

# CROSBY

## CROSBY CAPITAL LIMITED

(高誠資本有限公司)\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8088)

### INTERIM RESULTS

### FOR THE SIX MONTHS ENDED 30 JUNE 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.**

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\* 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 six months under review, the Group has continued to engage in the business 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 six 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 six 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 six months under review accordingly.

The Group reported a loss attributable to owners of the Company for the six months under review of HK\$47.0 million as compared to a loss of HK\$20.0 million for the corresponding period last year, in which a loss of HK\$15.7 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\$0.7 million for the six months under review (2013: gain of HK\$5.6 million), the loss attributable to owners of the Company from continuing operations for the six months under review was HK\$46.3 million (2013: HK\$21.3 million).

Revenue from continuing operations for the six months under review increased to HK\$14.8 million from that of HK\$7.3 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 six months under review were HK\$54.5 million as compared to HK\$19.6 million for the corresponding period last year. The increase in total operating expenses was mainly attributable to the share-based compensation expense of HK\$20.2 million and operating expenses of HMV Ideal Group of approximately HK\$16.2 million incurred for the six 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 interim financial report. The comparative figures in this interim report 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 June 2014, or the results and cash flows of the Group for periods ended 30 June 2013 and 2014.

## **FINANCIAL POSITION AND RESOURCES**

### **Liquidity**

As at 30 June 2014, the Group had cash and bank balances of HK\$170.3 million and net current assets of HK\$105.2 million, increased from HK\$18.7 million and net current liabilities of HK\$53.7 million as at 31 December 2013, respectively.

### **Significant Capital Assets and Investments**

The Group's office premises located at AXA Centre in Wanchai, Hong Kong, which were purchased in March 2011, represented its major capital asset. The net carry amount of this leasehold land and buildings as at 30 June 2014 was HK\$70.6 million (31 December 2013: HK\$71.6 million).

Upon the subscription and acquisition of 64.54% equity interest in HMV Ideal, intangible assets of HK\$50.8 million were acquired and details of the intangible assets are set out in Note 16 to the unaudited condensed interim financial information. As at 30 June 2014, the Group had available-for-sale investment of HK\$0.8 million as compared to HK\$10.0 million as at 31 December 2013.

## Gearing

### (a) *Convertible Bonds*

As allowed under the terms of the old 5-year Zero Coupon Convertible Bonds issued in 2006 (the “2006 Convertible Bonds”), the Company entered into a Deed of Settlement with the holders of these 2006 Convertible Bonds to repurchase the outstanding balance of US\$20 million, for a consideration of US\$20 million in cash financed by the issue of the 2010 Convertible Bonds as detailed below and an aggregate of 60,000,000 warrants issued by the Company. All these outstanding 2006 Convertible Bonds were then cancelled in October 2010.

#### 2010 Convertible Bonds

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place new 5-year Zero Coupon Convertible Bonds with an aggregate principal amount of up to HK\$250 million (the “2010 Convertible Bonds”), comprising Tranche 1 of principal amount up to HK\$160 million (the “Tranche 1 Convertible Bonds”) and Tranche 2 of principal amount up to HK\$90 million (the “Tranche 2 Convertible Bonds”), subject to certain conditions. On 4 October 2010, with the fulfilment of all conditions required for Tranche 1 Convertible Bonds, the Company issued the Tranche 1 Convertible Bonds, HK\$156 million of which was used to finance the repurchase of the convertible bonds previously issued in March 2006 as detailed in the Company’s 2010 Annual Report. On 30 March 2011, with the fulfilment of all conditions required for Tranche 2 Convertible Bonds, the Company further issued the Tranche 2 Convertible Bonds, the proceeds of which was used to finance the purchase of the office premises together with the mortgage bank loan.

The terms and conditions of the Tranche 2 Convertible Bonds are the same as those of the Tranche 1 Convertible Bonds, which were also detailed in Note 23 to the unaudited condensed interim financial information. In accordance with the terms and conditions thereof, the conversion price was reset on 4 April 2011, 4 October 2011 and 4 April 2013, and the prevailing conversion price is HK\$0.76 per share which was adjusted upon completion of the subscription and acquisition of 64.54% equity interest in HMV Ideal on 24 February 2014.

On 16 April 2012, principal amount of HK\$35,000,000 of the 2010 Convertible Bonds was converted into 37,634,408 ordinary shares of the Company at the conversion price of HK\$0.93 per share.

During the year ended 31 December 2013, principal amount of HK\$171,000,000 of the 2010 Convertible Bonds was converted into 219,230,761 ordinary shares of the Company at the conversion price of HK\$0.78 per share.

During the six months under review, principal amount of HK\$10,000,000 of the 2010 Convertible Bonds was converted into 13,157,894 ordinary shares of the Company at the conversion price of HK\$0.76 per share and principal amount of HK\$10,000,000 of the 2010 Convertible Bonds was redeemed by the Company.

#### 2014 Convertible Bonds

In April 2014, the Company entered into a subscription agreement with Abundant Star Ventures Limited (“Abundant Star”) and Vantage Edge Limited (“Vantage Edge”, collectively the “Subscribers”), pursuant to which the Subscribers agreed to subscribe two 3-year 5% Coupon Convertible Bonds with an aggregate principal amount of HK\$175,000,000 (the “2014 Convertible Bonds”) in the proportion of HK\$100,000,000 and HK\$75,000,000, respectively, subject to certain conditions. On 13 June 2014, with the fulfilment of all conditions required for the 2014 Convertible Bonds, the Company issued the 2014 Convertible Bonds to Abundant Star and Vantage Edge, respectively. The net proceeds from the issue of 2014 Convertible Bonds, after deducting professional fees and other related expenses, is estimated to be approximately HK\$174,400,000. The Company intends to apply the net proceeds arising from the issue of 2014 Convertible Bonds in the following manner:

- (i) approximately HK\$5 million for the operation of the HMV retail store in Central;
- (ii) approximately HK\$5 million for the renovations to the HMV retail store in Central;
- (iii) approximately HK\$3 million for the anticipated music licence rights fees that will be payable to music records companies in relation to the business that HMV Master Quality Sound Limited (a wholly-owned subsidiary of HMV Ideal) will operate;
- (iv) approximately HK\$3 million for the operation of the online business;
- (v) approximately HK\$3 million for marketing and public relations;
- (vi) approximately HK\$100 million for potential investment opportunities, as the Company intends to expand its business to, among others, investment in O2O (online to offline) lifestyle and mobile entertainment sectors, by way of acquisition of and/or collaboration with:
  - (a) online music content provider;
  - (b) video on demand service provider;

- (c) mobile/web games publisher(s) and developer(s); and
- (d) online fashion social media and e-commerce platform,

which are currently estimated to be approximately HK\$25 million each, subject to negotiations. Based on the initial feasibility study of the Company, the Company considers that the strategy to acquire high growth and medium sized businesses to be in the best interests of the Company and its shareholders as a whole and the acquisition of or collaboration with three to four such businesses will be likely to achieve the integrated online and offline business ecology in the entertainment and lifestyle sector that the Group intends to build in the short to medium run. Based on the initial feasibility study, controlling stakes in high growth and medium sized businesses in the aforementioned sectors would cost not less than approximately HK\$25 million. Accordingly, an aggregate of not less than HK\$100 million is estimated to be required to acquire four such businesses of each nature as listed in (a) to (d) above, in order for the Company to expand its business as aforementioned; and

- (vii) the remaining balance for the general working capital of the Group.

The terms and conditions of the 2014 Convertible Bonds are also detailed in Note 23 to the unaudited condensed interim financial information. The initial conversion price is HK\$0.80 per share, subject to adjustment.

The embedded derivatives in 2010 Convertible Bonds, 2014 Convertible Bonds and warrants issued on the repurchase of the 2006 Convertible Bonds were disclosed as financial liabilities at fair value through profit or loss as set out in Note 22 to the unaudited condensed interim financial information.

(b) *Notes payable*

In October and November 2013, promissory notes of the total principal amount of HK\$6,840,000 were issued as incentive fee payable to bondholders who exercised their rights to convert the 2010 Convertible Bonds into ordinary shares of the Company on or before 30 November 2013. The principal amount of the promissory note was arrived at based on 4% of the principal value of the 2010 Convertible Bonds. The promissory notes are due in 12 months period from the dates of issuance.

(c) *Bank loans*

Bank property instalment loans totaling HK\$30,000,000 and HK\$10,000,000 were raised in 2011 and 2014, respectively. The loans are secured by the office premises located at AXA Centre, Wanchai, Hong Kong and corporate guarantee by the Company of unlimited amount. As at 30 June 2014, the total outstanding amount was HK\$34,214,000.

*(d) Loans from a director*

During the six months under review, Mr. Wu King Shiu, Kelvin, an Executive Director of the Company, provided loans in an aggregate amount of HK\$11,600,000 to certain subsidiaries of the Company. The loans are in the principal amounts of HK\$1,600,000, HK\$2,500,000 and HK\$7,500,000, and are unsecured, non-interest bearing, and repayable on 24 March 2015, 27 April 2015 and 28 May 2015 respectively.

At 30 June 2014, the Group had no other significant debt.

