

CROSBY

CROSBY CAPITAL LIMITED

(高誠資本有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8088)

3RD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of Crosby Capital Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Crosby Capital Limited. The directors of Crosby Capital Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement in this announcement misleading.

* For identification purposes only

ABOUT CROSBY CAPITAL LIMITED

Crosby Capital Limited (“Crosby” or the “Company” and, together with its subsidiaries, the “Group”) is an independent asset management group listed on the Hong Kong Stock Exchange’s GEM board (HK GEM 8088).

The Group is engaged in the businesses of asset management and strategic investment.

MANAGEMENT DISCUSSION AND ANALYSIS

During the nine months under review, the Group has continued to engage in the businesses of asset management and strategic investment. The Group has completed the subscription and acquisition of 64.54% equity interest in HMV Ideal Limited (“HMV Ideal” and, together with its subsidiaries, the “HMV Ideal Group”).

Our asset management activities comprise mainly fund management business under Shikumen Capital Management (HK) Limited (“Shikumen”). On the other hand, the Group has been actively identifying opportunities in diversifying its portfolio into suitable investment. During the nine months under review, the Group completed the subscription and acquisition of 64.54% equity interest in HMV Ideal. The business of HMV Ideal Group is to capitalise on the HMV brand and to develop an online and offline ecosystem of music, video entertainment and lifestyle. The Group intends to further strengthen and develop the business of HMV Ideal Group and has been identifying and exploring potential investment opportunities to expand its business to, among others, investment in O2O (online to offline) lifestyle and e-commerce business.

We will continue to monitor our businesses and will focus our resources to further strengthen and develop HMV Ideal Group’s business and other potential business opportunities for making attractive returns for the shareholders of the Company as well as providing synergistic value to the existing businesses of the Group.

The management contract for the HMV retail store in Central, in which an indirect wholly-owned subsidiary of HMV Ideal is the contracting party, has been commenced during the nine months under review. The management contract has a term of thirty years commencing from 1 January 2014. The revenue and expenses of the HMV retail store in Central were recorded in the consolidated financial statements of the Group for the nine months under review accordingly.

The Group reported a loss attributable to owners of the Company for the nine months under review of HK\$70.8 million as compared to a loss of HK\$50.7 million for the corresponding period last year, in which a loss of HK\$45.3 million was from continuing operations for the corresponding period last year. Excluding loss on financial liabilities at fair value through profit or loss of HK\$2.6 million for the nine months under review (2013: HK\$11.7 million), the loss attributable to owners of the Company from continuing operations for the nine months under review was HK\$68.2 million (2013: HK\$33.6 million).

Revenue from continuing operations for the nine months under review increased to HK\$24.8 million from that of HK\$10.1 million for the corresponding period last year. The increase in revenue was mainly due to the retail sales and food and beverage income derived from HMV Ideal Group, which was consolidated upon the subscription and acquisition of 64.54% equity interest in HMV Ideal. Total operating expenses (being distribution and selling expenses, administrative expenses plus other operating expenses) from continuing operations for the nine months under review were HK\$83.9 million as compared to HK\$29.4 million for the corresponding period last year. The increase in total operating expenses was mainly attributable to the share-based compensation expense of HK\$21.7 million and operating expenses of HMV Ideal Group of approximately HK\$36.1 million incurred for the nine months under review.

CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCIES

In prior years, the Company regarded US dollars as its functional currency. However, the Company and most of its major operating subsidiaries' business transactions in terms of operating, investing and financing activities have increasingly placed greater reliance on HK dollars. As such, effective from 24 February 2014, the Company and certain of its subsidiaries have changed their functional currency from US dollars to HK dollars. HK dollars have also been adopted as the presentation currency of the Group's quarter report. The comparative figures in this quarter results announcement are translated accordingly. The changes in functional and presentation currencies have no significant impact on the financial positions of the Group as at 31 December 2013 and 30 September 2014, or the results and cash flows of the Group for periods ended 30 September 2013 and 2014.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the nine months and three months ended 30 September 2014 (the “Review Periods”), together with the comparative unaudited figures of the corresponding periods in 2013, as follows:

| | | Unaudited Nine months ended 30 September | | Unaudited Three months ended 30 September | |
|---|-------|--|--------------------|---|--------------------|
| | | | (Re- presented) | | (Re- presented) |
| | | 2014 | 2013 | 2014 | 2013 |
| | Notes | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Continuing operations | | | | | |
| Revenue | 3 | 24,789 | 10,071 | 9,990 | 2,814 |
| Cost of sales | | <u>(14,252)</u> | <u>721</u> | <u>(5,708)</u> | <u>(224)</u> |
| Gross profit | | 10,537 | 10,792 | 4,282 | 2,590 |
| Loss on financial liabilities at fair value through profit or loss | | (2,552) | (11,733) | (1,819) | (17,307) |
| Other income | 3 | 1,079 | 193 | 417 | (18) |
| Distribution and selling expenses | | (24,006) | – | (12,754) | – |
| Administrative expenses | | (56,433) | (27,746) | (15,446) | (9,484) |
| Other operating expenses | | <u>(3,481)</u> | <u>(1,662)</u> | <u>(1,230)</u> | <u>(284)</u> |
| Loss from operations | | (74,856) | (30,156) | (26,550) | (24,503) |
| Finance costs | | <u>(5,766)</u> | <u>(15,125)</u> | <u>(3,019)</u> | <u>(5,159)</u> |
| Loss before taxation | | (80,622) | (45,281) | (29,569) | (29,662) |
| Taxation | 4 | <u>–</u> | <u>(61)</u> | <u>–</u> | <u>–</u> |
| Loss for the period from continuing operations | | (80,622) | (45,342) | (29,569) | (29,662) |
| Discontinued operations | | | | | |
| Loss for the period from discontinued operations | 6 | <u>–</u> | <u>(5,861)</u> | <u>–</u> | <u>(1,025)</u> |
| Loss for the period | | (80,622) | (51,203) | (29,569) | (30,687) |

