in note 11.

(f) 1,666,667 ordinary shares at a premium of 5.9p per share on 28 November 2014 in consideration of services provided by Yorkville Advisors, LLC in relation to the Company's admission to the AIM market as detailed in note 1.

(g) 56,833,334 ordinary shares at a premium of 5.9p per share on admission to the AIM market on 28 November 2014 in consideration of GBP 3.41 million as detailed in note 1.

(h) 31,456,433 ordinary shares at a premium of 5.9p per share issued to enable the acquisition of 10% of HPC and HLC, both companies incorporated under the laws of the PRC. These shares, while admitted for trading to AIM, remain in the custody of PCG Entertainment until the acquisition of HPC and HLC complete, and therefore have been recorded within issued shares reserve (see note 20).

13 Share based payments

The Company issued warrants to service providers on 28 November 2014 in connection with its admission to AIM ("Service Provider Warrants"). Each warrant is convertible into one new ordinary share at an exercise price of 6p per share and may be exercised between 4 December 2014, being the date of admission to AIM, and 4 December 2019.

The Company also granted two warrants for every ordinary share subscribed for on the date of admission to AIM ("Subscriber Warrants").

Details of the warrants in issue during the year ended 31 December 2014 are as follows:

Outstanding at 31 December 2014:	Number of warrants	Exercise price GBP
Service Provider Warrants	12,660,248	0.06
Subscriber Warrants	113,666,668	0.06
	126,326,916	

There were no warrants in issue as at 31 December 2013.

Fair value of the Service Provider Warrants is measured by use of the Black & Scholes model with the assumption of 60% future market volatility, future interest rate of 5.6% per annum and no dividend yield It is also assumed that the warrants will be exercised within one year of issue. The fair value of the Service Provider Warrants granted was US$ 309,408. (2013 : US$ nil).

The issue of Subscriber Warrants do not fall under the scope of IFRS 2 'Share Based Payments' and therefore no fair value exercise has been undertaken.

14 Issued shares reserve

The Group entered into an agreement ("Framework Agreement") which grants Sihai Geju an option to purchase 10 per cent. of the equity of each of HPC and HLC for US$ 3,000,000 payable in cash and/or shares (the “Option Right”). Sihai Geju despatched notice to exercise the Option Right in December 2014, with 31,456,433 new ordinary shares issued at a premium of 5.9p per share and admitted for trading on AIM pursuant to the terms of the Framework Agreement.

These shares, while admitted for trading to AIM, remain in the custody of PCG Entertainment until the acquisition of the 10 per cent of the equity of each of HPC and HLC completes, and therefore have been recorded within issued shares reserve.

15 Statutory surplus reserve

According to the relevant PRC regulations and the Articles of Association of Jingtuo, it is required to transfer 10% of its profit after income tax to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividends to equity into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

As at 31 December 2014 the statutory surplus reserve was US$ nil (2013: US$ nil).

16 Financial instruments

The PCG Entertainment Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. The PCG Entertainment Group's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 1. The PCG Entertainment Group does not use financial instruments for speculative purposes.

The principal financial instruments used by the PCG Entertainment Group, from which financial instrument risk arises, are as follows:

	2014	**2013**
	US$	**US$**
Loans and receivables:		
Trade and other receivables	980,840	77,447
Cash and cash equivalents	3,219,785	44,599
Trade and other payables :		
Term loans	(965,080)	-
Other creditors	(1,276,749)	(544,595)
Accruals and deferred income	(451,936)	(16,891)

Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the retire capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended 31 December 2013, nor the year ended 31 December 2014.

Derivatives, financial instruments and risk management

The Group does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Liquidity Risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of the ongoing development programs, trade and other payables. Trade and other payables are all payable within 12 months other than those disclosed in note 17.

The board receives cash flow projections on a regular basis as well as information on cash balances.

Capital management

The Group's objective when managing capital is to ensure that adequate funding and resources are obtained to enable it to develop its projects through to profitability, while in the meantime safeguarding the Group's ability to continue as a going concern. This is aimed at enabling it, once the projects come to fruition, to provide appropriate returns for shareholders and benefits for other stakeholders. Capital is sourced from equity and from borrowings, as appropriate.

Interest Risk

The Group has interest rate risk with the banks for banking facilities, as well as the interest bearing term loan as disclosed in note 17.

Except for cash at bank and the Loan Note identified in note 17, as at 31 December 2014 and 31 December 2013, there are no significant balances which attract interest or on which interest is payable.