### **Charges**

There are no significant charges on the Group's investments and assets other than those on the office premises.

### **Commitments and Contingent Liabilities**

As at 30 June 2014, the Group had no significant commitments, other than capital commitments and those under operating leases for the rental of its other office premises and HMV retail store in Central as set out in Note 27 to the unaudited condensed interim financial information and no significant contingent liabilities, including pension obligations, other than those as set out in Note 28 to the unaudited condensed interim financial information.

### **Equity Structure**

An analysis of the movements in equity during the period is provided in the unaudited consolidated statement of changes in equity on page 21 of the unaudited condensed interim financial information.

As at 30 June 2014, the total issued ordinary share capital of the Company was 457,719,861 shares, increased from 384,561,967 ordinary shares as at 31 December 2013 due to: (i) the conversion of 2010 Convertible Bonds; and (ii) the issue of consideration shares upon the subscription and acquisition of 64.54% equity interest in HMV Ideal during the six months under review, and 10,019,790 Redeemable Convertible Preference Shares, same as those as at 31 December 2013. Details of the movement in share capital of the Company are set out in Note 24 to the unaudited condensed interim financial information.

Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the six months under review.

As at 30 June 2014, the Company had 8,179,103 options outstanding under the Company's 2002 Share Option Scheme of which 6,427,103 options were exercisable.

As at 30 June 2014, the Company had 33,404,000 options outstanding under the Company's 2014 Share Option Scheme of which 25,229,000 options were exercisable. The Company can grant a further 11,052,196 options pursuant to the existing shareholder mandate limit.

Non-controlling interests in the unaudited consolidated statement of financial position represented the 35.46% non-controlling shareholders' interest in HVM Ideal.

## **EMPLOYEE INFORMATION**

As at 30 June 2014, the Group had 55 full-time employees (31 December 2013: 21). Details of the directors' and employees' remuneration during the six months under review are provided in Note 7 to the unaudited condensed interim financial information.

The remuneration packages of the Group's directors and employees are kept at a competitive level to attract, retain and motivate directors and employees of the quality required to run the Group successfully. In general, remuneration consists of a combination of a fixed salary paid in cash and a performance linked bonus paid in cash and options. A portion of the bonus may be deferred subject to the achievement of certain pre-determined targets and conditions. The Group's remuneration policies and practices are reviewed regularly.

## **FOREIGN CURRENCY EXPOSURE**

The Group's exposure to foreign currencies is limited to foreign currency denominated financial assets and liabilities at fair value through profit or loss where the foreign currency risk is managed as an integral part of the investment return.



## **CORPORATE GOVERNANCE REPORT**

### **(a) Corporate Governance Practices**

Throughout the period of the six months ended 30 June 2014, the Company has complied with the code provisions (“Code Provisions”) as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules, except for the following deviation:

#### *Code Provision A.2.1*

Code Provision A.2.1 provides that the roles of the Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual.

Following the step down of Mr. Clive Ng Cheang Neng from the office of Chairman and an Executive Director of the Company on 20 June 2014, the Company has not appointed Chairman, and the roles and functions of the Chairman have been performed by all the Executive Directors of the Company collectively.

Mr. Wu King Shiu, Kelvin has been appointed as Chief Executive Officer of the Company with effect from 23 May 2014.

### **(b) Rule 5.05A of the GEM Listing Rules**

Rule 5.05A of the GEM Listing Rules provides that an issuer must appoint independent non-executive directors representing at least one-third of the board.

Following the appointment of Mr. Wu King Shiu, Kelvin, Mr. Chang Tat Joel and Mr. Ho Gilbert Chi Hang as Executive Directors of the Company on 23 May 2014, the number of Independent Non-Executive Directors of the Company fell below one-third of the total number of directors in the board of the Company.

After the resignation of Mr. Clive Ng Cheang Neng as Chairman and Executive Director of the Company on 20 June 2014, the Company has fulfilled the requirement on the number of independent non-executive directors of the Company as required under Rules 5.05A of the GEM Listing Rules.

### **(c) Directors’ Securities Transactions**

- (i) The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.
- (ii) Having made specific enquiries of all Directors of the Company, the Company is satisfied that the Directors of the Company have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules, and with the Company’s code of conduct regarding Directors’ securities transactions.

## DISCLOSURE OF INTERESTS

### (a) Director's Interests

As at 30 June 2014, the interests of the Directors or any chief executive of the Company in the shares and underlying shares of the Company and any of its associated corporations as recorded in the register were:

#### (i) *Interests in the ordinary shares of the Company*

Name of Director	Personal interest	Family interest	Corporate interest	Aggregate long position in ordinary shares of the Company	Percentage which the aggregate long position in ordinary shares represents to the total ordinary shares of the Company in issue %
Mr. Wu King Shiu, Kelvin ( <i>Note</i> )	2,400,000	27,600,000	–	30,000,000	6.55

*Note:* Mr. Wu King Shiu, Kelvin (“Mr. Wu”) owns 2,400,000 ordinary shares of the Company and HMV Asia Limited (“HMV Asia”) owns 27,600,000 ordinary shares of the Company. 93.75% of the shares 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 of the Company*

(a) Outstanding options

Name of Directors	Date of grant (dd/mm/yyyy)	Exercise price HK\$	Exercise period (dd/mm/yyyy)	Balance	Granted	Exercised	Cancelled/ lapsed	Balance
				as at 1 January 2014	during the period	during the period	during the period	as at 30 June 2014
Chang Tat Joel	15/05/2014	0.98	15/05/2014 to 14/05/2024	-	4,564,000	-	-	4,564,000
Ho Gilbert Chi Hang	15/05/2014	0.98	15/05/2014 to 14/05/2024	-	4,564,000	-	-	4,564,000
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
Wu King Shiu, Kelvin	20/06/2014	0.94	20/06/2014 to 19/06/2024	-	4,576,000	-	-	4,576,000
Stephen Shiu Junior	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 19/06/2014	-	450,000	-	-	450,000
Sin Hendrick	20/06/2014	0.94	20/06/2014 to 19/06/2014	-	450,000	-	-	450,000
Yuen Kwok On	20/06/2014	0.94	20/06/2014 to 19/06/2014	-	450,000	-	-	450,000

(b) Outstanding convertible bonds

Name of Directors	Conversion price HK\$	Aggregate long position in underlying shares of the Company	Percentage which the aggregate long position in underlying shares of the Company represents to the total ordinary share capital of the Company in issue %
Chang Tat Joel ( <i>Note</i> )	0.80	218,750,000	47.79
Ho Gilbert Chi Hang ( <i>Note</i> )	0.80	218,750,000	47.79
Wu King Shiu, Kelvin ( <i>Note</i> )	0.80	218,750,000	47.79

*Note:*

Abundant Star Ventures Limited (“Abundant Star”) and Vantage Edge Limited (“Vantage Edge”) own 125,000,000 and 93,750,000 underlying shares of the Company, 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 King Shiu, Kelvin, Mr. Ho Gilbert Chi Hang and Mr. Chang Tat Joel were deemed to have interest in 218,750,000 underlying shares of the Company 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 Abundant Star and Vantage Edge.

(c) Other underlying shares

Mr. Wu King Shiu, Kelvin also owns 14,700,000 underlying shares of the Company by virtue of an agreement entered between Mr. Wu King Shiu, Kelvin and an independent third party.

(iii) *Short positions*

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

Save as disclosed above, as at 30 June 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 June 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 of the Company 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 ordinary shares and underlying shares of the Company*

Name	Aggregate long position in ordinary shares of the Company	Aggregate long position in underlying shares of the Company	The total long position in ordinary shares and underlying shares to the total ordinary share capital of the Company in issue %
<b>Substantial Shareholders</b>			
Wu King Shiu, Kelvin ( <i>Notes 1 and 7</i> )	30,000,000	238,026,000	58.55
Li Mau ( <i>Notes 1 and 7</i> )	30,000,000	238,026,000	58.55
Able Supreme Management Limited ( <i>Note 2</i> )	45,818,745	126,152,658	37.57
Billion Pine International Limited ( <i>Note 2</i> )	45,818,745	126,152,658	37.57
Hu Yin ( <i>Note 2</i> )	45,818,745	126,152,658	37.57
Main Wealth Enterprises Limited ( <i>Note 3</i> )	66,195,221	–	14.46
Feng Yuantao ( <i>Note 3</i> )	66,195,221	–	14.46
Legend Vantage Limited ( <i>Note 4</i> )	57,874,051	–	12.64
Li Guangrong ( <i>Note 4</i> )	57,874,051	–	12.64
HMV Asia Limited ( <i>Note 1</i> )	27,600,000	–	6.02
<b>Other Persons</b>			
Chang Tat Joel ( <i>Notes 5 and 7</i> )	–	223,314,000	48.78
Ho Gilbert Chi Hang ( <i>Notes 6 and 7</i> )	–	223,314,000	48.78
AID Partners Capital II, L.P. ( <i>Note 7</i> )	–	218,750,000	47.79
AID Partners GP2, Ltd. ( <i>Note 7</i> )	–	218,750,000	47.79
Billion Power Management Limited ( <i>Note 7</i> )	–	218,750,000	47.79
Elite Honour Investments Limited ( <i>Note 7</i> )	–	218,750,000	47.79
Genius Link Assets Management Limited ( <i>Note 7</i> )	–	218,750,000	47.79
Abundant Star Ventures Limited ( <i>Note 7</i> )	–	125,000,000	27.30
Vantage Edge Limited ( <i>Note 7</i> )	–	93,750,000	20.48
Indra Enterprises Limited ( <i>Note 8</i> )	–	27,631,578	6.03
Sino Realm Group Limited ( <i>Note 8</i> )	–	27,631,578	6.03
SkyOcean International Holdings Limited ( <i>Note 8</i> )	–	27,631,578	6.03

