2013 Annual Report

CROSBY
Capital Limited

Stock Code: 8088

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

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

Contents

Expressed in United States dollars ("US$")

The Chinese version of this annual report is provided for reference only. In the event of any inconsistency between the Chinese and English versions, the English version shall prevail.

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.

Highlights

Revenue

US$1.8 million (2012: US$2.8 million)

US$1.8 million (2012: US$2.4 million) of which was from continuing operations

Loss attributable to owners of the Company

US$10.8 million (2012: US$4.9 million)

US$10.3 million (2012: US$4.5 million) of which was from continuing operations

Equity attributable to owners of the Company

US$0.9 million (2012: Capital deficiency of US$17.6 million)

Management Discussion and Analysis

OVERVIEW

During the year under review, the Group has continued to operate its asset management businesses and to control costs. In order to reduce the operating costs of the Group, those subsidiaries within the Group which no longer add value to, nor generate any income attributable to the Group, have been deregistered, or voluntarily wound up. To strength the general working capital base of the Group and for any potential investment opportunities arises, we have completed the successful placement of HK$18.5 million, net of share issue expenses, by new shares issued in December 2013.

BUSINESS REVIEW

Our asset management activities comprise mainly fund management businesses 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. On 10 December 2013, the Group entered into a subscription agreement and a sale and purchase agreement for the aggregate acquisition of 64.54% equity interest in HMV Ideal Limited (formerly known as Billion Merit Investments Limited) and its subsidiaries (the "HMV Ideal Group"). The business of HMV Ideal Group is to capitalise on the HMV brand and develop an online and offline ecosystem of music, video entertainment and lifestyle. Details of the businesses of the subsidiaries of the HMV Ideal Limited are set out in the Company's circular dated 28 January 2014.

The resolution in relation to the sale and purchase agreement was duly passed by the independent shareholders by way of poll at extraordinary general meeting held on 14 February 2014. The subscription and the acquisition were completed on 10 December 2013 and 24 February 2014 respectively.

We will continue to monitor our existing businesses and will focus our resources to further strengthen and develop HMV Ideal Group's businesses and other potential business opportunities.

FINANCIAL REVIEW

Financial Results

The Group reported a loss attributable to owners for the year under review of US$10.8 million as compared to a loss attributable to owners of US$4.9 million last year, US$10.3 million and US$4.5 million of which are the losses from continuing operations for the year under review and last year respectively. Excluding the impairment of goodwill and intangible assets and the gain or loss on financial liabilities at fair value through profit or loss, the loss attributable to owners for the year under review was reduced to US$6.5 million as compared to that of US$7.4 million last year.

Revenue from continuing operations decreased to US$1.8 million for the year under review, compared to that of US$2.4 million last year. Total operating expenses (being other administrative expenses plus other operating expenses) from continuing operations for the year under review decreased to US$4.9 million as compared to US$5.8 million last year.

Loss on financial liabilities at fair value through profit or loss of US$0.9 million for the year under review, as compared to a gain of US$2.5 million last year, arose from the recognition of the embedded derivatives in the Tranche 1 and Tranche 2 5-year Zero Coupon Convertible Bonds placed, the warrants issued on the repurchase of the old 5-year Zero Coupon Convertible Bonds as well as the redeemable convertible preference shares issued with the rights issue as set out in Note 29 to the financial statements.

Management Discussion and Analysis

Segment Results
The major reportable operating segment is asset management for the year under review. The segment result from continuing operations of asset management for the year under review was a loss of US$1.0 million as compared with a loss of US$1.9 million last year. An analysis of the results by operating segments is provided in Note 5 to the financial statements.

Finance Costs
The finance costs from continuing operations were US$3.1 million for the year under review compared to US$2.6 million last year. This represents mainly the notional effective interest expenses on Tranche 1 and Tranche 2 5-year Zero Coupon Convertible Bonds issued in October 2010 and March 2011 respectively. An analysis of the finance costs is provided in Note 8 to the financial statements. The increase in the finance costs is mainly due to the recognition of the notional effective interest expenses arising from the issuance of promissory notes as incentive fee payable to bondholders who exercised their rights to convert the Convertible Bonds into ordinary shares of the Company on or before 30 November 2013.

Non-controlling Interests
The credit to non-controlling interests in the consolidated statement of profit or loss for the year under review of US$0.1 million (2012: US$0.3 million) represented 44.14% non-controlling shareholders' share of losses in the Group's former subsidiaries under wealth management businesses for the year under review.

Financial Position and Resources

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 the major capital asset. The net carrying amount of this leasehold land and building as at 31 December 2013 was US$9.2 million (2012: US$9.5 million) as set out in Note 15 to the financial statements.

As at 31 December 2013, the Group had investments, mainly available-for-sale investments of US$1.3 million (2012: US$0.7 million). Details of the Group's investments, risk management objectives and policies and exposure to market risk, are set out in Notes 17, 19, 23 and 40 to the financial statements.

On 10 December 2013, the Group acquired 11.36% equity interest in HMV Ideal Group, as disclosed under available-for-sale investments and subsequent to the end of the reporting period, the Group further acquired 53.18% equity interest on 24 February 2014 which has been disclosed in Note 42 to the financial statements. Accordingly, the Group owns 64.54% equity interest in HMV Ideal Group.

As of the date of this report, other than the acquisition of equity interest in HMV Ideal Group as mentioned above, the Group has no existing plans to acquire any further significant capital assets and/or investments in the forthcoming year.

Management Discussion and Analysis

Liquidity

As at 31 December 2013, the Group had cash and cash equivalents of US$2.4 million (2012: US$3.0 million) and net current liabilities of US$6.9 million (2012: US$30.8 million). The decrease in net current liabilities as at 31 December 2013 was mainly due to the transfer of the bond component and the financial liabilities at fair value through profit or loss arising from the embedded derivatives attached thereto to equity upon conversion of part of the Tranche 1 and Tranche 2 5-year Zero Coupon Convertible Bonds. Further details of the Group's current assets and current liabilities, risk management objectives and policies and exposure to liquidity risk are set out in Notes 22 to 30 and Note 40 to the financial statements.

Gearing

As allowed under the terms of the old 5-year Zero Coupon Convertible Bonds issued in 2006, the Company entered into a Deed of Settlement with the holders of these old 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 new 5-year Zero Coupon Convertible Bonds as detailed below and an aggregate of 60,000,000 warrants issued by the Company. All these outstanding old Convertible Bonds were then cancelled in October 2010.

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, comprising Tranche 1 and Tranche 2 of principal amounts up to HK$160 million and HK$90 million respectively, subject to certain conditions. On 4 October 2010, with the fulfilment of all conditions required, the Company issued the Tranche 1 5-year Convertible Bonds, HK$156 million of which was used to finance the repurchase of the old 5-year Zero Coupon Convertible Bonds as described above. On 30 March 2011, with the fulfilment of all conditions required, the Company further issued the Tranche 2 5-year Zero Coupon Convertible Bonds, the proceeds of which was used to finance the purchase of the office premises located at AXA Centre in Wanchai together with the mortgage loan.

The terms and conditions of the Tranche 1 and Tranche 2 5-year Zero Coupon Convertible Bonds are detailed in Note 30 to the financial statements. 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 acquisition of HMV Ideal Group on 24 February 2014.

The embedded derivatives in Tranche 1 and Tranche 2 5-year Zero Coupon Convertible Bonds and the warrants issued on the repurchase of the old 5-year Zero Coupon Convertible Bonds were disclosed as financial liabilities at fair value through profit or loss as set out in Note 29 to the financial statements.

In March 2011, a mortgage bank loan of principal amount of HK$30 million (approximately US$3,846,000) was drawn to finance the purchase of office premises as mentioned above. It is secured by the office premise located at AXA Centre, Wanchai, Hong Kong, corporate guarantees of unlimited amount and HK$30 million (approximately US$3,846,000) by the Company and Shikumen, its wholly owned subsidiary, respectively. As at 31 December 2013, the outstanding amount was HK$25 million (i.e. approximately US$3.2 million).

Management Discussion and Analysis

In October and November 2013, promissory notes of the total principal amount of HK$6,840,000 (approximately US$877,000) were issued as incentive fee payable to bondholders who exercised their rights to convert the 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 Convertible Bonds. The promissory notes are due in 12 months period from the dates of issuance.

As at 31 December 2013, the Group had no other significant debt.

Details of the Group's financial risk management objectives and policies and exposure to capital risk are set out in Note 40 to the financial statements.

As detailed in Note 3(a) to the financial statements, assuming successful cost control measure, favourable income from the newly acquired businesses from HMV Ideal Group and the possible refinancing through the office premises of the Group, it is considered that the Group's financial resources and working capital are sufficient to finance its operation in the foreseeable future.

Charges

At 31 December 2013, there are no significant charges on the Group's investments and assets other than those on the office premises located at AXA Centre as detailed above.

Commitments and Contingent Liabilities

At 31 December 2013, the Group had no significant commitments, other than those under operating leases for the rental of its other office premises as set out in Note 35 to the financial statements, and no contingent liabilities, including pension obligations, other than those as set out in Note 36 to the financial statements.

Equity Structure

An analysis of the movements in equity during the year under review is set out in the consolidated statement of changes in equity on pages 35 to 36 of the financial statements.

On 8 November 2013, the Great Roc Capital Securities Limited (the "Placing Agent") and the Company entered into a placing agreement pursuant to which the Placing Agent had conditionally agreed to place, on a best effort basis, up to 27,552,000 placing shares at HK$0.68 per placing share to not less than six placees who were independent third parties. All the placing shares were issued and allotted on 5 December 2013.

As at 31 December 2013, the total issued share capital of the Company was 384,561,967 ordinary shares, increased from 137,779,206 ordinary shares as at 31 December 2012 due to conversion of Convertible Bonds and placing of shares during the year, and 10,019,790 Redeemable Convertible Preference Shares ("RCPS"), same as those as at 31 December 2012. Details of the movement in total share capital are set out in Note 31 to the financial statements.

Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the year ended 31 December 2013.

Management Discussion and Analysis

Non-controlling Interests

No non-controlling interests were shown in the consolidated statement of financial position at 31 December 2013 following the disposals of subsidiaries under wealth management businesses during the year under review. The balance at 31 December 2012 only represents 44.14% non-controlling shareholders interests in the Group's wealth management operating subsidiaries.

EMPLOYEE INFORMATION

As at 31 December 2013, the Group had 21 full-time employees (2012: 33). Details of the Directors' remuneration and employees' emoluments during the year under review are provided in Note 14 to the financial statements.