| | <i>Note</i> | Unaudited Nine months ended 30 September | | Unaudited Three months ended 30 September | |
|---|-------------|--|---|---|---|
| | | 2014 <i>HK\$'000</i> | (Re-presented) 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | (Re-presented) 2013 <i>HK\$'000</i> |
| Attributable to: | | | | | |
| Owners of the Company | | | | | |
| Loss for the period from continuing operations | | (70,810) | (45,342) | (23,842) | (29,662) |
| Loss for the period from discontinued operations | | – | (5,315) | – | (1,028) |
| | | <u>(70,810)</u> | <u>(50,657)</u> | <u>(23,842)</u> | <u>(30,690)</u> |
| Non-controlling interests | | | | | |
| Loss for the period from continuing operations | | (9,812) | – | (5,727) | – |
| Loss for the period from discontinued operations | | – | (546) | – | 3 |
| | | <u>(9,812)</u> | <u>(546)</u> | <u>(5,727)</u> | <u>3</u> |
| Loss for the period | | <u>(80,622)</u> | <u>(51,203)</u> | <u>(29,569)</u> | <u>(30,687)</u> |
| Loss per share attributable to owners of the Company | <i>7</i> | HK cents | (Re-presented) HK cents | HK cents | (Re-presented) HK cents |
| Basic | | | | | |
| Continuing operations | | (16.00) | (32.91) | (5.12) | (21.53) |
| Discontinued operations | | – | (3.86) | – | (0.74) |
| | | <u>(16.00)</u> | <u>(36.77)</u> | <u>(5.12)</u> | <u>(22.27)</u> |
| Diluted | | | | | |
| Continuing operations | | N/A | N/A | N/A | N/A |
| Discontinued operations | | N/A | N/A | N/A | N/A |
| | | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the nine months and three months ended 30 September 2014

| | Unaudited Nine months ended 30 September | | Unaudited Three months ended 30 September | |
|---|--|--------------------|---|-----------------|
| | (Re- presented) | (Re- presented) | | |
| | 2014 | 2013 | 2014 | 2013 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss for the period | (80,622) | (51,203) | (29,569) | (30,687) |
| Other comprehensive income: | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translating foreign operations | – | 153 | – | 33 |
| Available-for-sale investments | | | | |
| Reclassification adjustment upon disposal of subsidiaries | – | (1,702) | – | – |
| Deficit on revaluation | – | (54) | – | (16) |
| Other comprehensive income for the period, net of tax | – | (1,603) | – | 17 |
| Total comprehensive income for the period, before and net of tax | (80,622) | (52,806) | (29,569) | (30,670) |
| Attributable to: | | | | |
| Owners of the Company | (70,810) | (52,261) | (23,842) | (30,662) |
| Non-controlling interests | (9,812) | (545) | (5,727) | (8) |
| Total comprehensive income for the period, before and net of tax | (80,622) | (52,806) | (29,569) | (30,670) |

NOTES TO THE UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 21 February 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is Units 1&2, 29/F., The Hennessy, 256 Hennessy Road, Wanchai, Hong Kong. The Company's shares have been listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000.

The Company acts as the holding company of the Group. The Group is principally engaged in the businesses of asset management and strategic investment.

The unaudited consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the "IASB") and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by IASB. The unaudited consolidated financial information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The unaudited consolidated financial information has been prepared under historical cost basis except for certain financial instruments classified as available-for-sale and at fair value through profit or loss, which are measured at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited consolidated financial information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited consolidated financial information, are consistent with those set out in the Company's annual audited consolidated financial statements for the year ended 31 December 2013 ("2013 Annual Report").

This consolidated financial information for the nine months ended 30 September 2014 is unaudited but has been reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

This unaudited consolidated financial information should be read in conjunction with the Company's 2013 Annual Report, which has been prepared in accordance with IFRSs.

The principal accounting policies adopted to prepare the unaudited consolidated financial information are consistent with those adopted to prepare to the Company's 2013 Annual Report.

The IASB has issued certain new/revised IFRSs. For those which are effective for accounting period beginning on 1 January 2014, the adoption of the new IFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group's results and financial position.

Changes in functional currency

Items included in the unaudited financial report of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

In prior years, the Company regarded US dollars as its functional currency. However, the Company and most of its major operating subsidiaries' business transactions in terms of operating, investing and financing activities have increasingly placed greater reliance on Hong Kong dollars. As such, effective from 24 February 2014, the Company and certain of its subsidiaries have changed their functional currency from US dollars to Hong Kong dollars. The change in functional currency of the Company was applied prospectively from date of change in accordance with IAS 21 "The Effect of Changes in Foreign Exchange Rates". On the date of the change of functional currency, all assets, liabilities, issued capital and other components of equity and profit and loss account items were translated into Hong Kong dollars at the exchange rate on that date.