*Notes:*

1. Mr. Wu King Shiu, Kelvin (“Mr. Wu”), the Chief Executive Officer and Executive Director of the Company, owns 2,400,000 ordinary shares of the Company and HMV Asia Limited (“HMV Asia”) owns 27,600,000 ordinary shares of the Company. 93.75% of the shares 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. Mr. Wu was granted 4,576,000 options at an exercise price of HK\$0.94 per share to subscribe for ordinary shares of the Company on 20 June 2014. 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.
2. Able Supreme Management Limited (“Able Supreme”) held 45,818,745 ordinary shares of the Company and 126,152,658 ordinary shares of the Company which will be allotted and issued upon full conversion of 6,388,500 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.
3. Main Wealth Enterprises Limited (“Main Wealth”) owns 66,195,221 ordinary shares of the Company. 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.
4. Legend Vantage Limited (“Legend Vantage”) owns 57,874,051 ordinary shares of the Company. Mr. Li Guangrong is deemed to be interested in these shares through his 100% interests in Legend Vantage.
5. Mr. Chang Tat Joel (“Mr. Chang”), an Executive Director of the Company, was granted 4,564,000 options at an exercise price of HK\$0.98 per share to subscribe for ordinary shares of the Company on 15 May 2014. Mr. Chang is also deemed to have interest in 218,750,000 underlying shares as mentioned in note 7 below.
6. Mr. Ho Gilbert Chi Hang (“Mr. Ho”), the Chief Investment Officer and Executive Director of the Company, was granted 4,564,000 options at an exercise price of HK\$0.98 per share to subscribe for ordinary shares of the Company on 15 May 2014. Mr. Ho 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 Abundant Star and Vantage Edge.

8. Indra Enterprises Limited (“Indra”) 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 \$21,000,000 at conversion price of HK\$0.76 per share (reset on 24 February 2014). The entire issued share capital of Indra is held by Sino Realm Group Limited (“Sino Realm”), and the entire issued share capital of Sino Realm is held by SkyOcean International Holdings Limited.

*(ii) Short positions*

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

Save as disclosed above, as at 30 June 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 of the Company 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 June 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 Asia Limited**

HMV Asia Limited (“HMV Asia”) through its subsidiaries, operates retail stores selling music, movie and television series related contents and products. HMV Asia also operates an HMV Kafé and an HMV Kid Center in Hong Kong. HMV Hong Kong Limited, a wholly-owned subsidiary of HMV Asia, has been granted an exclusive license by HMV (IP) Limited, a third party independent of the Group and HMV Asia, to use the well-known brand name “HMV” within the territory of the PRC, Hong Kong, Macau, Taiwan and Singapore.

HMV Asia owns 27,600,000 ordinary shares of the Company (the “Shares”) and Mr. Wu King Shiu, Kelvin (“Mr. Wu”), an Executive Director of the Company, owns 2,400,000 Shares. 93.75% of the shares of HMV Asia are held by Ms. Li Mau (“Ms. Li”), the spouse of Mr. Wu. Accordingly, Ms. Li is deemed to be interested in the Shares held by HMV Asia and Mr. Wu is deemed to be interested in the Shares held by HMV Asia. Both Ms. Li and Mr. Wu are directors of HMV Asia.

The directors of the Company do not consider that there is a material overlap of the Group’s business of managing the HMV retail store in Central and the business of HMV Asia and its subsidiaries (collectively, the “HMV Asia Group”) as set out above, except that the Group and/or HMV Asia Group may benefit from any increase in popularity of the brand name “HMV”, which may be contributed by the Group or HMV Asia Group.

The directors of the Company are of the view that any potential conflict of interest would be effectively mitigated given that the operations of the Group and the HMV Asia Group 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 would be required to abstain from the relevant resolution in accordance with the articles of association of the Company, which complies with the GEM Listing Rules.

Save as disclosed above and so far as the directors of the Company are aware, none of the other directors of the Company 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.



## RESULTS

The board of directors (the “Board”) of the Company announces the unaudited consolidated results of the Group for the six months and three months ended 30 June 2014, together with the comparative unaudited figures of the corresponding periods in 2013, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months and three months ended 30 June 2014

		Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
		2014	2013	2014	2013
			(Re- presented)		(Re- presented)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>					
<b>Revenue</b>	5	<b>14,799</b>	7,257	<b>8,294</b>	2,457
Cost of sales		<u>(8,544)</u>	<u>945</u>	<u>(5,742)</u>	<u>2,090</u>
<b>Gross profit</b>		<b>6,255</b>	8,202	<b>2,552</b>	4,547
(Loss)/Gain on financial liabilities at fair value through profit or loss		(733)	5,574	(2,835)	6,232
Other income	6	662	211	541	47
Distribution and selling expenses		(11,252)	–	(8,911)	–
Administrative expenses		(40,987)	(18,262)	(33,392)	(7,878)
Other operating expenses		<u>(2,251)</u>	<u>(1,378)</u>	<u>(2,002)</u>	<u>(811)</u>
<b>(Loss)/Profit from operations</b>		<b>(48,306)</b>	(5,653)	<b>(44,047)</b>	2,137
Finance costs	8	<u>(2,747)</u>	<u>(9,966)</u>	<u>(1,490)</u>	<u>(5,085)</u>
<b>Loss before taxation</b>	9	<b>(51,053)</b>	(15,619)	<b>(45,537)</b>	(2,948)
Taxation	10	<u>–</u>	<u>(61)</u>	<u>–</u>	<u>–</u>
Loss for the period from continuing operations		<b>(51,053)</b>	(15,680)	<b>(45,537)</b>	(2,948)
<b>Discontinued operations</b>					
Loss for the period from discontinued operations	11	<u>–</u>	<u>(4,836)</u>	<u>–</u>	<u>(1,022)</u>
<b>Loss for the period</b>		<b><u>(51,053)</u></b>	<b><u>(20,516)</u></b>	<b><u>(45,537)</u></b>	<b><u>(3,970)</u></b>

	<i>Note</i>	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
		2014 <i>HK\$'000</i>	2013 (Re- presented) <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 (Re- presented) <i>HK\$'000</i>
<b>Attributable to:</b>					
Owners of the Company					
Loss for the period from continuing operations		(46,968)	(15,680)	(42,070)	(2,948)
Loss for the period from discontinued operations		—	(4,287)	—	(1,022)
		<u>(46,968)</u>	<u>(19,967)</u>	<u>(42,070)</u>	<u>(3,970)</u>
Non-controlling interests					
Loss for the period from continuing operations		(4,085)	—	(3,467)	—
Loss for the period from discontinued operations		—	(549)	—	—
		<u>(4,085)</u>	<u>(549)</u>	<u>(3,467)</u>	<u>—</u>
<b>Loss for the period</b>		<u><b>(51,053)</b></u>	<u><b>(20,516)</b></u>	<u><b>(45,537)</b></u>	<u><b>(3,970)</b></u>
<b>Loss per share attributable to owners of the Company</b>					
	<i>12</i>	<i>HK cents</i>	(Re- presented) <i>HK cents</i>	<i>HK cents</i>	(Re- presented) <i>HK cents</i>
Basic					
Continuing operations		(10.91)	(11.38)	(9.30)	(2.14)
Discontinued operations		—	(3.11)	—	(0.74)
		<u>(10.91)</u>	<u>(14.49)</u>	<u>(9.30)</u>	<u>(2.88)</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>

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

*For the six months and three months ended 30 June 2014*

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the period</b>	<b>(51,053)</b>	(20,516)	<b>(45,537)</b>	(3,970)
<b>Other comprehensive income:</b>				
Items that may be reclassified subsequently to profit or loss				
Available-for-sale investments				
Reclassification adjustment upon disposal of subsidiaries	–	(1,702)	–	(1,702)
Deficit on revaluation	–	(37)	–	(37)
Exchange differences on translating foreign operations	–	115	–	70
Other comprehensive income for the period, net of tax	–	(1,624)	–	(1,669)
<b>Total comprehensive income for the period, before and net of tax</b>	<b><u>(51,053)</u></b>	<b><u>(22,140)</u></b>	<b><u>(45,537)</u></b>	<b><u>(5,639)</u></b>
<b>Attributable to:</b>				
Owners of the Company	<b>(46,968)</b>	(21,591)	<b>(42,070)</b>	(5,639)
Non-controlling interests	<b><u>(4,085)</u></b>	<u>(549)</u>	<b><u>(3,467)</u></b>	<u>–</u>
<b>Total comprehensive income for the period, before and net of tax</b>	<b><u>(51,053)</u></b>	<b><u>(22,140)</u></b>	<b><u>(45,537)</u></b>	<b><u>(5,639)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2014*