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. Options are either struck at or out-of the money. The Group's remuneration policies and practices are reviewed annually and benchmarked against a peer group of international financial institutions.

RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes is set out in Note 3(q)(ii) to the financial statements.

FOREIGN CURRENCY EXPOSURE

Details of the Group's financial risk management objectives and policies and exposure to foreign currency risk are set out in Note 40 to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year under review, other than the signing of sale and purchase agreement for the acquisition of HMV Ideal Group and the disposals of subsidiaries as detailed in Notes 42 and 39 to the financial statements respectively, the Group made no significant acquisition or disposal of subsidiaries or affiliated companies.

Profiles of Directors

Clive Ng Cheang Neng

Mr. Ng, aged 51, is currently Chairman of China Cablecom Limited, shares of which are listed on OTC US market (OTC US: CABLF) and is currently on the Board of the Eton College Campaign Committee. Mr. Ng has many years of experience with internet start-ups and e-commerce companies in Asia. Mr. Ng was Chairman of China Broadband Limited (since renamed to You On Demand, shares of which are listed on the NASDAQ market, NASDAQ: YOD), from 2007 to 2010. Mr. Ng was founder and Chairman of Asiacontent, shares of which are listed on the NASDAQ market (NASDAQ:IASIA), one of the first Asian internet companies to list in the US that was the joint venture partner of NBCi, MTVi, C-NET, CBS Sportsline and DoubleClick in Asia, from year 1997 to 2003. Mr. Ng was also one of the initial investors and founder of E*TRADE Asia, a partnership with E*TRADE Financial Corp, shares of which are listed on New York Stock Exchanges (NYSE:ET), from year 1997 to 2002. Mr. Ng was also a founding shareholder of MTV Japan from year 1999 to 2002, with H&Q Asia Pacific and MTV Networks (a division of Viacom Inc).

Mr. Ng co-founded TVB Superchannel Europe in 1992, which has grown to become Europe's leading Chinese language broadcaster and was also the CEO of Pacific Media PLC, shares of which are listed on the London Stock Exchanges (LSE:PCM), a home shopping company and initiated the purchase of TV Media from H&Q Asia Pacific and built the company to over US$450 million in market capitalisation. Mr. Ng also owned a 50% stake in HongKong SuperNet, the first Hong Kong based ISP which was then sold to Pacific Internet (NASDAQ:PCNTF). Mr. Ng obtained his B.Sc. from Syracuse University in 1984, and his M.Sc. from New York University in 1987.

Liu Guang He

Mr. Liu, aged 28, is the vice president and board of directors of APG Investment (Beijing) Limited Company ("APG Investment") since August 2011. APG Investment specialises in precious metal crafts development and sale. Mr. Liu is in charge of the program of Dragon Year Commemorative Coins on which APG Investment has been cooperating with Shanghai Pudong Development Bank and Royal Australian Mint since 2011. Mr. Liu obtained his bachelor degree major in Mathematical Applications in Economics and Finance from University of Toronto.

Stephen Shiu Junior

Mr. Shiu, aged 39, is the Chairman of the board of China 3D Digital Entertainment Limited, which is listed on the Growth Enterprise Markets of the Stock Exchange of Hong Kong. Mr. Shiu has 20 years of investment experience and possesses extensive business networks in Greater China. Mr. Shiu is also highly experienced in entertainment, advertising, promotion and communication, film distribution and movies production and is on the boards of various private companies which are engaged in the business of entertainment and movies production.

Profiles of Directors

Nelson Tong Naiyi

Mr. Tong, aged 38, is the general manager of Beijing Solefund Investment Management Co., Ltd., a private equity management company based in Beijing, China. Mr. Tong has over 15 years of experience in the finance and investment industries. Mr. Tong was formerly a vice president of China eCapital Corporation from 2008 to 2010, where he provided private placement and M&A advisory services for clients in the TMT and healthcare industries. Mr. Tong also served in various positions at Semiconductor Manufacturing International (Shanghai) Corp. and H&Q Asia Pacific from 2000 to 2006. Mr. Tong graduated from Cornell University with a Bachelor of Arts degree in Economics.

Shi Jinsheng

Mr. Shi, aged 49, has over 15 years of investment banking experience and processes extensive business networks in Greater China. Mr. Shi was the General Manager of the No.3 department of the investment bank department of Capital Securities from January 2007 to July 2013. Mr. Shi was the Vice General Manager of the investment bank department at Minsheng Securities from 2005 to 2007, the Assistant General Manager at Changjiang BNP Paribas Peregrine Securities from 2003 to 2005, the General Manager of the Shanghai investment bank department at Changjiang Securities from 2001 to 2003, and Senior Project Manager at United Securities from 1997 to 2001.

Mr. Shi obtained his master degree major in International Business from School of Economics and Management at Tsinghua University and his bachelor degree major in Management from Management Engineering Department at Changchun University of Technology.

Sin Hendrick

Mr. Sin, aged 39, is the Vice Chairman of China Mobile Games and Entertainment Group Limited, shares of which are listed on the NASDAQ market in United States (NASDAQ:CMGE.). Between 2009 and 2012, Mr. Sin was an executive director and the chief financial officer of the VODONE Limited ("VOD"), a listed company on the Main Board of the Stock Exchange of Hong Kong Limited (82.HK). Mr. Sin has over 16 years of extensive experience in investment banking, finance and management. Prior to joining VOD, Mr. Sin was a director of Investment Banking Advisory at HSBC and had advised on a wide range of notable equity fund raisings and merger & acquisition transactions involving the People's Republic of China and Hong Kong corporations, including leading companies in the telecoms/technology, shipping, real estates, retail, energy & resources and health care sectors.

Mr. Sin graduated from Stanford University with a Master of Science degree in Engineering Economic Systems and Operations Research. He also holds three Bachelor of Science degrees in Computer Science/Mathematics, Economics and Industrial Management (with college honors) from Carnegie Mellon University. Mr. Sin is a member of The Hong Kong Institute of Directors.

Profiles of Directors

Yuen Kwok On

Mr. Yuen, aged 48, has extensive experience in financial analysis, risk control and mergers and acquisitions. Prior to joining the Company, Mr. Yuen is the chief financial officer and company secretary of Orange Sky Golden Harvest Entertainment (Holdings) Limited ("OSGH"). Mr. Yuen joined OSGH in October 1996 and has in-depth knowledge of operations of OSGH and its subsidiaries. OSGH's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (1132.HK).

Mr. Yuen is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. He obtained a master's degree of business administration from Hong Kong Baptist University.

Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of the Group. The Group was principally engaged in the businesses of asset management and direct investment. Following the disposal of business of direct investment during the year, the principal activities of the Group remain asset management businesses. The principal activities of the Company's principal subsidiaries as at 31 December 2013 are set out in Note 41 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 29 to 122.

The Directors do not recommend the payment of a dividend for the year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 31 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the financial statements on pages 35 to 36 and 99 to 100 respectively.

DISTRIBUTABLE RESERVE

There is no reserve available for distribution to shareholders as at 31 December 2013 and 31 December 2012.

CONVERTIBLE BONDS

Details of the movements in convertible bonds of the Company during the year are set out in Note 30 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 123.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the year.

SHARE OPTION SCHEMES

Details of the Share Option Schemes are set out in Note 33 to the financial statements.

Directors' Report

DONATIONS

The Group made charitable and other donations during the year amounting to approximately US$4,000 (2012: US$24,000).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Chairman and Executive Director:

Clive Ng Cheang Neng	(appointed on 8 August 2013)

Executive Directors:

Johnny Chan Kok Chung	(resigned on 18 March 2013)
Jeffrey Lau Chun Hung	(resigned on 27 September 2013)
Ulric Leung Yuk Lun	(resigned on 27 September 2013)
Liu Guang He	(appointed on 2 July 2013)
Sophie Mak Suk Fan	(appointed on 10 May 2013 and resigned on 2 July 2013)
Douglas Craham Morin	(resigned on 2 July 2013)
Stephen Shiu Junior	(appointed on 19 March 2013)
Nelson Tong Naiyi	(appointed on 2 July 2013)

Non-Executive Director:

Robert John Richard Owen	(resigned on 8 August 2013)

Independent Non-Executive Directors:

Raymond Chan Chi Chuen	(appointed on 10 May 2013 and resigned on 19 September 2013)
David John Robinson Herratt	(resigned on 2 July 2013)
Johnny Fok Ka Chi	(appointed on 10 May 2013 and resigned on 19 September 2013)
Shi Jinsheng	(appointed on 2 July 2013)
Sin Hendrick	(appointed on 2 July 2013)
Joseph Tong Tze Kay	(resigned on 31 May 2013)
Daniel Yen Tzu Chen	(resigned on 10 May 2013)
Anthony Yuen Koon Tung	(appointed on 31 May 2013 and resigned 19 September 2013)
Yuen Kwok On	(appointed on 2 July 2013)

In accordance with article 86(3) of the Company's Articles of Association, Messrs. Clive Ng Cheang Neng, Liu Guang He, Nelson Tong Naiyi, Shi Jinsheng, Sin Hendrick and Yuen Kwok On will hold office until the forthcoming annual general meeting (the "Annual General Meeting") and will be eligible for re-election.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("the GEM Listing Rules"). The Company considers all of the Independent Non-Executive Directors are independent.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering themselves for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Company's Directors' remuneration are set out in Note 14(a) to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2013, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 provisions 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, were as follows:

(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 %
Clive Ng Cheang Neng (Note)	–	–	3,300,000	3,300,000	0.86

Note: Fortune Builder Limited ("Fortune Builder") owns 3,300,000 ordinary shares of the Company. The entire issued share capital of Fortune Builder is beneficially wholly owned by Mr. Clive Ng Cheang Neng, the Chairman and Executive Director of the Company. Accordingly, he is deemed to be interested in these shares through his 100% interests in Fortune Builder.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES (continued)

(ii) Interests in the redeemable convertible preference shares ("RCPS") of the Company

Name of Director	Personal interest	Family interest	Corporate interest	Aggregate long position in RCPS of the Company	Percentage which the aggregate long position in RCPS represents to the total RCPS of the Company in issue %
Clive Ng Cheang Neng (Note)	–	–	895,900	895,900	8.94

Note: Fortune Builder owns 895,900 RCPS of the Company, which can be convertible into 17,254,370 ordinary shares at conversion price of HK$0.81 per share (reset on 5 December 2013) upon full conversion, representing 4.49% of the total ordinary share capital of the Company in issue. The entire issued share capital of Fortune Builder is beneficially wholly owned by Mr. Clive Ng Cheang Neng, the Chairman and Executive Director of the Company. Accordingly, he is deemed to be interested in these shares through his 100% interests in Fortune Builder.