Change in presentation currency

Hong Kong dollars have also been adopted as the presentation currency of the Group's quarter report. The change in presentation currency of the Group has been applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", and the comparative figures for the nine months and three months ended 30 September 2014 have also been re-presented to Hong Kong dollars accordingly.

The changes in presentation currency have no significant impact on the financial positions of the Group as at 31 December 2013 and 30 September 2014, or the results and cash flows of the Group for the nine months and three months ended 30 September 2013 and 2014.

3. REVENUE AND OTHER INCOME

Revenue from the continuing operations comprises fund management fee and the businesses from HMV Ideal Group.

Other income mainly comprises interest income, rental income and marketing income.

4. TAXATION

No Hong Kong profits tax has been provided in the unaudited consolidated financial information as the Group did not make any assessable profit for the nine months ended 30 September 2014.

Taxation for the nine months ended 30 September 2013 represents under-provision of Hong Kong profits tax provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong in prior year.

No recognition of potential deferred tax assets relating to tax losses of the Group has been made as the recoverability of the potential tax assets is uncertain.

5. MOVEMENTS IN RESERVES

| | Share premium HK\$'000 (Re-presented) | Convertible bonds equity reserve HK\$'000 (Re-presented) | Capital reserve HK\$'000 (Re-presented) | Capital redemption reserve HK\$'000 (Re-presented) | Share-based compensation reserve HK\$'000 (Re-presented) | Investment revaluation reserve HK\$'000 (Re-presented) | Foreign exchange reserve HK\$'000 (Re-presented) | Accumulated losses HK\$'000 (Re-presented) | Total HK\$'000 (Re-presented) |
|---|---|--|---|--|--|--|--|--|-------------------------------------|
| At 1 January 2014 (Audited) | 212,885 | - | 2,112 | 601 | 36,109 | - | 231 | (274,731) | (22,793) |
| Share-based compensation | - | - | - | - | 21,750 | - | - | - | 21,750 |
| Issue of convertible bonds | - | 6,907 | - | - | - | - | - | - | 6,907 |
| Issue of shares upon conversion of convertible bonds | 15,308 | - | - | - | - | - | - | - | 15,308 |
| Issue of consideration shares | 38,520 | - | - | - | - | - | - | - | 38,520 |
| Share issue expense | (506) | - | - | - | - | - | - | - | (506) |
| Issue of shares upon conversion of redeemable convertible preference shares | 3,149 | - | - | - | - | - | - | - | 3,149 |
| Issue of shares upon exercise of warrant | 2,924 | - | - | - | - | - | - | - | 2,924 |
| Issue of shares upon exercise of share option | 2,167 | - | - | - | (1,026) | - | - | - | 1,141 |
| Lapse of share options | - | - | - | - | (578) | - | - | 578 | - |
| Transactions with owners | 61,562 | 6,907 | - | - | 20,146 | - | - | 578 | 89,193 |
| Loss for the period | - | - | - | - | - | - | - | (70,810) | (70,810) |
| Other comprehensive income: | | | | | | | | | |
| Release of foreign exchange reserve upon deregistration of a subsidiary | - | - | - | - | - | - | (231) | - | (231) |
| Total comprehensive income for the period | - | - | - | - | - | - | (231) | (70,810) | (71,041) |
| At 30 September 2014 (Unaudited) | 274,447 | 6,907 | 2,112 | 601 | 56,255 | - | - | (344,963) | (4,641) |

| | Share premium <i>HK\$'000</i> (Re-presented) | Convertible bonds equity reserve <i>HK\$'000</i> (Re-presented) | Capital reserve <i>HK\$'000</i> (Re-presented) | Capital redemption reserve <i>HK\$'000</i> (Re-presented) | Share-based compensation reserve <i>HK\$'000</i> (Re-presented) | Investment revaluation reserve <i>HK\$'000</i> (Re-presented) | Foreign exchange reserve <i>HK\$'000</i> (Re-presented) | Accumulated losses <i>HK\$'000</i> (Re-presented) | Total <i>HK\$'000</i> (Re-presented) |
|---|--|---|--|---|---|---|---|---|--|
| At 1 January 2013 (Audited) | 3,409 | - | 2,112 | 601 | 34,555 | 1,702 | 50 | (190,554) | (148,125) |
| Share-based compensation | - | - | - | - | 1,738 | - | - | - | 1,738 |
| Lapse of share option | - | - | - | - | (275) | - | - | 275 | - |
| Transactions with owners | - | - | - | - | 1,463 | - | - | 275 | 1,738 |
| Loss for the period | - | - | - | - | - | - | - | (50,657) | (50,657) |
| Other comprehensive income: | | | | | | | | | |
| Available-for-sale investments | | | | | | | | | |
| Reclassification adjustment upon disposal of subsidiaries | - | - | - | - | - | (1,702) | - | - | (1,702) |
| Deficit on revaluation | - | - | - | - | - | (54) | - | - | (54) |
| Exchange differences on translating foreign operations | - | - | - | - | - | - | 153 | - | 153 |
| Total comprehensive income for the period | - | - | - | - | - | (1,756) | 153 | (50,657) | (52,260) |
| At 30 September 2013 (Unaudited) | 3,409 | - | 2,112 | 601 | 36,018 | (54) | 203 | (240,936) | (198,647) |