		<b>Unaudited 30 June 2014</b>	Audited 31 December 2013 (Re- presented)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	74,946	74,378
Prepayments for acquisition of property, plant and equipment		4,993	–
Available-for-sale investment	15	814	10,000
Intangible assets	16	50,800	–
Goodwill	17	25,987	–
		<b>157,540</b>	<b>84,378</b>
<b>Current assets</b>			
Inventories		518	–
Trade and other receivables	18	2,956	3,462
Cash and cash equivalents		170,253	18,694
		<b>173,727</b>	<b>22,156</b>
<b>Current liabilities</b>			
Trade and other payables	19	5,581	3,367
Notes payable		6,694	6,472
Borrowings	20	10,274	9,611
Financial liabilities at fair value through profit or loss	22	8,964	11,878
Convertible bonds	23	25,407	44,511
Loans from a director		11,600	–
		<b>68,520</b>	<b>75,839</b>
<b>Net current assets/(liabilities)</b>		<b>105,207</b>	<b>(53,683)</b>
<b>Total assets less current liabilities</b>		<b>262,747</b>	<b>30,695</b>
<b>Non-current liabilities</b>			
Borrowings	20	31,563	23,117
Financial liabilities at fair value through profit or loss	22	15,551	375
Convertible bonds	23	153,806	–
Deferred tax liabilities		8,382	–
		<b>209,302</b>	<b>23,492</b>
<b>Net assets</b>		<b>53,445</b>	<b>7,203</b>
<b>EQUITY</b>			
<b>Share capital</b>	24	35,702	29,996
<b>Reserves</b>	25	6,881	(22,793)
<b>Equity attributable to owners of the Company</b>		<b>42,583</b>	<b>7,203</b>
<b>Non-controlling interests</b>		<b>10,862</b>	–
<b>Total equity</b>		<b>53,445</b>	<b>7,203</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Total equity/(Capital deficiency) attributable to owners of the Company										Non-controlling interests	Total equity/(Capital deficiency)
	Share capital	Share premium	Convertible bonds equity reserve	Capital reserve	Capital redemption reserve	Share-based compensation reserve	Investment revaluation reserve	Foreign exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
At 1 January 2014 (Audited)	29,996	212,885	-	2,112	601	36,109	-	231	(274,731)	7,203	-	7,203
Share-based compensation	-	-	-	-	-	20,166	-	-	-	20,166	-	20,166
Issue of convertible bonds	-	-	6,907	-	-	-	-	-	-	6,907	-	6,907
Issue of shares upon conversion of convertible bonds	1,026	11,786	-	-	-	-	-	-	-	12,812	-	12,812
Issue of consideration shares	4,680	38,520	-	-	-	-	-	-	-	43,200	-	43,200
Share issue expense	-	(506)	-	-	-	-	-	-	-	(506)	-	(506)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	14,947	14,947
Transactions with owners	5,706	49,800	6,907	-	-	20,166	-	-	-	82,579	14,947	97,526
Loss for the period	-	-	-	-	-	-	-	-	(46,968)	(46,968)	(4,085)	(51,053)
Other comprehensive income:												
Release of foreign exchange reserve upon deregistration of a subsidiary	-	-	-	-	-	-	-	(231)	-	(231)	-	(231)
Total comprehensive income for the period	-	-	-	-	-	-	-	(231)	(46,968)	(47,199)	(4,085)	(51,284)
<b>At 30 June 2014 (Unaudited)</b>	<b>35,702</b>	<b>262,685</b>	<b>6,907</b>	<b>2,112</b>	<b>601</b>	<b>56,275</b>	<b>-</b>	<b>-</b>	<b>(321,699)</b>	<b>42,583</b>	<b>10,862</b>	<b>53,445</b>
At 1 January 2013 (Audited)	10,747	3,409	-	2,112	601	34,555	1,702	50	(190,554)	(137,378)	560	(136,818)
Share-based compensation	-	-	-	-	-	874	-	-	-	874	-	874
Transactions with owners	-	-	-	-	-	874	-	-	-	874	-	874
Loss for the period	-	-	-	-	-	-	-	-	(19,967)	(19,967)	(549)	(20,516)
Other comprehensive income:												
Available-for-sale investments												
Reclassification adjustment upon disposal of subsidiaries	-	-	-	-	-	-	(1,702)	-	-	(1,702)	-	(1,702)
Deficit on revaluation	-	-	-	-	-	-	(37)	-	-	(37)	-	(37)
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	115	-	115	-	115
Total comprehensive income for the period	-	-	-	-	-	-	(1,739)	115	(19,967)	(21,591)	(549)	(22,140)
<b>At 30 June 2013 (Unaudited)</b>	<b>10,747</b>	<b>3,409</b>	<b>-</b>	<b>2,112</b>	<b>601</b>	<b>35,429</b>	<b>(37)</b>	<b>165</b>	<b>(210,521)</b>	<b>(158,095)</b>	<b>11</b>	<b>(158,084)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	<b>Unaudited</b>	
	<b>Six months</b>	
	<b>ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
		<b>(Re-</b>
		<b>presented)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash outflow from operating activities</b>		
Continuing operations	(25,527)	(16,122)
Discontinued operations	—	(10,117)
	<u>(25,527)</u>	<u>(26,239)</u>
<b>Net cash (outflow)/inflow from investing activities</b>		
Continuing operations	(6,988)	21,715
Discontinued operations	—	(647)
	<u>(6,988)</u>	<u>21,068</u>
<b>Net cash inflow/(outflow) from financing activities</b>		
Continuing operations	184,074	(4,867)
Discontinued operations	—	(5,000)
	<u>184,074</u>	<u>(9,867)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>151,559</b>	<b>(15,038)</b>
Cash and cash equivalents at beginning of the period	<u>18,694</u>	<u>23,563</u>
<b>Cash and cash equivalents at end of the period</b>	<b><u>170,253</u></b>	<b><u>8,525</u></b>
<b>Analysed into:</b>		
Continuing operations	170,253	8,463
Discontinued operations	—	62
	<u>170,253</u>	<u>8,525</u>

## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION**

### **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 Unit 502, 5th Floor, AXA Centre, 151 Gloucester 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 condensed interim 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 condensed interim 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 condensed interim 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 condensed interim 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 condensed interim 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 condensed interim financial information for the six months ended 30 June 2014 is unaudited but has been reviewed by the audit committee of the Company.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". These unaudited condensed interim financial information should be read in conjunction with the Company's 2013 Annual Report, which have been prepared in accordance with IFRSs.

The principal accounting policies adopted to prepare the unaudited condensed interim 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 interim financial 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 as at 31 December 2013 and for the six months and three months ended 30 June 2013 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 June 2014, or the results and cash flows of the Group for six months and three months ended 30 June 2013 and 2014.

### **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**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are discussed below:

### *Fair values of financial instruments*

Financial instruments (such as available-for-sale investments, financial assets and liabilities at fair value through profit or loss, redeemable convertible preference shares and convertible bonds) are initially measured at fair value. Certain financial instruments are remeasured at fair value at subsequent reporting dates. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group uses the values determined by the internal or external valuation techniques to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities requires varying degrees of judgement by management, which may result in different fair values and results. The assumptions with regard to the fair value of available-for-sale investments, redeemable convertible preference shares, financial liabilities at fair value through profit or loss and convertible bonds, detailed in Notes 15, 21, 22 and 23 to the unaudited condensed interim financial information respectively, have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year.

### *Valuations of share options granted*

The fair value of share options granted was calculated using the Binomial Option Pricing Model which requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors of the Company, the existing model will not always necessarily provide a reliable single measure of the fair value of the share options.

### *Impairment of assets*

The Group conducts impairment reviews of assets when events or changes in circumstances indicate that their carrying amounts may not be recoverable annually in accordance with relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its net selling price or the value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate.

### *Impairment of trade and other receivables*

Management determines impairment of trade and other receivables on a regular basis. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. Further information on the impairment of trade and other receivables is included in Note 18 to the unaudited condensed interim financial information.

### *Current taxation and deferred taxation*

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which the final tax outcome is determined.

Deferred tax assets relating to certain tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact, where applicable and appropriate, the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

Deferred tax liabilities arise when the carrying amounts of the identifiable assets acquired in a business combination are recognised at their fair values at the acquisition date but the tax bases of the assets remain at cost to the previous owner, therefore a taxable temporary difference arises.

## **4. SEGMENT INFORMATION**

In identifying the Group's operating segments, the management generally follows the Group's service lines which represent the main service lines provided by the Group.

The Group has identified the following reportable operating segments:

- (i) Asset management – provision of fund management and asset management. The business of asset management service engaged by certain subsidiaries was disposed of during the year ended 31 December 2013 and the comparative figures were presented as discontinued operations.
- (ii) Strategic investment – acquiring controlling stakes in companies engaging in among others, O2O (Online to Offline) lifestyle and e-commerce business.
- (iii) Direct investment – holding of available-for-sale investments (excluding investments in funds managed by the Group), loans to investee and related companies and financial assets at fair value through profit or loss. The business was ceased upon disposals of certain subsidiaries during the year ended 31 December 2013 and the comparative were presented as discontinued operations.