(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 31 December 2013, 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2013, 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	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 %
Substantial Shareholders			
Able Supreme Management Limited (Note 1)	45,818,745	123,037,777	43.91
Billion Pine International Limited (Note 1)	45,818,745	123,037,777	43.91
Hu Yin (Note 1)	45,818,745	123,037,777	43.91
Main Wealth Enterprises Limited (Note 2)	74,620,421	–	19.40
Proven Bravo Limited (Note 2)	74,620,421	–	19.40
Feng Yuantao (Note 2)	74,620,421	–	19.40
Legend Vantage Limited (Note 3)	57,874,051	–	15.05
Li Guangrong (Note 3)	57,874,051	–	15.05
Yang Shengrong	31,719,717	–	8.25
Unlimited Creativity Holdings Limited	24,358,974	–	6.33
Platinum Century Limited (Note 4)	8,264,102	14,444,444	5.91
Tam Yuk Ching Jenny (Note 4)	8,264,102	14,444,444	5.91
Fortune Builder Limited (Note 5)	3,300,000	17,254,370	5.34
Clive Ng Cheang Neng (Note 5)	3,300,000	17,254,370	5.34
Other Persons			
Greyhound International Limited (Note 6)	–	51,948,051	13.51
James Wu Ting Fai (Note 6)	–	51,948,051	13.51
Li Mau (Note 7 & 8)	–	44,700,000	11.62
Wu King Shiu Kelvin (Note 7 & 8)	–	44,700,000	11.62
HMV Asia Limited (Note 7)	–	27,600,000	7.18
Wong Nga Fan (Note 7)	–	27,600,000	7.18

Directors' Report

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (continued)

(i) Interests in the ordinary shares and underlying shares of the Company (continued)

Notes:

1. Able Supreme Management Limited ("Able Supreme") held 45,818,745 ordinary shares and 6,388,500 RCPS of the Company which can be converted into 123,037,777 ordinary shares at conversion price of HK$0.81 per share (reset on 5 December 2013) upon full conversion. 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. Accordingly, he is deemed to be interested in these shares through his 100% indirect interests in Able Supreme.

2. Main Wealth Enterprises Limited ("Main Wealth") owns 74,620,421 ordinary shares of the Company. The entire issued share capital of Main Wealth is held by Proven Bravo Limited, which in turn is beneficially wholly owned by Mr. Feng Yuantao. Accordingly, he is deemed to be interested in these shares through his 100% indirect interests in Main Wealth.

3. 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.

4. Platinum Century Limited ("Platinum Century") owns 8,264,102 ordinary shares and 750,000 RCPS of the Company which can be converted into 14,444,444 ordinary shares at conversion price of HK$0.81 per share (reset on 5 December 2013) upon full conversion. Ms. Tam Yuk Ching Jenny is deemed to be interested in these shares through her 100% interests in Platinum Century.

5. Fortune Builder Limited ("Fortune Builder") owns 3,300,000 ordinary shares and 895,900 RCPS of the Company which can be convertible into 17,254,370 ordinary shares at conversion price of HK$0.81 per share (reset on 5 December 2013) upon full conversion. Mr. Clive Ng Cheang Neng, the Chairman and Executive Director of the Company is deemed to be interested in these shares through his 100% interests in Fortune Builder.

6. Greyhound International Limited ("Greyhound International") owns 51,948,051 underlying shares which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK$40,000,000 at conversion price of HK$0.77 per share (reset on 5 December 2013). Mr. James Wu Ting Fai is deemed to be interested in these shares through his 100% interests in Greyhound International.

7. HMV Asia Limited ("HMV Asia"), Ms. Wong Nga Fan ("Ms. Wong") and Mr. Wu King Shiu Kelvin ("Mr. Wu") are deemed to be interest in these underlying shares by virtue of the Sale and Purchase Agreement dated 10 December 2013 in relation to the acquisition of HMV Ideal Limited (formerly known as Billion Merit Investments Limited). Upon completion of the acquisition, HMV Asia, Ms. Wong and Mr. Wu will be issued and allotted with 27,600,000, 27,600,000 and 2,400,000 Consideration Shares by the Company respectively. 93.75% of the shares of HMV Asia are held by Ms. Li Mau, the wife of Mr. Wu. Accordingly, she is deemed to be interested in the underlying shares held by HMV Asia and Mr. Wu.

8. Mr. Wu King Shiu Kelvin ("Mr. Wu") also owns 14,700,000 underlying shares of the Company. Ms. Li Mau, as the spouse of Mr. Wu, is deemed to be interested in these underlying shares for the purpose of the SFO.

Directors' Report

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS (continued)

(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 31 December 2013, 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 31 December 2013, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

MAJOR CLIENTS AND SUPPLIERS

The Group is mainly engaged in the business of asset management and its income is primarily derived from the return on investments and the disclosure of information regarding customers and suppliers would not be meaningful.

CONNECTED TRANSACTIONS

The Group had no connected transactions during the year that require disclosure under the GEM Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2013, the Group had no advances outstanding which were non-trading in nature and exceeded 8% of the total assets of the Group as at 31 December 2013 which was required to be disclosed under Rule 17.18 of the GEM Listing Rules.

COMPETING INTERESTS

The Directors are not aware of any business or interest, as at 31 December 2013, of the Directors, initial management shareholders of the Company or their respective associates which was required to be disclosed under Rule 11.04 of the GEM Listing Rules.

FULL NAME AND QUALIFICATIONS OF COMPANY SECRETARY AND THE COMPLIANCE OFFICER

The Company Secretary of the Company is Chan Suet Ngan. She holds a bachelor's degree in commerce, major in accounting and finance. She is a member of CPA Australia and also a member of the Hong Kong Institute of Certified Public Accountants. She has experience in auditing, accounting, finance and taxation.

The Compliance Officer of the Company is Nelson Tong Naiyi. He graduated from Cornell University with a Bachelor of Arts degree in Economics and has over 15 years of experience in the finance and investment industries.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of these financial statements.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2013.

OTHER MATTERS

Details of events after the reporting period are set out in Note 42 to the financial statements.

AUDITOR

The financial statements for the year ended 31 December 2013 were audited by BDO Limited who will retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

For and on behalf of the Board
Clive Ng Cheang Neng
Chairman and Executive Director
21 March 2014

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2013, 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 deviations:

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. Ilyas Tariq Khan from the office of Chairman and Chief Executive Officer of the Company on 4 October 2010 and the appointment of Mr. Clive Ng Cheang Neng to the office of Chairman on 8 August 2013, the Company has not appointed Chief Executive Officer, and the role and function of the Chief Executive Officer have been performed by the four Executive Directors of the Company collectively.

DIRECTORS' SECURITIES TRANSACTION

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.

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.

BOARD OF DIRECTORS

Composition

The Board comprises seven Directors, of which three are Independent Non-Executive Directors, as follows:

Executive Directors:
Clive Ng Cheang Neng *(Chairman)*
Liu Guang He
Stephen Shiu Junior
Nelson Tong Naiyi

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

The biographies of the Directors are set out under the "Profiles of Directors" on pages 9 and 11, and are posted on the Company's website (www.crosbycapitallimited.com).

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Composition (continued)

The principal role of the Board is to provide strategic leadership to the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the Group's strategic aims, oversees the allocation of financial and human resources and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to shareholders and others are met and understood. The Board meets at least quarterly to review and discuss the Group's performance, strategy and business opportunities available. The Board also reviews and approves the Quarterly, Interim and Annual Reports of the Company. The Board has delegated the day-to-day running of the Group to the Executive Directors/Chief Executive Officer and the Group's management team. However, the Board retains responsibility for:

- Approving annual operating and capital expenditure budgets and any material changes to them;

- Approving the remuneration of the Directors (based on the recommendations of the Remuneration Committee);

- Approving the appointment of Directors (based on recommendations of the Nomination Committee);

- Approving the Quarterly, Interim and Annual Reports (based on recommendations of the Audit Committee);

- Approving any decision to cease to operate all or any material part of the business;

- Approving any changes relating to the Group's capital structure, including the reduction of capital, share issues and share buy backs; and

- Approval of dividend policy and declaration of interim and final dividends.

The Company has complied with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules relating to the appointment of sufficient number of Independent Non-Executive Directors. An Independent Non-Executive Director has appropriate professional qualifications, or accounting or related financial management expertise.

The Company considers that each of its Independent Non-Executive Directors are independent in accordance with the guidelines for assessing independence set out in Rule 5.09 of the GEM Listing Rules.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

The Company considers that there is no relationship (including financial, business, family or other material/relevant relationship) among the members of the Board.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Composition (continued)

Term of Appointment and Re-election

The Non-Executive Directors were appointed for fixed terms of one year and thereafter are terminable on three month's written notice from either party. Every Director is subject to retirement by rotation at least once every three years. All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first general meeting after their appointment.

Training and Support for Directors

All the Directors, including Non-Executive Directors and Independent Non-Executive Directors, are briefed on regular basis to have a proper understanding of their collective responsibilities as Directors and of the operations and business of the Group. The Group assists in arranging professional development training to all the Directors to develop and refresh the Directors' knowledge and skills, and continuously updates all the Directors on latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

Board Meetings

There have been sixteen meetings of the Board during the year.