6. DISCONTINUED OPERATIONS

| | Unaudited Nine months ended 30 September | | Unaudited Three months ended 30 September | |
|--|--|---|---|---|
| | 2014 <i>HK\$'000</i> | (Re- presented) 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | (Re- presented) 2013 <i>HK\$'000</i> |
| Revenue | – | 208 | – | – |
| Cost of sales | – | – | – | – |
| Gross profit | – | 208 | – | – |
| Loss on financial assets at fair value through profit or loss | – | (37) | – | – |
| Other income | – | 549 | – | – |
| Administrative expenses | – | (5,000) | – | (24) |
| Other operating expenses | – | (2,292) | – | (1,001) |
| Loss from operations | – | (6,572) | – | (1,025) |
| Finance costs | – | (23) | – | – |
| Share of profit of a jointly controlled entity | – | 266 | – | – |
| Loss before taxation | – | (6,329) | – | (1,025) |
| Taxation | – | – | – | – |
| Loss after taxation | – | (6,329) | – | (1,025) |
| Gain on disposal of subsidiaries | – | 468 | – | – |
| Loss for the period | – | (5,861) | – | (1,025) |

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic loss per share

Basic loss per share is calculated by dividing consolidated loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

| | Unaudited Nine months ended 30 September | | Unaudited Three months ended 30 September | |
|--|--|--------------------|---|--------------------|
| | | (Re- presented) | | (Re- presented) |
| | 2014 | 2013 | 2014 | 2013 |
| <i>(HK\$'000)</i> | | | | |
| Consolidated loss attributable to owners of the Company | | | | |
| Continuing operations | (70,810) | (45,342) | (23,842) | (29,662) |
| Discontinued operations | – | (5,315) | – | (1,028) |
| | (70,810) | (50,657) | (23,842) | (30,690) |
| <i>(Number)</i> | | | | |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | | | | |
| | 442,499,751 | 137,779,206 | 466,008,356 | 137,779,206 |
| <i>(HK cents)</i> | | | | |
| Basic loss per share | | | | |
| Continuing operations | (16.00) | (32.91) | (5.12) | (21.53) |
| Discontinued operations | – | (3.86) | – | (0.74) |
| | (16.00) | (36.77) | (5.12) | (22.27) |

(b) Diluted loss per share

For the nine months and three months ended 30 September 2014 and 2013, the diluted loss per share would reduce if the outstanding share options, convertible bonds, warrants and redeemable convertible preference shares were taken into account, as those financial instruments had an anti-dilutive effect and were hence ignored in the calculation of diluted loss per share.

8. ACQUISITION OF A SUBSIDIARY

On 24 February 2014, the Company has completed the acquisition of 4,680 ordinary shares of HMV Ideal, representing 53.18% of the issued share capital of HMV Ideal, at a consideration of HK\$46,800,000, which was settled by the issue of 60,000,000 ordinary shares of the Company at the issue price of HK\$0.78 each. Together with the subscription of the 1,000 ordinary shares of HMV Ideal, representing 11.36% of the enlarged share capital of HMV Ideal, at a consideration of HK\$10,000,000 on 10 December 2013, the Company has an aggregate interest of 64.54% in HMV Ideal.

The provisional fair value of identifiable assets and liabilities of HMV Ideal as at the date of acquisition were:

| | <i>HK\$'000</i> |
|---|-----------------|
| Net assets acquired: | |
| Property, plant and equipment | 162 |
| Inventories | 5,375 |
| Trade and other receivables | 1,143 |
| Cash and cash equivalents | 1,395 |
| Intangible assets | 50,800 |
| Trade and other payables | (8,333) |
| Deferred tax liabilities recognised upon fair value adjustments | <u>(8,382)</u> |
| The provisional fair value of net assets acquired | 42,160 |
| Less: Non-controlling interests | <u>(14,947)</u> |
| | 27,213 |
| Total consideration (at fair value) | <u>53,200</u> |
| Goodwill arising on acquisition | <u>25,987</u> |
| Consideration satisfied by: | |
| Available-for-sale investment | 10,000 |
| 60,000,000 ordinary shares of the Company, at fair value (<i>Note (i)</i>) | <u>43,200</u> |
| | <u>53,200</u> |

As at the date of this unaudited results announcement, the Group has not finalised the fair value assessments for intangible assets acquired from the acquisition. The relevant fair value of net assets acquired stated above are on a provisional basis.

Note:

- (i) The fair value of 60,000,000 ordinary shares of the Company issued as part of the consideration was determined with reference to the market price of HK\$0.72 of the Company's shares on the date of completion. Out of the total fair value of HK\$43,200,000, HK\$4,680,000 was credited to share capital and the remaining balance of HK\$38,520,000 was credited to the share premium account.

9. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of 70% issued share capital of Complete Star Limited (“Complete Star”)

On 10 September 2014, the Group entered into a sale and purchase agreement with Outblaze Ventures Holdings Limited (the “Vendor”), pursuant to which the Group acquires 70% of the issued share capital of Complete Star at an aggregate consideration of US\$9,660,000 (equivalent to approximately HK\$75,106,500, the “Consideration”), subject to adjustment. The Consideration is to be satisfied by the Company by way of cash and allotment and issue of ordinary shares of the Company to the Vendor.