Each of these operating segments is managed separately as each of them requires different resources. All inter-segment transfers are carried out at arms length prices.

The chief operating decision makers, which are collectively all the Executive Directors of the Company, assesses the performance of the operating segments based on a measure of operating profit. The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs, except that:

- gain or loss on financial liabilities at fair value through profit or loss;
- share of profit of a joint venture accounted for using the equity method;
- finance costs;
- taxation; and
- certain other unallocated income and expenses

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but interests in joint venture as well as corporate assets unrelated to the business activities of any operating segment.

Revenues generated, losses incurred from operations and total assets by each of the Group's operating segments are summarised as follows:

**(a) Business Segments**

	Asset management		Strategic investment		Total	
	Unaudited Six months ended 30 June 2014 HK\$'000	Unaudited Six months ended 30 June 2013 (Re-presented) HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000	Unaudited Six months ended 30 June 2013 (Re-presented) HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000	Unaudited Six months ended 30 June 2013 (Re-presented) HK\$'000
Revenue from external customers	<u>3,255</u>	<u>7,257</u>	<u>11,544</u>	<u>–</u>	<u>14,799</u>	<u>7,257</u>
<b>Total segment loss from operations</b>	<b><u>(9,060)</u></b>	<b><u>(4,641)</u></b>	<b><u>(11,522)</u></b>	<b><u>–</u></b>	<b><u>(20,582)</u></b>	<b><u>(4,641)</u></b>
<b>Other income not allocated</b>					<b>14</b>	<b>209</b>
(Loss)/Gain on financial liabilities at fair value through profit or loss					(733)	5,574
Share-based compensation expense					(20,166)	(874)
Unallocated corporate expense					<u>(6,839)</u>	<u>(5,921)</u>
Loss from operations					<u>(48,306)</u>	<u>(5,653)</u>
Finance costs					<u>(2,747)</u>	<u>(9,966)</u>
Loss before taxation					<u>(51,053)</u>	<u>(15,619)</u>
Taxation					<u>–</u>	<u>(61)</u>
Loss for the period from continuing operations					<u>(51,053)</u>	<u>(15,680)</u>
Loss for the period from discontinued operations (Note 11)					<u>–</u>	<u>(4,836)</u>
Loss for the period					<b><u>(51,053)</u></b>	<b><u>(20,516)</u></b>

	Asset management		Strategic investment		Total	
	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 (Re-presented) HK\$'000	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 (Re-presented) HK\$'000	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 (Re-presented) HK\$'000
Segment assets	3,783	12,830	61,973	–	65,756	12,830
Unallocated property, plant and equipment					73,826	74,187
Available-for-sale investments					–	10,000
Goodwill					25,987	–
Cash and cash equivalents					164,619	8,356
Unallocated corporate assets					1,079	1,161
Total assets					<u>331,267</u>	<u>106,534</u>
Segment liabilities	707	1,302	15,500	–	16,207	1,302
Notes payable					6,694	6,472
Financial liabilities at fair value through profit or loss					24,515	12,253
Convertible bonds					179,213	44,511
Borrowings					41,837	32,728
Deferred tax liabilities					8,382	–
Unallocated corporate liabilities					974	2,065
Total liabilities					<u>277,822</u>	<u>99,331</u>

	Asset management		Strategic investment	
	Unaudited Six months ended 30 June 2014 HK\$'000	Unaudited Six months ended 30 June 2013 (Re-presented) HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000	Unaudited Six months ended 30 June 2013 (Re-presented) HK\$'000
Other segment information:				
Depreciation on property, plant and equipment	51	48	69	–
Loss on disposal of property, plant and equipment	131	–	–	–
Write off of property, plant and equipment	7	–	–	–
Share-based compensation expense	<u>63</u>	<u>292</u>	<u>68</u>	<u>–</u>

(b) **Geographic information**

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments ("Specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	Unaudited Six months ended 30 June 2014 <i>HK\$'000</i>	Unaudited Six months ended 30 June 2013 (Re-presented) <i>HK\$'000</i>	Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 (Re-presented) <i>HK\$'000</i>
Hong Kong	11,544	–	156,726	74,378
Other countries	3,255	7,257	–	–
	<u>14,799</u>	<u>7,257</u>	<u>156,726</u>	<u>74,378</u>

5. **REVENUE – CONTINUING OPERATIONS**

	Unaudited Six months ended 30 June 2014 <i>HK\$'000</i>		Unaudited Three months ended 30 June 2014 <i>HK\$'000</i>	
	2014 <i>HK\$'000</i>	2013 (Re-presented) <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 (Re-presented) <i>HK\$'000</i>
Retail sales and food and beverage income	11,457	–	6,794	–
Fund management fee income	3,255	7,257	1,500	2,457
Advertising income	87	–	–	–
	<u>14,799</u>	<u>7,257</u>	<u>8,294</u>	<u>2,457</u>

6. **OTHER INCOME – CONTINUING OPERATIONS**

	Unaudited Six months ended 30 June 2014 <i>HK\$'000</i>		Unaudited Three months ended 30 June 2014 <i>HK\$'000</i>	
	2014 <i>HK\$'000</i>	2013 (Re-presented) <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 (Re-presented) <i>HK\$'000</i>
Bank interest income	3	–	3	–
Gain on de-registration of a subsidiary	211	–	211	–
Others	448	211	327	47
	<u>662</u>	<u>211</u>	<u>541</u>	<u>47</u>

## 7. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2014	2013 (Re- presented)	2014	2013 (Re- presented)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	150	515	75	257
Salaries, allowances and benefits in kind	13,220	14,711	8,737	6,763
Termination payments	543	–	543	–
Bonus paid and payable	120	991	88	421
Share-based compensation expense	7,793	874	7,715	351
Retirement fund contributions	220	132	200	55
	<u>22,046</u>	<u>17,223</u>	<u>17,358</u>	<u>7,847</u>
<b>Analysed into:</b>				
Continuing operations	22,046	14,095	17,358	6,583
Discontinued operations	–	3,128	–	1,264
	<u>22,046</u>	<u>17,223</u>	<u>17,358</u>	<u>7,847</u>

## 8. FINANCE COSTS – CONTINUING OPERATIONS

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2014	2013 (Re- presented)	2014	2013 (Re- presented)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Effective interest expense on convertible bonds – wholly repayable within five years ( <i>Note 23</i> )	2,301	9,664	1,266	4,969
Effective interest expense on redeemable convertible preference shares ( <i>Note 21</i> )	42	39	21	23
Interest on bank loan – not wholly repayable within five years	181	195	91	93
Other interest expense – wholly repayable within five years	223	68	112	–
	<u>2,747</u>	<u>9,966</u>	<u>1,490</u>	<u>5,085</u>

## 9. LOSS BEFORE TAXATION – CONTINUING OPERATIONS

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2014	2013 (Re- presented)	2014	2013 (Re- presented)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before taxation is arrived at after charging/(crediting):				
Auditor's remuneration				
– audit services	219	211	130	101
– other services	30	70	30	47
Depreciation of property, plant and equipment	2,019	2,738	1,323	1,373
Employee benefit expense (including directors' remuneration) (Note 7)	22,046	14,095	17,358	6,583
Share-based compensation expense – others	12,373	–	12,373	–
Loss on disposal of property, plant and equipment	147	–	147	–
Write off on property, plant and equipment	7	–	7	–
Operating lease charges in respect of rented premises	6,533	1,310	4,842	725
Foreign exchange (gain)/losses, net	(1)	94	(1)	78
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 10. TAXATION – CONTINUING OPERATIONS

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2014	2013 (Re- presented)	2014	2013 (Re- presented)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax charge				
Hong Kong:				
– Under provision in prior years	–	61	–	–
– Charge for the period	–	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Taxation for the six months ended 30 June 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 Hong Kong profits tax has been provided in the unaudited condensed interim financial information as the Group did not make any assessable profit for the three months and six months ended 30 June 2014 and 30 June 2013.

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.