Attendance of individual Directors at meetings of the Board held during the year was as follows:

	No. of board meetings attended
Clive Ng Cheang Neng (appointed on 8 August 2013)	4
Johnny Chan Kok Chung (resigned on 18 March 2013)	1
Jeffrey Lau Chun Hung (resigned on 27 September 2013)	8
Ulric Leung Yuk Lun (resigned on 27 September 2013)	8
Douglas Craham Morin (resigned on 2 July 2013)	5
Liu Guang He (appointed on 2 July 2013)	10
Stephen Shiu Junior (appointed on 19 March 2013)	8
Nelson Tong Naiyi (appointed on 2 July 2013)	9
Sophie Mak Suk Fan (appointed on 10 May 2013 and resigned on 2 July 2013)	2
Robert John Richard Owen (resigned on 8 August 2013)	6
Raymond Chan Chi Chuen (appointed on 10 May 2013 and resigned on 19 September 2013)	1
Johnny Fok Ka Chi (appointed on 10 May 2013 and resigned on 19 September 2013)	4
David John Robinson Herratt (resigned on 2 July 2013)	6
Shi Jinsheng (appointed on 2 July 2013)	8
Sin Hendrick (appointed on 2 July 2013)	7
Joseph Tong Tze Kay (resigned on 31 May 2013)	4
Daniel Yen Tzu Chen (resigned on 10 May 2013)	3
Anthony Yuen Koon Tung (appointed on 31 May 2013 and resigned on 19 September 2013)	2
Yuen Kwok On (appointed on 2 July 2013)	6

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Following the completion of disposal of the Company's merchant banking assets and the corporate finance and financial advisory services businesses to ECK Partners Holdings Limited, Mr. Ilyas Tariq Khan stepped down from the office of Chairman and Chief Executive Officer of the Company with effect from 4 October 2010. Mr. Clive Ng Cheang Neng was appointed as Chairman of the Company on 8 August 2013. Up to the date of this report, the Board has not appointed an individual to take up the vacancy Chief Executive Officer of the Company; and the role and function of the Chief Executive Officer have been performed by the four Executive Directors of the Company collectively.

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 11 August 2005. The Committee meets at least once a year. The terms of reference of the Remuneration Committee are posted on the Company's website (www.crosbycapitallimited.com). The principal functions of the Remuneration Committee include: recommending to the Board the policy and structure for the remuneration of the Chairman, Executive Director and senior management (as determined by the Board), determining the specific remuneration packages of the Chairman, Executive Directors and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to Chairman, Executive Directors and senior management, ensuring no Director is involved in deciding his or her own remuneration, and approving the service contracts of Directors. The Remuneration Committee also fulfils the role of an Options Committee for the Employee Share Option Scheme and its main duty in this context is to approve the grant of options to relevant employees.

The Remuneration Committee, comprising all Independent Non-Executive Directors, is chaired by Mr. Yuen Kwok On, and its membership includes Messrs. Shi Jinsheng and Sin Hendrick.

There was six Remuneration Committee meetings during the year.

The Remuneration Committee determined the specific remuneration packages of all the Executive Directors and senior management.

NOMINATION COMMITTEE AND NOMINATION OF DIRECTORS

The Company established a Nomination Committee on 11 August 2005. The terms of reference of the Nomination Committee are posted on the Company's website (www.crosbycapitallimited.com). The principal function of the Nomination Committee is the consideration and nomination of candidates to fill casual vacancies to the Board.

The Company acknowledges that the diversification of the members of the Broad has positive effects on enhancing the Group's performance. The Company sees the diversification of the members of the Board as an important supporting factor for the Group to achieve its strategic goal and maintain sustainable growth. In deciding the composition of the Board, the Company will consider the Board diversity from various perspectives, including but not limited to sex, age, cultural and academic background, race, professional experience, skills, knowledge and terms of services. All of our Directors are appointed according to the principle of meritocracy while all candidates are being selected objectively, and the benefit of Board diversity will also be taken into full consideration.

The Nomination Committee comprised a majority of Independent Non-Executive Directors, is chaired by Mr. Shi Jinsheng and its membership includes Messrs. Sin Hendrick and Yuen Kwok On.

There was seven Nomination Committee meetings during the year.

Corporate Governance Report

AUDIT COMMITTEE

The Company established an Audit Committee on 31 March 2000 with the written terms of reference. The terms of reference are available on the Company's website (www.crosbycapitallimited.com). The Audit Committee comprises three Independent Non-Executive Directors, Messrs. Yuen Kwok On (Chairman), Shi Jinsheng and Sin Hendrick. The duties of the Audit Committee include: managing the relationship with the Group's external auditor, reviewing the financial information of the Company, and overseeing the Company's financial reporting process and internal control systems. The Audit Committee reports its work, findings and recommendations to the Board after each meeting.

The Audit Committee met four times during the year ended 31 December 2013.

The Audit Committee has met with the Auditor and the Chief Financial Officer during the year to review the 2012 Annual Report and the Quarterly Report for the quarters ended 31 March 2013 and 30 September 2013, and the Interim Report for the six months ended 30 June 2013. The Audit Committee has also met to review these annual figures and was satisfied with the outcome of its review.

The composition of the Audit Committee meets the requirements of Rule 5.28 of the GEM Listing Rules.

AUDITOR'S REMUNERATION

Auditor's remuneration in respect of audit and non-audit services provided by external auditor from continuing operations for the year ended 31 December 2013 amounted to US$51,000 (2012: US$51,000) and US$13,000 (2012: US$12,000) respectively. The non-audit services included the review of the Quarterly and Interim Reports of the Company during the year.

INTERNAL CONTROL

The Board is responsible for maintaining a strong system of internal control and risk management to safeguard shareholders' investments and the Group's assets. The definition of internal control applied by the Board is that, stated in "Internal Control – Integrated Framework", issued by the Committee of Sponsoring Organisations of the Treadway Commission ("COSCO") in the United States in 1992 as recommended by the Hong Kong Institute of Certified Public Accountants, of a process designed to provide reasonable assurance regarding the achievement of objectives in relation to the following:

(i) Effectiveness and efficiency of operations;

(ii) Reliability of financial reporting; and

(iii) Compliance with applicable laws and regulations.

The Group's system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable, but not an absolute, assurance in this respect. In addition, it cannot guarantee against material misstatement or loss.

Corporate Governance Report

AUDIT COMMITTEE (continued)

Through the Group's risk management framework, there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group, including business, financial, compliance, legal and operating risks. As part of this process, the Company conducted a review of the effectiveness of its system of internal control during the year ended 31 December 2013. The Board, based on recommendations of the Audit Committee, has concluded that the internal control systems are effective and adequate, and that there are no significant areas of concern which may affect shareholders. The review covered all material controls including financial, operational and compliance controls, and risk management. The criteria the Board use to assess the effectiveness of the system of internal control included:

(i) The nature and extent of the risks facing the Group;

(ii) The extent and categories of risk that the Board regards as acceptable for the Group to bear;

(iii) The likelihood of the risks materialising and the financial impact of the risks;

(iv) The Group's ability to reduce the incidence and impact on the business of risks that do materialise; and

(v) The costs of operating particular controls relative to the benefit thereby obtained.

The Board will review the risk management framework and the effectiveness of internal control on at least on annual basis.

The Board, based on the recommendations of the Audit Committee, has considered the need for an Internal Audit function during the year and has decided, after taking into account of the size of the Group, the scale, diversity and complexity of its activities, the number of employees, the level of external oversight that companies within the Group receive from regulatory bodies, as well as cost/benefit considerations, that an Internal Audit function is not yet justified. This decision will be reviewed annually.

SHARE INTERESTS OF SENIOR MANAGEMENT

The number of shares held by senior management are set out in the Directors' Report on pages 14 to 15.

DIRECTORS' AND OFFICERS' INSURANCE

The Company arranges appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Corporate Governance Report

SHAREHOLDERS

The Board recognises its responsibility to represent the interest of all shareholders and to maximise shareholder value and this section of the Corporate Governance Report details the Group's policies and actions in this respect.

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an Extraordinary General Meeting ("EGM") to be convened, stating the objects of the meeting, and deposited with our Company Secretary at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. The meeting shall be held within two months after the deposit of such requisition.

The procedures for shareholders to put forward proposals at an Annual General Meeting ("AGM") or EGM require that a written notice of those proposals be submitted by the shareholders to the Company Secretary at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution.

Enquiries to be put to the Board should be made in writing and directed to the Company Secretary at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.

The most recent shareholders meetings were as follows:

EGM held at 10:00 a.m. on 14 February 2014 at Unit 502, 5th Floor, AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong. The major items discussed were:

(i) Approval of the Sale and Purchase Agreement dated 10 December 2013 in relation to the acquisition of HMV Ideal Limited (formerly known as Billion Merit Investments Limited).

(ii) Approval of the issue of consideration shares under specific mandate.

(iii) Approval of the proposed placing of new shares, issue of bonus warrants and granting of over-allotment option under specific mandate.

(iv) Approval of refreshment of general mandate.

All the above resolutions received sufficient votes to be duly carried.

As at 31 December 2013, the public float capitalisation was approximately US$20,555,000 and the number of issued shares on the public float, representing 52.77% of the outstanding issued share capital of the Company.

Independent Auditor's Report

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香港干諾道中111號
永安中心25樓

To the shareholders of Crosby Capital Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Crosby Capital Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 29 to 122, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER – MATERIAL UNCERTAINTY REGARDING THE GOING CONCERN ASSUMPTION

Without qualifying our opinion, we draw your attention to Note 3(a) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2013, the Group had net current liabilities of approximately US$6,882,000 and the Group also incurred a loss of approximately US$10,897,000 for the year then ended. As at the same date, the Company had net current liabilities of approximately US$8,096,000 and capital deficiency of approximately US$6,890,000. These conditions, along with other matters as disclosed in Note 3(a) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate no. P04434

Hong Kong, 21 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 US$'000	(Restated) 2012 US$'000
Continuing operations			
Revenue	6	**1,777**	2,445
Cost of sales		**64**	(596)
Gross profit		**1,841**	1,849
(Loss)/Gain on financial liabilities at fair value through profit or loss	29	**(897)**	2,484
Other income	7	**145**	86
Administrative expenses			
Amortisation of intangible assets	20	**–**	(569)
Other administrative expenses		**(4,629)**	(5,382)
		(4,629)	(5,951)
Impairment of intangible assets	20	**(112)**	–
Impairment of goodwill	21	**(3,311)**	–
Other operating expenses		**(257)**	(401)
Loss from operations		**(7,220)**	(1,933)
Finance costs	8	**(3,078)**	(2,563)
Loss before taxation	9	**(10,298)**	(4,496)
Taxation	10(A)	**(8)**	–
Loss for the year from continuing operations		**(10,306)**	(4,496)
Discontinued operations			
Loss for the year from discontinued operations	11	**(591)**	(753)
Loss for the year		**(10,897)**	(5,249)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 US$'000	(Restated) 2012 US$'000
Attributable to:			
Owners of the Company	12		
Loss for the year from continuing operations		**(10,306)**	(4,496)
Loss for the year from discontinued operations		**(521)**	(404)
		(10,827)	(4,900)
Non-controlling interests			
Loss for the year from continuing operations		**–**	–
Loss for the year from discontinued operations		**(70)**	(349)
		(70)	(349)
Loss for the year		**(10,897)**	(5,249)
Loss per share attributable to owners of the Company during the year	13	**US cents**	(Restated) US cents
Basic			
Continuing operations		**(5.77)**	(3.57)
Discontinued operations		**(0.29)**	(0.32)
		(6.06)	(3.89)
Diluted			
Continuing operations		**N/A**	N/A
Discontinued operations		**N/A**	N/A
		N/A	N/A