Foreign currency risk management

The Group has exposure to foreign exchange risk as its cash flows and financial assets and liabilities are mainly denominated in RMB, HK$ and GBP and are reported in US$.

Foreign currency risk management (continued)

The Group's currency exposure is as follows:

At 31 December 2014:	**Chinese Renminbi US$**	**Hong Kong Dollars US$**	**Sterling US$**	**Total US$**
Financial assets:				
Trade and other receivables	61,617	-	919,224	980,841
Cash and cash equivalents	12,898	8,151	3,198,736	3,219,785
	74,515	8,151	4,117,960	4,200,626
Financial liabilities:				
Trade payables and accruals	(456,727)	(103,378)	(933,660)	(1,493,765)
Currency exposure	(382,212)	(95,227)	3,184,300	2,706,861

At 31 December 2013:	**Chinese Renminbi US$**	**Hong Kong Dollars US$**	**Sterling US$**	**Total US$**
Financial assets:				
Trade and other receivables	77,447	-	-	77,447
Cash and cash equivalents	12,948	41	-	12,989
	90,395	41	-	90,436
Financial liabilities:				
Trade payables and accruals	(458,336)	(73,118)	(14,427)	(545,881)
Currency exposure	(367,941)	(73,077)	(14,427)	(455,445)

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and liabilities denominated in foreign currencies.

At 31 December 2014:	**Chinese Renminbi US$**	**Hong Kong Dollars US$**	**Sterling US$**	**Total US$**
10% strengthening of US$	(38,221)	(9,523)	318,429	270,685
10% weakening of US$	38,221	9,523	(318,429)	(270,685)

At 31 December 2013:	**Chinese Renminbi US$**	**Hong Kong Dollars US$**	**Sterling US$**	**Total US$**
10% strengthening of US$	(224,893)	(56,668)	(885)	(282,446)
10% weakening of US$	224,893	56,668	885	282,446

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its trading counterparties are monitored by the board of Directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Group's principal financial assets are cash and cash equivalents, trade debtors and other accounts

The Group has no significant concentrations of credit risk. Cash is placed with established financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

17 Subsequent events

In January 2015, the Group commenced negotiations to acquire CPDC, a Belize-registered distributor of online games management software from Kolarmy (note 27). The Group acquired a call option in February 2015 to acquire CPDC at a price of up to US$20 million. The option is proposed to be exercised only through the issue of ordinary shares of the Company.

Under AIM rule 14 this acquisition is classified as a reverse takeover since the turnover of CPDC exceeds that of the Group. Consequently the ordinary shares of the Company were suspended on 13 February 2015. The Directors expect the shares to be readmitted in the summer of 2015.

In March 2015, the Company acquired the entire share capital of PCGSS (note 15).

18 Related parties

Certain of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

A former member of the management team, Mr Hu Ye, used his own service vehicle to pay bills on behalf of the Group. These amounts are shown within the relevant headings and were at normal arms lengths terms. The company, Advant Gain Limited, whose principal shareholder is Mr Hu Ye, has the following balances with the Group: Debtor US$ nil (2013: US$ 59,406), and Creditor US$ nil (2013: US$ 327,257). This can be netted to a net position of US$ nil (2013: US$ 267,851).

All monies due to Mr Hu Ye and Advant Gain Limited were assigned to Kolarmy on 31 December 2014. The total amount assigned was US$ 553,665.

During the periods under review consulting payments were made to:

	2014	2013
Kolarmy	HK$ nil	HK$ 125,000
Advant Gain Limited	US$ nil	US$ 33,334

Kolarmy holds its shareholding in the Company via depository interests. At 31 December 2014, US$ 1,895,665 was due to Kolarmy (2013: US$ 70,000), including the Loan Note of US$ 1 million (2013: US$ nil). Due to the convertible nature of the Loan Note, US$ 40,420 is held in equity (see note 1; financial liabilities and equity). Amounts due to Kolarmy included in current and non-current liabilities are therefore US$ 1,855,245, as disclosed in note 17.

During the year ended 31 December 2013, Black Swan Plc received 373,657,096 shares and Forbidden City Ltd received 373,657,097 shares of a nominal value of GBP 0.001 issued at a price of GBP 0.004 to satisfy the invoices from each party of GBP 1,494,629 for fees and costs incurred in establishing the Group.

Transactions with related parties in respect to directors' fees have been disclosed in the Directors Report.

Transactions between Group parties have not been disclosed as these have all been eliminated in the preparation of the consolidated financial statements.