## 11. DISCONTINUED OPERATIONS

	Unaudited Six months ended 30 June 2014		Unaudited Three months ended 30 June 2014	
	2014	2013 (Re- presented)	2014	2013 (Re- presented)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>	–	203	–	203
Cost of sales	–	–	–	–
<b>Gross profit</b>	–	203	–	203
Loss on financial assets at fair value through profit or loss	–	(39)	–	–
Other income	–	327	–	–
Administrative expenses	–	(4,883)	–	(1,669)
Other operating expenses	–	(1,154)	–	(8)
<b>Loss from operations</b>	–	(5,546)	–	(1,474)
Finance costs	–	(23)	–	(16)
Share of profit of a joint venture	–	265	–	–
<b>Loss before taxation (Note(i))</b>	–	(5,304)	–	(1,490)
Taxation	–	–	–	–
Loss after taxation	–	(5,304)	–	(1,490)
Gain on disposals of subsidiaries	–	468	–	468
<b>Loss for the period</b>	–	(4,836)	–	(1,022)



Note:

(i)

	<b>Unaudited Six months ended 30 June</b>		<b>Unaudited Three months ended 30 June</b>	
	<b>2014</b>	2013 (Re- presented)	<b>2014</b>	2013 (Re- presented)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation is arrived at after charging:				
Auditor's remuneration				
– audit services	–	62	–	16
Depreciation of property, plant and equipment	–	16	–	8
Employee benefit expense (including directors' remuneration) (Note 7)	–	3,128	–	1,264
Foreign exchange losses, net	–	16	–	–
Operating lease charges in respect of rented premises	–	203	–	172
	<u>–</u>	<u>203</u>	<u>–</u>	<u>172</u>

## 12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2014	2013 (Re-presented)	2014	2013 (Re-presented)
<i>(HK\$'000)</i>				
Loss for the purpose of calculating basic loss per share (consolidated loss attributable to owners of the Company)				
Continuing operations	<b>(46,968)</b>	(15,680)	<b>(42,070)</b>	(2,948)
Discontinued operations	-	(4,287)	-	(1,022)
	<b><u>(46,968)</u></b>	<b><u>(19,967)</u></b>	<b><u>(42,070)</u></b>	<b><u>(3,970)</u></b>
<i>(Number)</i>				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share				
	<b><u>430,550,626</u></b>	<u>137,779,206</u>	<b><u>452,297,652</u></b>	<u>137,779,206</u>
		(Re-presented)		(Re-presented)
<b>Basic loss per share</b>				
Continuing operations	<b>(10.91)</b>	(11.38)	<b>(9.30)</b>	(2.14)
Discontinued operations	-	(3.11)	-	(0.74)
	<b><u>(10.91)</u></b>	<b><u>(14.49)</u></b>	<b><u>(9.30)</u></b>	<b><u>(2.88)</u></b>

For the six months and three months ended 30 June 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.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment totalling HK\$2,741,000 which included HK\$162,000 in respect of the subscription and acquisition of 64.54% equity interest in HVM Ideal Limited (“HVM Ideal”). The additions of HK\$1,028,000 have been included in the assets of the business segment of strategic investment as disclosed in Note 4, while the remaining additions of HK\$1,551,000 have been included in unallocated corporate assets.

#### 14. 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>
	27,213
The provisional fair value of net assets acquired	42,160
Less: Non-controlling interests	<u>(14,947)</u>
	27,213
Total consideration	<u>53,200</u>
	27,213
Goodwill arising on acquisition ( <i>Note 17</i> )	<u>25,987</u>
Consideration satisfied by:	
Available-for-sale investment ( <i>Note 15</i> )	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 condensed interim financial information, 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.

## 15. AVAILABLE-FOR-SALE INVESTMENTS

	<b>Unaudited 30 June 2014</b>	Audited 31 December 2013 (Re- presented)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Unlisted investments, at cost</i>		
Equity securities	<b>814</b>	10,000
Less: Impairment losses	<u>–</u>	<u>–</u>
	<b><u>814</u></b>	<b><u>10,000</u></b>

Movements in available-for-sale investments during the period/year are as follows:

	<b>Unaudited 30 June 2014</b>	Audited 31 December 2013 (Re- presented)
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	<b>10,000</b>	5,452
Additions	<b>814</b>	10,117
Transfer to investment in a subsidiary ( <i>Note 14</i> )	<b>(10,000)</b>	–
Disposal of subsidiaries	–	(4,485)
Impairment	–	(1,030)
Change in fair value recognised directly in other comprehensive income	<u>–</u>	<u>(54)</u>
<b>At 30 June/31 December</b>	<b><u>814</u></b>	<b><u>10,000</u></b>

The fair value of unlisted investments was not disclosed as there was no open market on the unlisted investments and the fair value cannot be measured reliably.

## 16. INTANGIBLE ASSETS

Intangible assets including trademark of HK\$14,400,000, platform of HK\$27,400,000 and content agreement of HK\$9,000,000 were arose from the subscription and acquisition of 64.54% equity interest in HMV Ideal Limited in February 2014.

## 17. GOODWILL

	<b>Unaudited 30 June 2014</b>	Audited 31 December 2013 (Re- presented)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January	–	25,826
Acquisition of a subsidiary (Note 14)	<b>25,987</b>	–
Less: Impairment loss	–	(25,826)
	<hr/>	<hr/>
Carrying amount at 30 June/31 December	<b><u>25,987</u></b>	<b><u>–</u></b>

## 18. TRADE AND OTHER RECEIVABLES

	<b>Unaudited 30 June 2014</b>	Audited 31 December 2013 (Re- presented)
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	
Trade receivables	<i>(i)</i> <b>147</b>	314
Other receivables – gross	<i>(ii)</i> <b>170</b>	1,513
Deposits and prepayments	<b>2,639</b>	1,635
	<hr/>	<hr/>
<b>Total</b>	<b><u>2,956</u></b>	<b><u>3,462</u></b>

Notes:

- (i) An ageing analysis of trade receivables based on invoice date and net of impairment losses is as follows:

	<b>Unaudited 30 June 2014</b>	Audited 31 December 2013 (Re- presented)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>147</b>	148
31 – 60 days	–	166
	<hr/>	<hr/>
<b>Total</b>	<b><u>147</u></b>	<b><u>314</u></b>

The Group's retail sales are normally made on a cash basis. Credit card receivables from financial institutions in respect of retail sales are aged within 45 days.

The Group allows a credit period ranging from 15 to 45 days (31 December 2013: 15 to 45 days) to its asset management clients. The credit period for asset management contracts can be extended in special circumstances.

At 30 June 2014 and 31 December 2013, no impairment has been made in respect of trade receivables. All trade receivables as at 30 June 2014 and 31 December 2013 were aged less than 30 days past due, based on the due date.

- (ii) All other receivables as at 30 June 2014 and 31 December 2013 were aged less than 30 days past due, based on the due date.

## 19. TRADE AND OTHER PAYABLES

	<i>Note</i>	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 (Re- presented) HK\$'000
Trade payables	(i)	2,356	–
Other payables		1,697	834
Accrued charges		1,528	2,533
<b>Total</b>		<b>5,581</b>	<b>3,367</b>

*Note:*

- (i) An ageing analysis of the trade payables at the report date.

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
0 – 30 days	–	–
31 – 60 days	273	–
61 – 90 days	1,687	–
Over 90 days	396	–
	<b>2,356</b>	<b>–</b>

## 20. BORROWINGS

	<b>Unaudited 30 June 2014</b>	Audited 31 December 2013 (Re- presented)
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Current liabilities</b>		
Bank loans – secured	<i>(i), (ii) and (iii)</i> <b>2,651</b>	2,030
Redeemable convertible preference shares ( <i>Note 21</i> )	<b>7,623</b>	7,581
	<b>10,274</b>	9,611
<b>Non-current liabilities</b>		
Bank loans – secured	<i>(i), (ii) and (iii)</i> <b>31,563</b>	23,117
<b>Total</b>	<b>41,837</b>	<b>32,728</b>
	<b>Unaudited 30 June 2014</b>	Audited 31 December 2013 (Re- presented)
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Borrowings are repayable as follows:</b>		
Within one year	<b>10,274</b>	9,611
In the second year	<b>2,490</b>	1,904
In the third to fifth years	<b>7,732</b>	5,882
After the fifth year	<b>21,341</b>	15,331
<b>Total</b>	<b>41,837</b>	<b>32,728</b>

*Notes:*

- (i) Bank property instalment loans totaling HK\$30,000,000 and HK\$10,000,000 were raised in 2011 and 2014 which are interest-bearing at 1.25% over 1-month HIBOR per annum and 2.25% over 1-month HIBOR per annum respectively and are repayable by 180 monthly instalments. The maturity date, on which the last instalment shall be due for repayment, will be 31 March 2026 and 29 May 2029 respectively.
- (ii) The bank loans are secured by:
  - (a) mortgage over certain leasehold land and building of the Group situated in Hong Kong of net carrying amount of HK\$70,566,000 as at 30 June 2014 (31 December 2013: HK\$71,636,000); and
  - (b) corporate guarantee given by the Company of unlimited amount (year ended 31 December 2013: corporate guarantees of unlimited amount and an amount up to HK\$30,000,000 by the Company and Shikumen Capital Management (HK) Limited, its wholly-owned subsidiary respectively).
- (iii) Amounts due are based on the scheduled repayment dates set out in the loan agreement. The banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangement with financial institution. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand.

The Group regularly monitors its compliance with those covenants, is up to date with the scheduled repayments of the bank loan and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet those requirements. As at 30 June 2014, none of the covenants relating to drawn down facilities had been breached (31 December 2013: Nil).

## **21. REDEEMABLE CONVERTIBLE PREFERENCE SHARES**

On 14 September 2011 (“issue date”), the Company issued 10,019,790 redeemable convertible preference shares (“RCPS”) of par value of US\$0.01 each at subscription price of US\$2.00 per RCPS, of which US\$0.10 per RCPS was paid on subscription and the remaining balance of US\$1.90 per RCPS will be paid immediately prior to the conversion of the RCPS into ordinary shares of the Company.