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Loss for the year		**(10,897)**	(5,249)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments			
Deficit on revaluation	19	**(7)**	(19)
Reclassification adjustment upon disposal of subsidiaries		**(211)**	–
Exchange differences on translating foreign operations		**24**	2
Other comprehensive income for the year, net of tax		**(194)**	(17)
Total comprehensive income for the year, before and net of tax		**(11,091)**	(5,266)
Attributable to:			
Owners of the Company		**(11,021)**	(4,917)
Non-controlling interests		**(70)**	(349)
Total comprehensive income for the year, before and net of tax		**(11,091)**	(5,266)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 US$'000	2012 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**9,536**	10,403
Interest in a joint venture	17	**–**	227
Note receivable	18	**–**	2,801
Available-for-sale investments	19	**1,282**	699
Intangible assets	20	**–**	112
Goodwill	21	**–**	3,311
		10,818	17,553
Current assets			
Trade and other receivables	22	**445**	1,489
Financial assets at fair value through profit or loss	23	**–**	30
Cash and cash equivalents	24	**2,397**	3,021
		2,842	4,540
Current liabilities			
Other payables	25	**432**	2,009
Note payable	26	**830**	–
Loan payable		**–**	62
Financial liabilities at fair value through profit or loss	29	**1,524**	5,942
Convertible bonds	30	**5,706**	25,112
Borrowings	27	**1,232**	2,246
		9,724	35,371
Net current liabilities		**(6,882)**	(30,831)
Total assets less current liabilities		**3,936**	(13,278)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Non-current liabilities			
Financial liabilities at fair value through profit or loss	29	**48**	97
Borrowings	27	**2,963**	4,166
		3,011	4,263
Net assets/(liabilities)		**925**	(17,541)
EQUITY			
Share capital	31	**3,846**	1,378
Reserves	32	**(2,921)**	(18,991)
Equity/(Capital deficiency) attributable to owners of the Company		**925**	(17,613)
Non-controlling interests		**–**	72
Total equity/(Capital deficiency)		**925**	(17,541)

Nelson Tong Naiyi
Director

Liu Guang He
Director

Statement of Financial Position

As at 31 December 2013

	Notes	2013 US$'000	2012 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	**1,254**	13,511
Current assets			
Other receivables		**71**	24
Cash and cash equivalents	24	**990**	62
		1,061	86
Current liabilities			
Other payables		**125**	629
Note payable	26	**830**	–
Financial liabilities at fair value through profit or loss	29	**1,524**	5,942
Convertible bonds	30	**5,706**	25,112
Borrowings	27	**972**	–
		9,157	31,683
Net current liabilities		**(8,096)**	(31,597)
Total assets less current liabilities		**(6,842)**	(18,086)
Non-current liabilities			
Financial liabilities at fair value through profit or loss	29	**48**	97
Borrowings	27	**–**	961
		48	1,058
Net liabilities		**(6,890)**	(19,144)
EQUITY			
Share capital	31	**3,846**	1,378
Reserves	32	**(10,736)**	(20,522)
Capital deficiency		**(6,890)**	(19,144)

Nelson Tong Naiyi
Director

Liu Guang He
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Capital deficiency attributable to owners of the Company									Non-controlling interests	Capital deficiency
	Share capital	*Share premium	*Capital reserve	*Capital redemption reserve	*Employee share-based compensation reserve	*Investment revaluation reserve	*Foreign exchange reserve	*Accumulated losses	Total		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2012	9,812	107,943	271	77	7,034	237	4	(143,228)	(17,850)	421	(17,429)
Employee share-based compensation	–	–	–	–	253	–	–	–	253	–	253
Lapse of share options	–	–	–	–	(166)	–	–	166	–	–	–
Repurchase of share options	–	–	–	–	(2,691)	–	–	2,674	(17)	–	(17)
Issue of shares upon conversion of bonds (Note 31(b))	3,764	696	–	–	–	–	–	–	4,460	–	4,460
Capital reduction (Note 31(a)(ii))	(12,218)	(108,639)	–	–	–	–	–	120,857	–	–	–
Issue of shares upon exercise of warrants (Note 31(c))	20	438	–	–	–	–	–	–	458	–	458
Transactions with owners	(8,434)	(107,505)	–	–	(2,604)	–	–	123,697	5,154	–	5,154
Loss for the year	–	–	–	–	–	–	–	(4,900)	(4,900)	(349)	(5,249)
Other comprehensive income:											
Available-for-sale investments											
Deficit on revaluation	–	–	–	–	–	(19)	–	–	(19)	–	(19)
Exchange differences on translating foreign operations	–	–	–	–	–	–	2	–	2	–	2
Total comprehensive income for the year	–	–	–	–	–	(19)	2	(4,900)	(4,917)	(349)	(5,266)
At 31 December 2012	1,378	438	271	77	4,430	218	6	(24,431)	(17,613)	72	(17,541)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	(Capital deficiency)/Total equity attributable to owners of the Company									Non-controlling interests	(Capital deficiency)/Total equity
	Share capital	*Share premium	*Capital reserve	*Capital redemption reserve	*Employee share-based compensation reserve	*Investment revaluation reserve	*Foreign exchange reserve	*Accumulated losses	Total		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2013	1,378	438	271	77	4,430	218	6	(24,431)	(17,613)	72	(17,541)
Employee share-based compensation	-	-	-	-	235	-	-	-	235	-	235
Lapse of share options	-	-	-	-	(36)	-	-	36	-	-	-
Placing of shares (Note 31(e))	276	2,126	-	-	-	-	-	-	2,402	-	2,402
Share issue expenses (Note 31(e))	-	(25)	-	-	-	-	-	-	(25)	-	(25)
Issue of shares upon conversion of bonds (Note 31(d))	2,192	24,755	-	-	-	-	-	-	26,947	-	26,947
Disposal of subsidiaries (Note 39)	-	-	-	-	-	-	-	-	-	(2)	(2)
Transactions with owners	2,468	26,856	-	-	199	-	-	36	29,559	(2)	29,557
Loss for the year	-	-	-	-	-	-	-	(10,827)	(10,827)	(70)	(10,897)
Other comprehensive income:											
Available-for-sale investments											
Deficit on revaluation	-	-	-	-	-	(7)	-	-	(7)	-	(7)
Reclassification adjustment upon disposal of subsidiaries	-	-	-	-	-	(211)	-	-	(211)	-	(211)
Exchange differences on translating foreign operations	-	-	-	-	-	-	24	-	24	-	24
Total comprehensive income for the year	-	-	-	-	-	(218)	24	(10,827)	(11,021)	(70)	(11,091)
At 31 December 2013	3,846	27,294	271	77	4,629	-	30	(35,222)	925	-	925

* The total of these reserves amounts to a deficiency of US$2,921,000 (2012: US$18,991,000).

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 US$'000	(Restated) 2012 US$'000
Cash flows from operating activities			
Continuing operations			
Cash outflow from operations	37	**(2,569)**	(4,157)
Tax paid		**(8)**	–
Tax refund		**–**	195
Net cash outflow from operating activities from continuing operations		**(2,577)**	(3,962)
Discontinued operations			
Net cash inflow from operating activities from discontinued operations		**15**	164
Net cash outflow from operating activities		**(2,562)**	(3,798)
Cash flows from investing activities			
Continuing operations			
Acquisition of trademarks		**(6)**	(102)
Dividend received from available-for-sale investments		**–**	51
Other interest received		**–**	46
Acquisition of available-for-sale investments		**(1,282)**	–
Proceeds from disposals of property, plant and equipment		**276**	10
Purchase of property, plant and equipment		**(30)**	(207)
Issuance of notes receivable		**–**	(3,108)
Repayment from note receivable		**–**	544
Disposals of subsidiaries, net of cash disposed	39	**(573)**	–
Net cash outflow from investing activities from continuing operations		**(1,615)**	(2,766)
Discontinued operations			
Net cash inflow/(outflow) from investing activities from discontinued operations		**2,794**	(117)
Net cash inflow/(outflow) from investing activities		**1,179**	(2,883)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 US$'000	(Restated) 2012 US$'000
Cash flows from financing activities			
Continuing operations			
Proceeds from exercise of warrants	31(c)	**–**	288
Proceeds from issue of shares, net of share issue expenses	31(e)	**2,377**	–
Interest paid on bank loan		**(49)**	(55)
Repayment of bank loan		**(238)**	(232)
Interest paid on other loan		**(8)**	–
(Repayment)/Advance of other loan		**(1,990)**	1,923
Net cash inflow from financing activities from continuing operations		**92**	1,924
Discontinued operations			
Net cash inflow from financing activities from discontinued operations		**667**	–
Net cash inflow from financing activities		**759**	1,924
Net decrease in cash and cash equivalents		**(624)**	(4,757)
Effect of exchange rate fluctuations, net		**–**	4
Cash and cash equivalents as at 1 January		**3,021**	7,774
Cash and cash equivalents as at 31 December		**2,397**	3,021

Notes to the Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

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 and its subsidiaries are together referred to as the Group hereinafter.

The Company acts as the holding company of the Group. The Group was principally engaged in the businesses of asset management and direct investment. Following the disposal of business of direct investment during the year, the principal activities of the Group remain asset management businesses. Details of principal activities of its principal subsidiaries are set out in Note 41 to the financial statements.

The audited consolidated financial statements on pages 29 to 122 have 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 financial statements also comply 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").

As mentioned in Note 3(t) to the financial statements, there are two reportable operating segments, namely asset management (including fund management, asset management and wealth management service) and direct investment. Certain subsidiaries engaged in the businesses of asset management, as part of asset management segment, and direct investment were disposed of during the year. The comparatives had been restated as discontinued operations. Other than this, there were no significant changes in the Group's business during the year. Wealth management services, as a part of asset management, ceased on 28 September 2012.

The financial statements for the year ended 31 December 2013 were approved by the board of directors (the "Directors") on 21 March 2014.

Notes to the Financial Statements

For the year ended 31 December 2013

2. ADOPTION OF NEW OR AMENDED IFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new IFRSs"), which are relevant to and effective for the consolidated financial statements for the annual period beginning on 1 January 2013:

(a) Adoption of new/revised IFRSs – effective 1 January 2013

IFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
IFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to IFRS 7	Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures

Except as explained below, the adoption of these new/revised standards and interpretations has no material impact on the Group's financial statements.