The acquisition was completed on 9 October 2014. Accordingly, the Group owns 70% of the issued share capital of Complete Star and Complete Star became a subsidiary of the Group thereafter. As of the date of this announcement, the Directors are in the process of assessing the financial impact of this transaction to the Group.

Details of the transaction were set out in the Company’s announcements dated 11 September 2014, 30 September 2014 and 9 October 2014.

(b) Acquisition of 35.46% issued share capital of HMV Ideal Limited (“HMV Ideal”)

On 26 October 2014, the Group entered into a sale and purchase agreement with HMV Asia Limited, Ms. Wong Nga Fan, Ms. Butt, Emily Oy-Fong and Mr. Wu King Shiu, Kelvin (collectively referred as the “Vendors”), pursuant to which the Group acquires the remaining 35.46% of the issued share capital of HMV Ideal at a consideration being the aggregate of (1) 980 ordinary shares in VS Media Co Limited and (2) the amounts owed by VS Media Limited to each of HMV Ideal, HMV Marketing Limited, Vissible Co & Limited and Viss Me Co & Limited outstanding as at the date of completion of the transaction, which shall not in any event be more than HK\$6,100,000.

The transaction is not yet completed as at date of this announcement. Details of the transaction were set out in the Company’s announcement dated 26 October 2014.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2014 (nine months ended 30 September 2013: Nil).

DISCLOSURE OF INTERESTS

(A) Director's Interests

As at 30 September 2014, the interests of the Directors or any chief executive of the Company in the ordinary shares of the Company (the "Shares") and underlying Shares and any of its associated corporations as recorded in the register were:

(i) Interests in the Shares

| Name of Directors | Personal interest | Family interest | Aggregate long position in Shares | Approximate percentage of the issued share capital of the Company % |
|--|-------------------|-----------------|-----------------------------------|---|
| Mr. Wu King Shiu, Kelvin ("Mr. Wu") (<i>Note</i>) | 2,400,000 | 27,600,000 | 30,000,000 | 6.39 |
| Mr. Ho Gilbert Chi Hang ("Mr. Ho") | 44,000 | – | 44,000 | 0.01 |

Note: Mr. Wu owns 2,400,000 Shares and HMV Asia Limited ("HMV Asia") owns 27,600,000 Shares. 93.75% of the issued share capital of HMV Asia are held by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the Shares held by HMV Asia.

(ii) *Interests in the underlying Shares*

(a) **Outstanding options**

| Name of Directors | Date of grant (dd/mm/yyyy) | Exercise price HK\$ | Exercise period (dd/mm/yyyy) | Balance as at 1 January 2014 | Granted during the period | Exercised during the period | Cancelled/ lapsed during the period | Balance as at 30 September 2014 |
|-------------------------------------|-------------------------------|------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|--|---------------------------------------|
| Chang Tat Joel ("Mr. Chang") | 15/05/2014 | 0.98 | 15/05/2014 to 14/05/2024 | - | 4,564,000 | (100,000) | - | 4,464,000 |
| Mr. Ho | 15/05/2014 | 0.98 | 15/05/2014 to 14/05/2024 | - | 4,564,000 | (100,000) | - | 4,464,000 |
| Liu Guang He | 20/06/2014 | 0.94 | 20/06/2014 to 19/06/2024 | - | 2,500,000 | - | - | 2,500,000 |
| Nelson Tong Naiyi | 20/06/2014 | 0.94 | 20/06/2014 to 19/06/2024 | - | 2,500,000 | - | - | 2,500,000 |
| Mr. Wu | 20/06/2014 | 0.94 | 20/06/2014 to 19/06/2024 | - | 4,576,000 | - | - | 4,576,000 |
| Stephen Shiu Junior ("Mr. Shiu") | 20/06/2014 | 0.94 | 20/06/2014 to 19/06/2024 | - | 500,000 | - | - | 500,000 |
| Shi Jinsheng | 20/06/2014 | 0.94 | 20/06/2014 to 19/06/2024 | - | 450,000 | - | - | 450,000 |
| Sin Hendrick | 20/06/2014 | 0.94 | 20/06/2014 to 19/06/2024 | - | 450,000 | - | - | 450,000 |
| Yuen Kwok On | 20/06/2014 | 0.94 | 20/06/2014 to 19/06/2024 | - | 450,000 | - | - | 450,000 |

(b) **Outstanding convertible bonds**

| Name of Directors | Conversion price HK\$ | Aggregate long position in underlying Shares | Approximate percentage of the issued share capital of the Company % |
|-----------------------------|--------------------------|--|---|
| Mr. Chang (<i>Note 1</i>) | 0.80 | 218,750,000 | 46.60 |
| Mr. Ho (<i>Note 1</i>) | 0.80 | 218,750,000 | 46.60 |
| Mr. Wu (<i>Note 1</i>) | 0.80 | 218,750,000 | 46.60 |
| Mr. Shiu (<i>Note 2</i>) | 0.76 | 27,631,578 | 5.88 |

Notes:

1. Abundant Star Ventures Limited (“Abundant Star”) and Vantage Edge Limited (“Vantage Edge”) own 125,000,000 and 93,750,000 underlying Shares, which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum HK\$100,000,000 and HK\$75,000,000, respectively. Mr. Wu, Mr. Ho and Mr. Chang were deemed to have interest in 218,750,000 underlying Shares of which Abundant Star and Vantage Edge were deemed to be interested by virtue of the SFO since they indirectly owned 56%, 23% and 21%, respectively, of the issued share capital in AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II L.P.. AID Partners Capital II L.P. is a private equity fund interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Abundant Star and Vantage Edge.
2. Mr. Shiu owns 27,631,578 underlying Shares, which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK\$21,000,000.