Each holder of the RCPS has the option to convert the RCPS into ordinary shares of the Company at an initial conversion price of HK\$1.23 per share, subject to the conversion price reset scheme. At the end to 6-month period from the issue date and at the end of every 6-month period thereafter, the conversion price per share shall be adjusted to 110% of the one-month volume weighted average price of the ordinary shares of the Company. The conversion price shall not be lower than the par value of the ordinary shares of the Company. The RCPS mature five years from the issue date at an amount equals to the initial RCPS subscription price of the RCPS redeemed or can be converted into shares on and after the issue date up to 7 September 2016 at the holder’s option upon the payment of the remaining balance of US\$1.90 per share. The RCPS holders may request the Company to redeem the RCPS (in whole or in part) on or after the third anniversary of the issue date of the RCPS. The RCPS are not entitled to any dividend. The RCPS may be redeemed by the Company after the issue date at the early redemption amount provided that the closing market price of the ordinary shares of the Company is at least 150% of the conversion price for 30 consecutive trading days.



In accordance with the terms and conditions thereof, the conversion price was reset on 14 March 2012, 14 March 2013 and 14 September 2013, and the prevailing conversion price is HK\$0.79 per share as reset on 14 March 2014.

The residual amount of the proceeds of the RCPS over the fair value of the embedded derivatives, estimated at the date of issuance using Binomial Option Pricing Model, is assigned as the liability component and is included in borrowings under current liabilities.

The carrying value of the liability component of the RCPS recognised in the statement of financial position at the end of the reporting period are as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2014</b>  <i>HK\$'000</i>	Audited 31 December 2013 (Re- presented)  <i>HK\$'000</i>
Net carrying amount at 1 January	7,581	7,496
Effective interest expense for the period/year ( <i>Note 8</i> )	<u>42</u>	<u>85</u>
<b>Net carrying amount at 30 June/31 December</b> ( <i>Note 20</i> )	<b><u>7,623</u></b>	<b><u>7,581</u></b>

Interest expense on the RCPS is calculated using the effective interest method by applying the effective interest rate of 1.14% (31 December 2013: 1.14%) per annum.

## 22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 (Re- presented) <i>HK\$'000</i>
<i>Derivatives embedded in the convertible bonds issued:</i>		
Balance at 1 January	11,053	46,339
Conversion of bonds	(2,363)	(41,842)
Redemption of bonds	(826)	–
Issue of bonds	14,718	–
(Gain)/Loss on financial liabilities at fair value through profit or loss	(2,284)	6,556
	<u>20,298</u>	<u>11,053</u>
<i>Warrants issued:</i>		
Balance at 1 January	375	560
Loss/(Gain) on financial liabilities at fair value through profit or loss	459	(185)
	<u>834</u>	<u>375</u>
<i>Derivatives embedded in the redeemable convertible preference shares issued:</i>		
Balance at 1 January	825	203
Loss on financial liabilities at fair value through profit or loss	2,558	622
	<u>3,383</u>	<u>825</u>
<b>Total</b>	<b><u>24,515</u></b>	<b><u>12,253</u></b>
<b>Categorised as:</b>		
<b>Current liabilities</b>	<b>8,964</b>	<b>11,878</b>
<b>Non-current liabilities</b>	<b><u>15,551</u></b>	<b><u>375</u></b>
<b>Total</b>	<b><u>24,515</u></b>	<b><u>12,253</u></b>
<b>Losses recognised in profit or loss relating to financial instruments held by the Group at 30 June/31 December</b>	<b><u>733</u></b>	<b><u>6,993</u></b>

The fair values at 30 June 2014 and 31 December 2013 are calculated using the Binomial Option Pricing Model for the derivatives embedded in the convertible bonds and RCPS and the warrants issued respectively. The inputs into the model are as follows:

	Derivatives embedded in the convertible bonds issued					Derivatives embedded in the redeemable convertible preference shares issued	
	2014		31 December		31 December		
	Convertible Bonds	Tranche 1 and Tranche 2 Convertible Bonds		Warrants issued		Convertible preference shares issued	
	30 June 2014	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Expected volatility	71%	67.06%	65.33%	67.06%	65.33%	61.18%	70.68%
Expected life	5 years	1.26 years	1.76 years	1.26 years	1.76 years	2.21 years	2.70 years
Risk-free rate	1.35%	0.18%	0.30%	0.19%	0.30%	0.45%	0.56%
Spot price	HK\$0.92	HK\$1.22	HK\$0.79	HK\$1.22	HK\$0.79	HK\$1.22	HK\$0.79
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%

The Binomial Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share price, therefore the changes in subjective input assumptions can materially affect the fair value estimates.

Increased volatility by 5% would decrease the fair value of embedded derivatives in convertible bonds and redeemable convertible preference shares by approximately HK\$84,000 and HK\$35,000 respectively, and increase the fair value of embedded derivatives in warrants by approximately HK\$33,000. Lower volatility by 5% would increase the fair value of embedded derivatives in convertible bonds and redeemable convertible preference shares by approximately HK\$84,000 and HK\$35,000 respectively, and decrease the fair value of embedded derivatives in warrants by approximately HK\$33,000.

## 23. CONVERTIBLE BONDS

### (a) Tranche 1 and Tranche 2 Convertible Bonds

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place 5-year Zero Coupon Convertible Bonds with an aggregate principal amount of up to HK\$250,000,000, comprising Tranche 1 of principal amount up to HK\$160,000,000 (the “Tranche 1 Convertible Bonds”) and Tranche 2 of principal amount of up to HK\$90,000,000 (the “Tranche 2 Convertible Bonds”), subject to certain conditions. On 4 October 2010, with the fulfilment of all conditions required for Tranche 1 Convertible Bonds, the Company issued the Tranche 1 Convertible Bonds, HK\$156,000,000 of which was used to finance the repurchase of the convertible bonds previously issued in March 2006 as detailed in the Company’s 2010 Annual Report. On 30 March 2011, with the fulfilment of all conditions required for Tranche 2 Convertible Bonds, the Company further issued the Tranche 2 Convertible Bonds, the proceeds of which was used to finance the purchase of the office premises together with the bank loan (Note 20 to the unaudited condensed interim financial information).

The Tranche 1 and Tranche 2 Convertible Bonds are denominated in Hong Kong dollars and are convertible at the option of the bondholder(s) at any time after the date of issuance up to and including the date which is seven days prior to the maturity date of 4 October 2015, into new shares of the Company at a price of HK\$0.18 per share initially, subject to the conversion price reset where at the end to 6-month period from the date of issuance and at the end of every 6-month period thereafter, the conversion price shall be adjusted to 110% of the one-month volume weighted average price with a floor of HK\$0.78 per share and provided that the conversion price shall not in any event be higher than the lower of HK\$1.80 per share and the previous adjusted conversion price reset. The Tranche 1 and Tranche 2 Convertible Bonds are transferable without restriction and may be redeemed by the Company after the date of issuance at the early redemption amount, which shall result in an annual yield equal to 3.5% per annum compound on a semi-annual basis, provided that the closing market price of the shares is at least 150% of the conversion price for 30 consecutive trading days. The bondholder(s) of the Tranche 1 and Tranche 2 Convertible Bonds may request the Company to redeem at the aforesaid early redemption amount on or after third anniversary year from 4 October 2010.

In accordance with the terms and conditions thereof, the conversion price was reset on 4 April 2011, 4 October 2011 and 4 April 2013, and the prevailing conversion price is HK\$0.76 per share as reset on 24 February 2014.

**(b) 2014 Convertible Bonds**

In April 2014, the Company entered into a subscription agreement (the “Subscription Agreement”) with Abundant Star Ventures Limited (“Abundant Star”) and Vantage Edge Limited (“Vantage Edge”) pursuant to which Abundant Star and Vantage Edge agreed to subscribe the convertible bonds in principal amount of HK\$100,000,000 and HK\$75,000,000, respectively, bearing a compound interest rate of 5% per annum to be issued by the Company (the “2014 Convertible Bonds”). On 13 June 2014, all the conditions precedent set out in the Subscription Agreement have been fulfilled and that the issue of the 2014 Convertible Bonds has been completed.

The 2014 Convertible Bonds are convertible at the option of the bondholders at any time during the period commencing from the date of issue of the convertible bonds up to and including the date falling seven days prior to the third anniversary of the date of issue of the 2014 Convertible Bonds (the “Maturity date”) at a price of HK\$0.80 per share initially. The 2014 Convertible Bonds are only transferable with the prior notification to the Company and the 2014 Convertible Bonds may be transferred in integral multiples of HK\$1,000,000. The Company may, having given not less than thirty days’ notice to the bondholders, redeem the 2014 Convertible Bonds then outstanding, at a premium of 10% above the outstanding principal amount of the 2014 Convertible Bonds, in integral multiples of HK\$1,000,000 at any time prior to the Maturity Date and subject to bondholder’s agreement. The bondholders may also by written notice to the Maturity Date elect to extend the term of the 2014 Convertible Bonds then outstanding, in whole or in part, for a term of one year and thereafter for a further one year.