IFRSs (Amendments) – Annual Improvements 2009–2011 Cycle

IAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy

IFRSs (Amendments) – Annual Improvements 2010–2012 Cycle

The Basis of Conclusions for IFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

Amendments to IAS1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

Notes to the Financial Statements

For the year ended 31 December 2013

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2013 (continued)

Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities

IFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under IAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under IAS 32.

The adoption of the amendments has no impact on these financial statements as the Group has not offset financial instruments, nor has it entered into any netting agreement or a similar arrangement.

IFRS 10 – Consolidated Financial Statements

IFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. IFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in IAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see Note 3(c)).

IFRS 11 – Joint Arrangements

Joint arrangements under IFRS 11 have the same basic characteristics as joint ventures under IAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). IFRS 11 does not allow proportionate consolidation of a joint venture arrangement. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement.

Notes to the Financial Statements

For the year ended 31 December 2013

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

(a) Adoption of new/revised IFRSs – effective 1 January 2013 (continued)

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

IFRS 12 disclosures are provided in Notes 16 and 17. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

IFRS 13 – Fair Value Measurement

IFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with IFRS 7 "Financial Instruments: Disclosures". IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. IFRS 13 is applied prospectively.

IFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in Note 40(B)(iv). Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

Notes to the Financial Statements

For the year ended 31 December 2013

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

(b) New/revised IFRSs that have been issued but are not yet effective

The Group has not applied the following new/revised IFRSs, that have been issued, but are not yet effective in these financial statements.

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosure[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRS 9	Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities[1]
IFRIC 21	Levies[1]
IFRSs (Amendments)	Annual Improvements 2010–2012 Cycle[4]
IFRSs (Amendments)	Annual Improvements 2011–2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

4 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Information on new/revised IFRSs that is potentially relevant to the Group's financial statements is as follows:

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to IAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to IAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal.

IFRS 9 – Financial Instruments

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses is recognised in profit or loss except for those non-trade equity investments, which the entity has a choice to recognise the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

Notes to the Financial Statements

For the year ended 31 December 2013

2. ADOPTION OF NEW OR AMENDED IFRSs (continued)

(b) New/revised IFRSs that have been issued but are not yet effective (continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

Except for IFRS 9, the Directors anticipated that the application of other new or amended IFRSs will have no material impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new/revised IFRSs and the impacts on the financial statements, if any, are disclosed in Note 2 to the financial statements.

The audited consolidated financial statements have 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. The measurement bases are fully described in the accounting policies below.

In preparing the financial statements, the Directors have considered the operations of the Group as a going concern notwithstanding the Group had net current liabilities of approximately US$6,882,000 (2012: US$30,831,000) as at 31 December 2013, the Group incurred a loss of approximately US$10,897,000 (2012: US$5,249,000) for the year and the Company had net current liabilities of approximately US$8,096,000 (2012: US$31,597,000) and capital deficiency of approximately US$6,890,000 (2012: US$19,144,000) as at 31 December 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore, the Group and the Company may not be able to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The Directors have prepared the financial statements based on the assumption that the Group can continue as a going concern and are of the view that the Group will have sufficient working capital and financial resources to finance its operations for twelve months from the end of the reporting period, after taking into consideration the following:

(i) The Group continues to implement measures to tighten cost controls over various administrative expenses and to attain positive cash flow operations through newly acquired subsidiaries, HMV Ideal Limited (formerly known as Billion Merit Investments Limited) and its subsidiaries ("HMV Ideal Group"), of which the acquisition was completed on 24 February 2014, as detailed in Note 42 to the financial statements;

(ii) The Group's ability to raise additional financing through its office premises located at AXA Centre in Wan Chai, Hong Kong; and

(iii) The Group's ability to raise additional financing by way of new shares issue or other means.

Having regard to the cash flow projection of the Group, which has been prepared based on the above considerations, the Directors are of the opinion that, in light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient working capital and financial resources to satisfy its future working capital and other financing requirements for the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis and are satisfied that the Group will have sufficient working capital and financial resources to finance its operations for twelve months from the end of the reporting period.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. 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 financial statements, are set out in Note 4 to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in non-controlling interest having a deficit balance.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are classified as available-for-sale investments under IAS 39 "Financial Instruments: Recognition and Measurement" and are stated at fair value. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any identified impairment losses at each reporting date subsequent to initial recognition. Details of the accounting policies in subsequent measurement of available-for-sale investments are set out in Note 3(h)(i) to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and joint ventures

An associate is an entity over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which is neither a subsidiary nor joint venture.

The group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

- *Joint ventures:* where the group has rights to only the net assets of the joint arrangement; or

- *Joint operations:* where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;

- The legal form of joint arrangements structured through a separate vehicle;

- The contractual terms of the joint arrangement agreement; and

- Any other facts and circumstances (including any other contractual arrangements).

In the consolidated financial statements, the Group's interests in associates or joint ventures are initially recognised at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the results and movements of reserves of the associates or joint ventures. The consolidated financial statements include the Group's share of the post-acquisition, post-tax results for the year, including any impairment loss on goodwill relating to the interests in associates or joint ventures and movements of reserves of the associates or joint ventures on an equity accounting basis. Any goodwill or fair value adjustment attributable to the share in the associates or joint ventures is included in the amount recognised as interests in associates or joint ventures.

Goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the interests. After the application of equity method, the Group determines whether it is necessary to recognise additional impairment loss on the Group's interests in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the interests in associates or joint ventures are impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associates or joint ventures and its carrying amount.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and joint ventures (continued)

Unrealised gains arising from transactions with associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the Group's share of losses in associates or joint ventures equals or exceeds its interests in the associates or joint ventures, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates or joint ventures. For this purpose, the Group's interests in associates or joint ventures are the carrying amounts of the investments under the equity method together with the Group's long-term interests that in substance form part of Group's net investment in the associates or joint ventures.

(e) Property, plant and equipment

(i) Measurement bases

Leasehold land and buildings

The land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Gain or loss arising from retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the assets, and is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

(ii) Depreciation

Depreciation is provided to write off the cost of property, plant and equipment less their estimated residual values over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and buildings	2% or over the terms of the lease, whichever is shorter
Computer hardware and software	$33^1/_3$%
Furniture and fixtures	20%
Leasehold improvements	20% or over the terms of the lease, whichever is shorter
Office equipment	$33^1/_3$%

The assets' estimated residual values, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(f) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the rights to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the statement of profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Foreign currencies

The financial statements are presented in United States Dollars ("US$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations originally presented in a currency different from the Group's presentation currency, have been converted into US$. Assets and liabilities have been translated into US$ at the closing rates at the reporting date. Income and expenses have been converted into the US$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the foreign exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into US$ at the closing rates.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

(h) Financial instruments

Financial assets and financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets

The Group classifies its financial assets other than hedging instruments into one of the following categories: financial assets at fair value through profit or loss, available-for-sale investments and loans and receivables. Regular way purchases or sales of financial assets are recognised on trade date. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. The accounting policies adopted for each category are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

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

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in Note 3(o) to the financial statements.

Available-for-sale investments

Available-for-sale investments include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in fair value, excluding any dividend and interest income, is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve in equity, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is reclassified from equity to profit or loss. Interest calculated using effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. Change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

When a decline in the fair value of an available-for-sale investment has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals of impairment losses in respect of investments in equity instruments classified as available-for-sale and stated at fair value are not recognised in profit or loss. The subsequent increase in fair value is recognised in the other comprehensive income.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition. Such impairment loss will not reverse in subsequent periods.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment losses on loans and receivables are provided for when objective evidence is received that the Group will not be able to collect amounts due to it in accordance with the original terms of the receivables. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in profit or loss for the period in which the impairment occurs.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

– A breach of contract, such as default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss in the period in which the reversal occurs.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Finance lease liabilities

Finance lease liabilities are measured at the initial fair value of the leased asset or, if lower, the present value of the minimum lease payments less the capital element of lease repayments (see Note 3(f) to the financial statements).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include embedded derivatives which have been separated from their host contracts and financial liabilities that are designated by the Group to be carried at fair value through profit or loss upon initial recognition.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; or

– the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

– the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities included in this category are measured at fair value with changes in fair value recognised in profit or loss. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be reclassified.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option derivative is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of convertible bond is carried at amortised cost using effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

When the bonds are converted, the carrying amount of the liability portion together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the bonds are redeemed, the difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the bonds are allocated amongst the liability component and the conversion option derivative in proportion to the allocation of the proceeds. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the bonds using effective interest method. Transaction costs relating to the conversion option derivative are expensed as incurred.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Redeemable convertible preference shares

Redeemable convertible preference shares issued by the Group that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the conversion option derivative is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

Preference shares, which are redeemable on a specific date or at the option of the shareholders, are classified as liabilities.

In subsequent periods, the liability component is carried at amortised cost using effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

When the preference shares are converted, the carrying amount of the liability portion together with the fair value of the conversion derivative at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the preference shares are redeemed, the difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the redeemable convertible preference shares are allocated to the liability and conversion option components in proportion to the allocation of proceeds. Transaction costs relating to the conversion option derivative is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the preference shares using effective interest method.

Other financial liabilities

Other financial liabilities include other payables and are recognised initially at fair value and subsequently measured at amortised cost, using effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(i) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are payable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGU that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(k) Intangible assets

(i) Non-compete contract

The fair value of acquired non-compete contract is capitalised and, subject to impairment reviews. Amortisation is calculated so as to write off the fair value of the non-compete contract less its estimated residual value, over its estimated useful life of 2 years. An impairment review of non-compete contract is undertaken when events or circumstances indicate the carrying amount may not be recoverable.

(ii) Trademarks

Expenditure on acquired trademarks is capitalised and is not amortised over the useful life, which is indefinite for the following reasons:

– it is capable of being renewed indefinitely at insignificant cost; and

– there is no foreseeable limit to the period over which the asset is expected to generate net cash flows, based on an analysis of all of the relevant factors.

An impairment review of trademarks is undertaken annually or when events or circumstances indicate that the carrying amount may not be recoverable.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, interests in subsidiaries, interests in joint ventures and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(m) Income taxes

Income tax for the year comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(o) Revenue recognition

Revenue, which is the fair value of consideration received or receivable, is recognised when it is probable that economic benefits will flow to the Group, when the revenue can be measured reliably, and the stage of completion of the transaction and the costs incurred for the transaction as well as the costs to complete the transaction can be measured reliably, and on the following bases:

– Fund management fee income is recognised in accordance with the substance of the relevant agreements.