(c) Other underlying Shares

Mr. Wu also owns 14,700,000 underlying Shares by virtue of an agreement entered between Mr. Wu and an independent third party.

(iii) *Short positions*

None of the Directors held short positions in the Shares and underlying Shares or any associated corporation.

Save as disclosed above, as at 30 September 2014, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

(B) Substantial Shareholders and Other Persons

As at 30 September 2014, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(i) Interests in the Shares and underlying Shares

| Name | Aggregate long position in Shares | Aggregate long position in underlying Shares | Approximate percentage of the issued share capital of the Company % |
|---|-----------------------------------|--|---|
| Mr. Wu (Notes 1 and 7) | 30,000,000 | 238,026,000 | 57.10 |
| Li Mau (Notes 1 and 7) | 30,000,000 | 238,026,000 | 57.10 |
| Able Supreme Management Limited (Note 2) | 45,818,745 | 126,152,658 | 36.64 |
| Billion Pine International Limited (Note 2) | 45,818,745 | 126,152,658 | 36.64 |
| Hu Yin (Note 2) | 45,818,745 | 126,152,658 | 36.64 |
| Main Wealth Enterprises Limited (Note 3) | 66,195,221 | – | 14.10 |
| Feng Yuantao (Note 3) | 66,195,221 | – | 14.10 |
| Legend Vantage Limited (Note 4) | 57,874,051 | – | 12.33 |
| Li Guangrong (Note 4) | 57,874,051 | – | 12.33 |
| HMV Asia Limited (Note 1) | 27,600,000 | – | 5.88 |
| Mr. Ho (Notes 5 and 7) | 44,000 | 223,214,000 | 47.56 |
| Mr. Chang (Notes 6 and 7) | – | 223,214,000 | 47.55 |
| Billion Power Management Limited (Note 7) | – | 218,750,000 | 46.60 |
| Elite Honour Investments Limited (Note 7) | – | 218,750,000 | 46.60 |
| Genius Link Assets Management Limited (Note 7) | – | 218,750,000 | 46.60 |
| AID Partners GP2, Ltd. (Note 7) | – | 218,750,000 | 46.60 |

| Name | Aggregate long position in Shares | Aggregate long position in underlying Shares | Approximate percentage of the issued share capital of the Company % |
|--|---|---|--|
| AID Partners Capital II, L.P. (Note 7) | – | 218,750,000 | 46.60 |
| Leader Fortune International Limited (Note 7) | – | 218,750,000 | 46.60 |
| Abundant Star Ventures Limited (Note 7) | – | 125,000,000 | 26.63 |
| Vantage Edge Limited (Note 7) | – | 93,750,000 | 19.97 |
| Yang Shengrong (Note 8) | – | 47,886,075 | 10.20 |
| Mr. Shiu (Note 9) | – | 28,131,578 | 5.99 |

Notes:

- Mr. Wu, the Chief Executive Officer and Executive Director of the Company, owns 2,400,000 Shares and HVM Asia Limited (“HVM Asia”) owns 27,600,000 Shares. 93.75% of the issued share capital of HVM Asia are held by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the shares held by HVM Asia. Mr. Wu is interested in 4,576,000 options at an exercise price of HK\$0.94 per Share to subscribe for Shares. Mr. Wu is deemed to have interest in 218,750,000 underlying Shares as mentioned note 7 below. Mr. Wu is also interested in 14,700,000 underlying Shares. Ms. Li Mau, as the spouse of Mr. Wu, is deemed to be interested in these Shares and underlying Shares for the purpose of the SFO.
- Able Supreme Management Limited (“Able Supreme”) held 45,818,745 Shares and 126,152,658 Shares which will be allotted and issued upon full conversion of 6,388,500 redeemable convertible preference share of the Company (“RCPS”) at conversion price of HK\$0.79 per Share (reset on 14 March 2014). The entire issued share capital of Able Supreme is held by Billion Pine International Limited, which in turn is beneficially wholly owned by Mr. Hu Yin (“Mr. Hu”). Accordingly, Mr. Hu is deemed to be interested in these Shares through his 100% indirect interests in Able Supreme.
- Main Wealth Enterprises Limited (“Main Wealth”) owns 66,195,221 Shares. The entire issued share capital of Main Wealth is held by Mr. Feng Yuantao. Accordingly, he is deemed to be interested in these Shares through his 100% interest in Main Wealth.
- Legend Vantage Limited (“Legend Vantage”) owns 57,874,051 Shares. Mr. Li Guangrong is deemed to be interested in these Shares through his 100% interests in Legend Vantage.
- Mr. Ho, the Chief Investment Officer and Executive Director of the Company, owns 44,000 Shares and is interested in 4,464,000 options at an exercise price of HK\$0.98 per Share to subscribe for Shares. Mr. Ho is also deemed to have interest in 218,750,000 underlying Shares as mentioned in note 7 below.