The carrying values of the liability component of the convertible bonds recognised in the consolidated statement of financial position at the end of the reporting period are as follows:

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2014</b>	2013
			(Re-
			presented)
	<i>Notes</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
Net carrying amounts at 1 January		<b>44,511</b>	195,876
Effective interest expense for the period/year ( <i>Note 8</i> )		<b>2,301</b>	16,980
Conversion during the period	( <i>i</i> )	<b>(10,449)</b>	(168,345)
Redemption on during the period	( <i>ii</i> )	<b>(10,525)</b>	–
Issue during the period		<b>153,375</b>	–
<b>Net carrying amounts at 30 June/31 December</b>		<b><u>179,213</u></b>	<b><u>44,511</u></b>
<b>Categorised as:</b>			
<b>Current liabilities</b>		<b>25,407</b>	44,511
<b>Non-current liabilities</b>		<b>153,806</b>	–
		<b><u>179,213</u></b>	<b><u>44,511</u></b>

*Notes:*

- (i) During the six months period ended 30 June 2014, a total principal amount of HK\$10,000,000 (year ended 31 December 2013: HK\$171,000,000) of Tranche 1 and Tranche 2 Convertible Bonds had been converted into 13,157,894 (year ended 31 December 2013 : 219,230,761) ordinary shares of the Company at the conversion price of HK\$0.76 (year ended 31 December 2013: HK\$0.78) per share, with the carrying value of the liability component of the convertible bonds of HK\$10,449,000 (year ended 31 December 2013: HK\$168,345,000) at the date of conversion.
- (ii) During the six months period ended 30 June 2014, a total principal amount of HK\$10,000,000 of Tranche 2 Convertible Bonds was redeemed by the Company (year ended 31 December 2013: Nil), the carrying value of the liability component of the redeemed convertible bonds of HK\$10,525,000 was de-recognised.

The interest expense of the 2014 Convertible Bonds, Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds for the six months ended 30 June 2014 is calculated using the effective interest method by applying an effective interest rate of 5%, 9.43% (31 December 2013: 9.43%) and 10.95% (31 December 2013: 10.95%) to the liability component respectively.

The residual amount of the proceeds of the 2014 Convertible Bonds, Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds over the fair value of the embedded derivatives, estimated at the date of issuance using Binomial Option Pricing Model, is assigned as the liability component.

## 24. SHARE CAPITAL

	Number of ordinary shares	Number of redeemable convertible preference shares	Value HK\$'000
<b>Authorised</b> (par value of US\$0.01 each)			
<b>As 30 June 2014 and 31 December 2013</b>	<b><u>19,000,000,000</u></b>	<b><u>1,000,000,000</u></b>	<b><u>1,560,000</u></b>
<b>Issued and fully paid</b> (par value of US\$0.01 each)			
<b>At 31 December 2013</b>	<b>384,561,967</b>	<b>10,019,790</b>	<b>29,996</b>
Consideration shares issued for the acquisition of a subsidiary (Note 14)	60,000,000	–	4,680
Conversion of convertible bonds (Note a)	<u>13,157,894</u>	<u>–</u>	<u>1,026</u>
<b>At 30 June 2014</b>	<b><u>457,719,861</u></b>	<b><u>10,019,790</u></b>	<b><u>35,702</u></b>

*Notes:*

- (a) On 5 May 2014 and 9 June 2014, principal amount of HK\$9,000,000 of Tranche 1 Convertible Bond and HK\$1,000,000 of Tranche 2 Convertible Bond were converted into 11,842,105 and 1,315,789 ordinary shares at the conversion price of HK\$0.76 per share, respectively.

## 25. RESERVES

	<b>Unaudited 30 June 2014 <i>HK\$'000</i></b>	Audited 31 December 2013 (Re- presented) <i>HK\$'000</i>
Share premium	<b>262,685</b>	212,885
Convertible bonds equity reserve	<b>6,907</b>	–
Capital reserve	<b>2,112</b>	2,112
Capital redemption reserve	<b>601</b>	601
Share-based compensation reserve	<b>56,275</b>	36,109
Foreign exchange reserve	–	231
Accumulated losses	<b>(321,699)</b>	(274,731)
<b>Total</b>	<b><u>6,881</u></b>	<b><u>(22,793)</u></b>

## 26. MATERIAL RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the unaudited condensed interim financial information, the Group had the following material related party transactions:

- (a) During the period, the material related party transactions and balances were:

	<b>Unaudited Six months ended 30 June 2014 <i>HK\$'000</i></b>	Unaudited Six months ended 30 June 2013 (Re- presented) <i>HK\$'000</i>
Fee rebate paid and payable to key management staff of the Group	<b><u>57</u></b>	<b><u>554</u></b>

- (b) As at 30 June 2014 and 31 December 2013, the balances with related parties were:

	<b>Unaudited 30 June 2014 <i>HK\$'000</i></b>	Audited 31 December 2013 (Re- presented) <i>HK\$'000</i>
Fee rebate payable to key management staff of the Group	<b><u>–</u></b>	<b><u>70</u></b>

## 27. COMMITMENTS

### (a) Operating leases

As at 30 June 2014, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013	Unaudited 30 June 2014	Audited 31 December 2013
	<b>Land and buildings</b>	Land and building (Re- presented)	<b>Office equipment</b>	Office equipment (Re- presented)	<b>Total</b>	Total (Re- presented)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	21,807	993	-	54	21,807	1,047
In the second to fifth years	20,364	2,429	-	-	20,364	2,429
	<u>42,171</u>	<u>3,422</u>	<u>-</u>	<u>54</u>	<u>42,171</u>	<u>3,476</u>

### (b) Capital commitments

As at 30 June 2014, the Group had outstanding capital commitments in respect of furnitures and fixtures as follows:

	Unaudited 30 June 2014	Audited 31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Contracted, but not provided for</b>	<u>8,992</u>	<u>-</u>

## 28. CONTINGENCIES

The Company has provided corporate guarantee of unlimited amount to secure the bank loans granted to a wholly owned subsidiary of the Company, HK\$34,214,000 (31 December 2013: HK\$25,147,000) of which the maximum amount required to pay if the guarantees were called on, as set out in Note 20 to the unaudited condensed interim financial information. The Company had not recognised any provision in the unaudited condensed interim financial information as at 30 June 2014 (31 December 2013: Nil) in respect of the corporate guarantee as the Directors considered that the probability for the holder of the corporate guarantees to call upon the Company as a result of default in repayment is remote.

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2014 and 31 December 2013.

## **29. MAJOR NON-CASH TRANSACTION**

Major non-cash transaction during the six months ended 30 June 2014 related to the acquisition of approximately 53.18% equity interest of HMV Ideal, at a fair value consideration of HK\$43,200,000, which was satisfied by way of allotment and issue of 60,000,000 ordinary shares of the Company.

## **30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks, which are the same as those detailed in the Company's 2013 Annual Report, which are managed through all the Executive Directors of the Company collectively in close cooperation with the Board of Directors.

## **31. FAIR VALUE MEASUREMENT**

### **Fair value hierarchy**

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.



The following table presents the Group's financial liabilities that are measured at fair value at 30 June 2014 and 31 December 2013.

	<b>Level 1</b> <i>HK\$'000</i>	<b>Level 2</b> <i>HK\$'000</i>	<b>Level 3</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 30 June 2014</b>				
Financial liabilities:				
Financial liabilities at fair value through profit or loss	—	—	<b>(24,515)</b>	<b>(24,515)</b>
	<i>Level 1</i> <i>HK\$'000</i>	<i>Level 2</i> <i>HK\$'000</i>	<i>Level 3</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
<b>At 31 December 2013</b>				
Financial liabilities:				
Financial liabilities at fair value through profit or loss	—	—	<b>(12,253)</b>	<b>(12,253)</b>

There have been no significant transfers among levels 1, 2 and 3 in the reporting period.

As the volatility for share was derived from the share's historical prices which typically does not represent current market participant's expectations about future volatility, accordingly the fair value of the embedded derivatives in convertible bonds, warrants and redeemable convertible preference shares is categorised within level 3 of the fair value hierarchy.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to previous reporting periods.

#### **Financial liabilities at fair value through profit or loss**

The fair value of financial liabilities at fair value through profit or loss is measured using the Binomial Option Pricing Model as disclosed in Note 22 to the unaudited condensed interim financial information.

## **INTERIM DIVIDEND**

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

## **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. Sin Hendrick, Shi Jinsheng and Yuen Kwok On. 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 8 August 2014. The unaudited condensed interim financial information of the Company for the six months ended 30 June 2014 has been reviewed by the audit committee.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The interim financial information of the Group for the six months ended is unaudited, but has been reviewed by BDO Limited, the Company's independent auditor, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by HKICPA, whose unmodified review report is included in the interim report to be sent to the shareholders of the Company.

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

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

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

Hong Kong, 8 August 2014

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

*Executive Directors: Chang Tat Joel, Ho Gilbert Chi Hang, Liu Guang He, Nelson Tong Naiyi, Wu King Shiu, Kelvin*

*Non-Executive Director: Stephen Shiu Junior*

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

*This announcement will remain on the GEM website at [www.hkgem.com](http://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](http://www.crosbycapitallimited.com).*