– Management fee income, included in other income, is recognised as the services are provided.

– Interest income is recognised as it accrues, taking into account the effective yield on the asset.

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

The policies on financial assets at fair value through profit or loss are dealt with in Note 3(h)(i) to the financial statements.

(p) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to long service payment and annual leave are recognised when they accrue to employees. Provision is made for the estimated liabilities for long service payment and annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences are not recognised until the time of leave.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(ii) Retirement benefit schemes

The Group participates in the following retirement benefit schemes and pays contributions to independently administered funds on a mandatory or contractual basis. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant Group companies. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense on accrual basis.

All eligible employees have participated in the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong. Under the MPF Scheme, the eligible employees are required to contribute 5% of their relevant income with a maximum monthly contribution of HK$1,250 and the Group's contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,250. There is no voluntary contribution from the Group nor the employees and there are no other legal or constructive obligations to the Group.

(iii) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 that had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans to remunerate its employees and directors.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset, with a corresponding credit to employee share-based compensation reserve in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital and the amount previously recognised in employee share-based compensation reserve is transferred out with any excess being recorded as share premium.

When the share options have vested and then lapsed, the amount previously recognised in the employee share-based compensation reserve is transferred to the accumulated losses.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(iv) Short term employee benefits

These are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(v) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

These are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

For the year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Segment information

In identifying the Group's operating segments, 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, asset management and wealth management services. The business of asset management service engaged by certain subsidiaries was disposed of during the year and the comparatives were re-presented as discontinued operations. Wealth management business was ceased on 28 September 2012. During the year, this segment remains mainly provision of fund management service.

(ii) 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 and the comparatives were re-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 arm's length prices.

The chief operating decision makers, which are collectively the four Executive Directors of the Company, assess 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 profits of joint ventures accounted for using equity method;
- impairment of goodwill;
- impairment of intangible assets;
- amortisation of intangible assets;
- 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 ventures as well as corporate assets unrelated to the business activities of any operating segment.

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For the year ended 31 December 2013

4. 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.

(i) 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 as described in Note 3(h) to the financial statements 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, financial assets at fair value through profit or loss, redeemable convertible preference shares, financial liabilities at fair value through profit or loss and convertible bonds, detailed in Notes 19, 23, 28, 29 and 30 to the financial statements 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. Details of the inputs are set out in Note 33 to the financial statements.

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.

Notes to the Financial Statements

For the year ended 31 December 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

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 22 to the financial statements.

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.

(ii) Critical judgements in applying the Group's accounting policies

Going concern

The financial statements have been prepared on going concern basis, further details of which are provided in Note 3(a) to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

5. SEGMENT INFORMATION

Revenues generated, profits/(losses) incurred from operations and total assets by each of the Group's operating segments, which are detailed in Note 3(t) to the financial statements, are summarised as follows:

	Asset management		Total	
		(Restated)		(Restated)
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Revenue from external customers	**1,777**	2,445	**1,777**	2,445
Total segment loss from operations	**(1,005)**	(1,894)	**(1,005)**	(1,894)
Other income not allocated			**47**	77
(Loss)/Gain on financial liabilities at fair value through profit or loss			**(897)**	2,484
Impairment of intangible assets			**(112)**	–
Impairment of goodwill			**(3,311)**	–
Amortisation of intangible assets			**–**	(569)
Unallocated corporate expense			**(1,942)**	(2,031)
Loss from operations			**(7,220)**	(1,933)
Finance costs			**(3,078)**	(2,563)
Loss before taxation			**(10,298)**	(4,496)
Taxation			**(8)**	–
Loss for the year from continuing operations			**(10,306)**	(4,496)
Loss for the year from discontinued operations *(Note 11)*			**(591)**	(753)
Loss for the year			**(10,897)**	(5,249)

Notes to the Financial Statements

For the year ended 31 December 2013

5. SEGMENT INFORMATION (continued)

	Asset management		Total	
		(Restated)		(Restated)
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Segment assets	**1,645**	3,684	**1,645**	3,684
Assets of discontinued direct investment segment			**–**	2,880
Unallocated property, plant and equipment			**9,511**	10,389
Available-for-sale investments			**1,282**	–
Intangible assets			**–**	106
Goodwill			**–**	3,311
Unallocated corporate assets			**1,222**	1,723
Total assets			**13,660**	22,093
Segment liabilities	**167**	810	**167**	810
Liabilities of discontinued direct investment segment			**–**	26
Note payable			**830**	–
Financial liabilities at fair value through profit or loss			**1,572**	6,039
Convertible bonds			**5,706**	25,112
Borrowings			**4,195**	6,412
Unallocated corporate liabilities			**265**	1,235
Total liabilities			**12,735**	39,634

Notes to the Financial Statements

For the year ended 31 December 2013

5. SEGMENT INFORMATION (continued)

	Asset management	
		(Restated)
	2013	2012
	US$'000	US$'000
Other segment information		
Interest income	**–**	(10)
Depreciation on property, plant and equipment	**15**	63
Share-based payment	**46**	91

The Group defines geographical information with reference to those revenue producing assets and transactions that arise from customers domiciled worldwide. Due to the nature of the business, precise segregation of geographical activities would be arbitrary and therefore considered not appropriate.

6. REVENUE – CONTINUING OPERATIONS

Revenue, which is also the Group's turnover, represents the following:

		(Restated)
	2013	2012
	US$'000	US$'000
Fund management fee income	**1,777**	2,097
Others	**–**	348
	1,777	2,445

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For the year ended 31 December 2013

7. OTHER INCOME – CONTINUING OPERATIONS

	2013 US$'000	(Restated) 2012 US$'000
Gain on disposal of property, plant and equipment	9	2
Management fee income	–	13
Other interest income	–	25
Others	136	46
	145	86

8. FINANCE COSTS – CONTINUING OPERATIONS

	2013 US$'000	(Restated) 2012 US$'000
Effective interest expense on convertible bonds – wholly repayable within five years (Note 30)	2,177	2,429
Interest on bank loan – not wholly repayable within five years	49	55
Effective interest expense on redeemable convertible preference shares (Note 28)	11	11
Other interest expense – wholly repayable within five years	841	68
	3,078	2,563

Notes to the Financial Statements

For the year ended 31 December 2013

9. LOSS BEFORE TAXATION – CONTINUING OPERATIONS

	2013 US$'000	(Restated) 2012 US$'000
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
– audit services	**51**	51
– other services	**13**	12
Amortisation of intangible assets	**–**	569
Depreciation of property, plant and equipment	**607**	515
Employee benefit expense (including directors' remuneration) (Note 14(c))	**3,375**	4,049
Foreign exchange losses, net	**1**	1
Impairment of intangible assets (Note 20)	**112**	–
Impairment of goodwill (Note 21)	**3,311**	–
Write off of property, plant and equipment	**15**	–
Operating leases charges in respect of leased premises	**163**	197
After crediting:		
Gain on disposal of property, plant and equipment	**9**	2

Notes to the Financial Statements

For the year ended 31 December 2013

10(A). TAXATION – CONTINUING OPERATIONS

	2013 US$'000	(Restated) 2012 US$'000
Current tax charge		
Hong Kong:		
– Under provision in prior years	**8**	–
– Current year charge	**–**	–
	8	–
Overseas:		
– Current year charge	**–**	–
Total	**8**	–

No Hong Kong profits tax has been provided in the financial statements for the years ended 31 December 2013 and 31 December 2012 as the Group did not make any assessable profit. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the year.

Reconciliation between tax charge and accounting loss at applicable rates:

	2013 US$'000	(Restated) 2012 US$'000
Loss before taxation		
Continuing operations	**(10,298)**	(4,496)
Discontinued operations	**(591)**	(753)
	(10,889)	(5,249)
Tax at the domestic income tax rates	**(1,797)**	(866)
Tax effect of non-taxable income	**(14)**	(514)
Tax effect of non-deductible expenses	**1,357**	631
Tax effect of unrecognised temporary differences	**37**	(38)
Tax effect of unrecognised tax losses	**417**	787
Under provision in prior years	**8**	–
Tax charge	**8**	–

Notes to the Financial Statements

For the year ended 31 December 2013

10(B). DEFERRED TAXATION

Group

The major deferred tax assets not recognised in the consolidated statement of financial position are as follows:

	Accelerated tax depreciation US$'000	Unutilised tax losses* US$'000	Total US$'000
At 31 December 2013	**(1,072)**	**8,762**	**7,690**
At 31 December 2012	(1,144)	9,733	8,589

* The tax losses can be carried forward indefinitely if certain criteria can be met under the respective tax jurisdictions.

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

Company

No deferred tax has been provided in the financial statements of the Company as the recoverability of the potential deferred tax assets is uncertain.

Notes to the Financial Statements

For the year ended 31 December 2013

11. DISCONTINUED OPERATIONS

	Note	2013 US$'000	(Restated) 2012 US$'000
Revenue		**27**	390
Cost of sales		**–**	(2)
Gross profit		**27**	388
Loss on financial assets at fair value through profit or loss		**(5)**	(30)
Other income		**252**	309
Administrative expenses		**(656)**	(1,445)
Other operating expenses		**(304)**	(190)
Loss from operations		**(686)**	(968)
Finance costs		**(3)**	(2)
Share of profit of a joint venture		**34**	217
Loss before taxation	(i)	**(655)**	(753)
Taxation		**–**	–
Loss after taxation		**(655)**	(753)
Gain on disposals of subsidiaries	39	**64**	–
Loss for the year		**(591)**	(753)

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For the year ended 31 December 2013

11. DISCONTINUED OPERATIONS (continued)

Note:

(i) Loss before taxation – Discontinued operations

	2013 US$'000	(Restated) 2012 US$'000
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
– audit services	**9**	25
Depreciation of property, plant and equipment	**2**	83
Employee benefit expense (including directors' remuneration) (Note 14(c))	**401**	863
Foreign exchange losses, net	**23**	11
Impairment of available-for-sale investments	**132**	–
Operating lease rental in respect of leased premises	**37**	133
After crediting:		
Write back of provision for legal costs relating to claims, net of insurance recovery	**–**	(250)

(ii) For the purpose of presenting discontinued operations, the comparative consolidated statement of other comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company, a loss of US$17,269,000 (2012: US$1,373,000) has been dealt with in the financial statements of the Company.