6. Mr. Chang, an Executive Director of the Company, is interested in 4,464,000 options at an exercise price of HK\$0.98 per Share to subscribe for Shares. Mr. Chang is also deemed to have interest in 218,750,000 underlying Shares as mentioned in note 7 below.
7. Abundant Star Ventures Limited (“Abundant Star”) and Vantage Edge Limited (“Vantage Edge”) own 125,000,000 and 93,750,000 underlying Shares, which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK\$100,000,000 and HK\$75,000,000, respectively.

Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interest in 218,750,000 underlying Shares of which Abundant Star and Vantage Edge were deemed to be interested by virtue of the SFO since they indirectly own 56% through Billion Power Management Limited, 23% through Elite Honour Investments Limited and 21% through Genius Link Assets Management Limited, respectively, of the issued share capital in AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II L.P.. AID Partners Capital II L.P. is a private equity fund interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Abundant Star and Vantage Edge.

8. Ms. Yang Shengrong owns 2,425,000 RCPS of which can be converted into 47,886,075 Shares at conversion price of HK\$0.79 per Share (reset on 14 March 2014).
9. Mr. Shiu owns 27,631,578 underlying Shares, which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK\$21,000,000, Mr. Shiu is interested in 500,000 options at an exercise price of HK\$0.94 per Share to subscribe for Shares.

(ii) Short positions

No person held short positions in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

Save as disclosed above, as at 30 September 2014, the Directors of the Company were not aware of any other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 30 September 2014, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

(C) Potential Competition from HMV Hong Kong Limited

HMV Hong Kong Limited (“HMV HK”) is indirect wholly-owned by AID Partners Capital II, L.P.. AID Partners Capital II, L.P. is controlled by AID Partners GP2, Ltd, which is ultimately controlled by Mr. Wu and in which Mr. Ho and Mr. Chang are directors. HMV HK has been granted an exclusive license by HMV (IP) Limited, a third party independent of the Group, to use the well-known brand name “HMV” within the territory of the PRC, Hong Kong, Macau Special Administrative Region, Taiwan and Singapore. HMV HK also operates retail stores in Hong Kong selling music, movie and television series related contents and products.

The Directors do not consider that there is a material overlap of the Group’s business of managing the HMV retail store in Central in Hong Kong and the business of HMV HK as set out above, except that the Group and/or HMV HK may benefit from any increase in popularity of the brand name “HMV”, which may be contributed by the Group or HMV HK.

The Directors are of the view that any potential conflict of interest would be effectively mitigated given that the operations of the Group and HMV HK are operated separately and independently by the respective board of directors, performing their fiduciary duties and providing their oversight to safeguard the interests of their respective shareholders. In the event of any conflict of interests, Mr. Wu, Mr. Ho and Mr. Chang would be required to abstain from voting on the relevant resolution(s) at meetings of the Board and/or general meetings of the Company (as the case may be), in accordance with the articles of association of the Company, which complies with the GEM Listing Rules.

As at the Latest Practicable Date, save as disclosed above and so far as the Directors were aware, none of the other Directors or their respective associates were interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

(D) Share Option Schemes

The Company’s share option scheme which was adopted on 27 March 2002 (the “2002 Share Option Scheme”) was expired and a new share option scheme (the “2014 Share Option Scheme”) was adopted by an ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company on 15 April 2014 (the “Adoption Date”). The 2014 Share Option Scheme constitutes a share option scheme governed by Chapter 23 of the GEM Listing Rules and will remain in force for 10 years from the Adoption Date.

Upon the expiry of the 2002 Share Option Scheme, no further option can be offered thereunder but any options granted prior to such expiry but not yet exercised shall continue to be valid and exercisable.

The Company operates both the 2002 Share Option Scheme and the 2014 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Pursuant to the 2014 Share Option Scheme, the directors of the Company may grant options to eligible participants persons (as defined in the 2014 Share Option Scheme) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

2002 Share Option Scheme

The remaining share options granted under the 2002 Share Option Scheme are for other eligible participants and are exercisable as follows:

- (a) the first 30% of the options between the first and tenth anniversary of the date of grant;
- (b) the next 30% of the options between the second and tenth anniversary of the date of grant; and
- (c) the remaining options between the third and tenth anniversary of the date of grant.

The following table sets out information relating to the 2002 Share Option Scheme:

| Date of grant (dd/mm/yyyy) | Exercise price HK\$ | Exercise period (dd/mm/yyyy) | Number of share options | | | | |
|-------------------------------|---------------------------|---------------------------------|---------------------------------------|---------------------------------|-----------------------------------|--|--|
| | | | Balance as at 1 January 2014 | Granted during the period | Exercised during the period | Cancelled/ lapsed during the period | Balance as at 30 September 2014 |
| 24/03/2006 | 57.054 | 24/03/2007 to 23/03/2016 | 269,916 | – | – | – | 269,916 |
| 26/04/2006 | 57.054 | 26/04/2007 to 25/04/2016 | 809,756 | – | – | – | 809,756 |
| 29/01/2007 | 27.045 | 29/01/2008 to 28/01/2017 | 134,956 | – | – | – | 134,956 |
| 11/02/2008 | 13.337 | 11/02/2009 to 10/02/2018 | 708,543 | – | – | – | 708,543 |
| 29/12/2008 | 1.334 | 29/12/2009 to 28/12/2018 | 269,916 | – | – | – | 269,916 |
| 07/10/2010 | 1.171 | 07/10/2011 to 06/10/2020 | 2,321,300 | – | – | (715,284) | 1,606,016 |
| 16/03/2012 | 1.206 | 16/03/2013 to 15/03/2022 | 4,325,000 | – | – | (925,000) | 3,400,000 |
| 14/05/2012 | 1.136 | 14/05/2013 to 13/05/2022 | 980,000 | – | – | – | 980,000 |
| | | | <u>9,819,387</u> | <u>–</u> | <u>–</u> | <u>(1,640,284)</u> | <u>8,179,103</u> |

No option granted under the 2002 Share Option Scheme had been exercised during the nine months ended 30 September 2014.

During the nine months ended 30 September 2014, 1,640,284 options were lapsed.

2014 Share Option Scheme

| Date of grant (dd/mm/yyyy) | Grantees | Exercise periods (Notes) | Number of share options | | | | | | | Exercise price per share HK\$ | |
|-------------------------------|-----------------------------------|--------------------------------|---------------------------------------|--|---------------------------------|-----------------------------------|--------------------------------|--|--|--|------|
| | | | Balance as at 1 January 2014 | Transferred from other category on 23 May 2014 | Granted during the period | Exercised during the period | Lapsed during the period | Transferred to other category on 23 May 2014 | Balance as at 30 September 2014 | | |
| 15/05/2014 | Directors | (1), (5) and (6) | - | 9,128,000 | - | (200,000) | - | - | - | 8,928,000 | 0.98 |
| 20/06/2014 | Directors | (2) and (7) | - | - | 11,426,000 | - | - | - | - | 11,426,000 | 0.94 |
| | | | - | 9,128,000 | 11,426,000 | (200,000) | - | - | - | 20,354,000 | |
| 15/05/2014 | Other eligible participants | (1), (3), (5) and (6) | - | - | 11,528,000 | (500,000) | - | (9,128,000) | - | 1,900,000 | 0.98 |
| 20/06/2014 | Other eligible participants | (4) and (7) | - | - | 10,450,000 | (594,000) | (803,000) | - | - | 9,053,000 | 0.94 |
| | | | - | - | 21,978,000 | (1,094,000) | (803,000) | (9,128,000) | - | 10,953,000 | |
| | Total | | - | 9,128,000 | 33,404,000 | (1,294,000) | (803,000) | (9,128,000) | - | 31,307,000 | |

Notes:

- (1) Exercisable from 15 May 2014 to 14 May 2024.
- (2) Divided into two tranches exercisable from 20 June 2014 and 20 June 2015, respectively to 19 June 2024.
- (3) Divided into two tranches exercisable from 15 May 2014 and 15 May 2015, respectively to 14 May 2024.
- (4) Divided into four tranches exercisable from 20 June 2014, 1 January 2015, 20 June 2015 and 1 January 2016, respectively to 19 June 2024.
- (5) Mr. Chang and Mr. Ho were appointed as Directors of the Company on 23 May 2014, such share options were transferred from the category of “Other eligible participants” to “Directors”.

- (6) The closing price of the Shares quoted on the Stock Exchange on 14 May 2014, being the business date immediately before the date on which share options were granted, was HK\$0.97.
- (7) The closing price of the Shares quoted on the Stock Exchange on 19 June 2014, being the business date immediately before the date on which share options were granted, was HK\$0.95.

33,404,000 options were granted under the 2014 Share Option Scheme during the nine months ended 30 September 2014.

During the nine months ended 30 September 2014, 803,000 options were lapsed.

The fair value of the options granted during the nine months ended 30 September 2014, measured at the date of grant, totalled approximately HK\$26,260,000. The weighted average remaining contractual life of the options outstanding as at 30 September 2014 was approximately 9.24 years.

Share-based compensation expense of HK\$21,750,000 was recognised in the unaudited consolidated statement of profit or loss for the nine months ended 30 September 2014.

AUDIT COMMITTEE

The Company established an audit committee on 31 March 2000 with the written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive directors, Messrs. Yuen Kwok On, Shi Jinsheng and Sin Hendrick. The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control systems.

The audit committee meets at least quarterly with the most recent meeting held on 7 November 2014. The unaudited consolidated financial information of the Company for the nine months ended 30 September 2014 has been reviewed by the audit committee.

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

The Company has not redeemed any of its shares during the nine months ended 30 September 2014 and 30 September 2013. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the nine months ended 30 September 2014 and 30 September 2013.

By Order of the Board
CROSBY CAPITAL LIMITED
Wu King Shiu, Kelvin
Executive Director

Hong Kong, 7 November 2014

As at the date of this announcement, the Directors of the Company are:

Executive Directors: *Chang Tat Joel, Ho Gilbert Chi Hang, Huang Kenian, Wang Dayong and Wu King Shiu, Kelvin*

Non-Executive Director: *Stephen Shiu Junior*

Independent Non-Executive Directors: *Shi Jinsheng, Sin Hendrick and Yuen Kwok On*

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of Crosby Capital Limited at www.crosbycapitallimited.com.