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13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic loss per share

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

	2013	(Restated) 2012
(US$'000)		
Consolidated loss attributable to owners of the Company		
Continuing operations	**(10,306)**	(4,496)
Discontinued operations	**(521)**	(404)
	(10,827)	(4,900)
(Number)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**178,668,720**	125,983,222

	2013 US cents	(Restated) 2012 US cents
Basic loss per share		
Continuing operations	**(5.77)**	(3.57)
Discontinued operations	**(0.29)**	(0.32)
	(6.06)	(3.89)

(b) Diluted loss per share

No diluted loss per share is shown for 2013 and 2012 as the outstanding share options, convertible bonds, warrants and redeemable convertible preference shares are anti-dilutive or have no dilutive effect.

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For the year ended 31 December 2013

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

	Fees US$'000	Salaries and allowances US$'000	Contractual and discretionary bonuses US$'000	Retirement fund contributions US$'000	Benefits in kind US$'000	Termination payments US$'000	Share-based compensation expense* US$'000	Total US$'000
2013								
Executive Directors:								
Clive Ng Chean`g Neng (appointed on 8 August 2013)	-	-	-	-	-	-	-	-
Liu Guang He (appointed on 2 July 2013)	-	-	-	-	-	-	-	-
Stephen Shiu Junior (appointed on 19 March 2013)	-	-	-	-	-	-	-	-
Nelson Tong Naiyi (appointed on 2 July 2013)	-	-	-	-	-	-	-	-
Johnny Chan Kok Chung (resigned on 18 March 2013)	-	77	-	1	-	-	29	107
Jeffrey Lau Chun Hung (resigned on 27 September 2013)	-	170	-	2	-	-	30	202
Ulric Leung Yuk Lun (resigned on 27 September 2013)	-	313	218	2	-	121	28	682
Douglas Craham Morin (resigned on 2 July 2013)	-	89	-	1	-	-	-	90
Sophie Mak Suk Fan (appointed on 10 May 2013 and resigned on 2 July 2013)	3	-	-	-	-	-	-	3
Non-Executive Director:								
Robert John Richard Owen (resigned on 8 August 2013)	12	-	-	-	-	-	53	65
Independent Non-Executive Directors:								
Raymond Chan Chi Chuen (appointed on 10 May 2013 and resigned on 19 September 2013)	5	-	-	-	-	-	-	5
David John Robinson Herratt (resigned on 2 July 2013)	10	-	-	-	-	-	8	18
Johnny Fok Ka Chi (appointed on 10 May 2013 and resigned on 19 September 2013)	5	-	-	-	-	-	-	5
Shi Jinsheng (appointed on 2 July 2013)	6	-	-	-	-	-	-	6
Sin Hendrick (appointed on 2 July 2013)	6	-	-	-	-	-	-	6
Joseph Tong Tze Kay (resigned on 31 May 2013)	20	-	-	-	-	-	7	27
Daniel Yen Tzu Chen (resigned on 10 May 2013)	20	-	-	-	-	-	7	27
Anthony Yuen Koon Tung (appointed on 31 May 2013 and resigned on 19 September 2013)	4	-	-	-	-	-	-	4
Yuen Kwok On (appointed on 2 July 2013)	6	-	-	-	-	-	-	6
	97	649	218	6	-	121	162	1,253

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For the year ended 31 December 2013

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' remuneration (continued)

	Fees US$'000	Salaries and allowances US$'000	Contractual and discretionary bonuses US$'000	Retirement fund contributions US$'000	Benefits in kind US$'000	Termination payments US$'000	Share-based compensation expense* US$'000	Total US$'000
2012								
Executive Directors:								
Johnny Chan Kok Chung	–	543	–	2	3	–	28	576
Jeffrey Lau Chun Hung	–	345	22	4	–	–	29	400
Ulric Leung Yuk Lun	–	402	218	4	–	–	24	648
Douglas Craham Morin (appointed on 9 November 2012)	–	29	–	–	–	–	–	29
Non-Executive Directors:								
Ahmad S. Al-Khaled (resigned on 30 June 2012)	20	–	–	–	–	–	6	26
Robert John Richard Owen (appointed on 14 May 2012)	13	–	–	–	–	–	28	41
Independent Non-Executive Directors:								
David John Robinson Herratt	20	–	–	–	–	–	6	26
Joseph Tong Tze Kay	40	–	–	–	–	–	6	46
Daniel Yen Tzu Chen	40	–	–	–	–	–	6	46
	133	1,319	240	10	3	–	133	1,838

* The amount of equity-settled share-based compensation expenses is measured according to the Group's accounting policies for share-based employee compensation transactions as set out in Note 3(q)(iii) to the financial statements. Particulars of share options granted to the Directors under the Company's share option scheme are set out in Note 33 to the financial statements.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2013 and 31 December 2012.

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For the year ended 31 December 2013

14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one former director (2012: three Directors) whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining four (2012: two) individuals during the year and the one (2012: Nil), who resigned as a Director, during the period after the date of resignation are as follows:

	2013 US$'000	2012 US$'000
Salaries, allowances and benefits in kind	**932**	531
Contractual and discretionary bonuses	**45**	155
Retirement fund contributions	**7**	4
Share-based compensation expense	**32**	43
	1,016	733

The emoluments fell within the following bands:

	Number of individuals 2013	2012
Emolument bands		
Nil to US$129,000	**1**	–
US$129,001 to US$193,000	**2**	–
US$257,001 to US$321,000	**2**	1
US$385,001 to US$449,000	**–**	1

Except as disclosed above, no emoluments were paid by the Group to the Directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2013 and 31 December 2012.

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14. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(b) Five highest paid individuals (continued)

Members of senior management during the year comprised the Directors whose remuneration as set out in Note 14(a) above and one individual. The emoluments fell within the following bands:

	Number of individuals 2013	2012
Emolument bands		
Nil to US$129,000	**18**	7
US$193,001 to US$257,000	**1**	–
US$385,001 to US$449,000	**–**	1
US$513,001 to US$577,000	**–**	1
US$641,001 to US$705,000	**–**	1
US$705,001 to US$769,000	**1**	–

(c) Employee benefit expense (including directors' remuneration)

	2013 US$'000	(Restated) 2012 US$'000
Fees	**97**	133
Salaries, allowances and benefits in kind	**3,018**	3,643
Commission paid and payable	**–**	186
Bonus paid and payable	**263**	647
Termination payments	**121**	–
Retirement fund contributions *	**42**	50
Share-based compensation expense	**235**	253
Total	**3,776**	4,912
Analysed into:		
Continuing operations	**3,375**	4,049
Discontinued operations	**401**	863
Total	**3,776**	4,912

* There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31 December 2013 and 31 December 2012.

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15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings US$'000	Computer hardware and software US$'000	Furniture and fixtures US$'000	Leasehold improvements US$'000	Office equipment US$'000	Total US$'000
At 1 January 2012						
Cost	10,201	355	223	819	148	11,746
Accumulated depreciation	(187)	(235)	(95)	(451)	(90)	(1,058)
Carrying amount	10,014	120	128	368	58	10,688
Year ended 31 December 2012						
Opening carrying amount	10,014	120	128	368	58	10,688
Additions	–	27	76	186	32	321
Disposals	–	–	(7)	–	(1)	(8)
Depreciation	(282)	(60)	(34)	(190)	(32)	(598)
Closing carrying amount	9,732	87	163	364	57	10,403
At 31 December 2012						
Cost	10,201	358	261	548	136	11,504
Accumulated depreciation	(469)	(271)	(98)	(184)	(79)	(1,101)
Carrying amount	9,732	87	163	364	57	10,403
Year ended 31 December 2013						
Opening carrying amount	**9,732**	**87**	**163**	**364**	**57**	**10,403**
Additions	**–**	**7**	**29**	**–**	**–**	**36**
Disposals	**(267)**	**–**	**–**	**–**	**–**	**(267)**
Disposals of subsidiaries (Note 39)	**–**	**(12)**	**–**	**–**	**–**	**(12)**
Write off	**–**	**(3)**	**–**	**(11)**	**(1)**	**(15)**
Depreciation	**(280)**	**(57)**	**(51)**	**(185)**	**(36)**	**(609)**
Closing carrying amount	**9,185**	**22**	**141**	**168**	**20**	**9,536**
At 31 December 2013						
Cost	**9,916**	**236**	**247**	**456**	**118**	**10,973**
Accumulated depreciation	**(731)**	**(214)**	**(106)**	**(288)**	**(98)**	**(1,437)**
Carrying amount	**9,185**	**22**	**141**	**168**	**20**	**9,536**

As at 31 December 2013, the Group's leasehold land and buildings were situated in Hong Kong, which was held under long-term lease.

Property, plant and equipment includes certain leasehold land and buildings of total carrying amount of US$9,185,000 (2012: US$9,458,000) pledged to a bank to secure a mortgage loan granted to a wholly owned subsidiary of the Company as at 31 December 2013 (Note 27(a)(iii)).

During the year ended 31 December 2013, certain leasehold land and buildings were disposed of to a former director, who resigned as the Director of the Company on 27 September 2013, date of signing the agreement for the disposal, and a company beneficially owned by him, at a total consideration of HK$2,155,000 (approximately US$276,000).

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16. INTERESTS IN SUBSIDIARIES

Company

	Notes	2013 US$'000	2012 US$'000
Investments at cost			
– Unlisted shares, inside Hong Kong		**9,688**	8,509
– Unlisted shares, outside Hong Kong		**37,970**	41,563
Less: Impairment losses		**(46,849)**	(37,161)
	(i)	**809**	12,911
Amounts due from subsidiaries		**5,575**	6,831
Less: Impairment losses		**(3,573)**	(3,573)
	(ii)	**2,002**	3,258
Amounts due to subsidiaries	(ii)	**(1,557)**	(2,658)
		1,254	13,511

Notes:

(i) Investments in subsidiaries are stated at cost less impairment. The Directors are of the opinion that due to no quoted market price available in an active market, its fair value cannot be measured reliably accordingly. However, the Directors assessed the asset value of the Company's subsidiaries and made impairment loss of US$46,849,000 (2012: US$37,161,000) at 31 December 2013. Details of principal subsidiaries are set out in Note 41 to the financial statements.

(ii) Amounts due from/(to) subsidiaries are interest-free, unsecured and have no fixed repayment terms. Impairment loss of US$3,573,000 was recognised in profit or loss in 2011 as the Directors were of the opinion that the amounts are unrecoverable from the subsidiaries. No impairment loss has been recognised during the years ended 31 December 2013 and 31 December 2012.

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17. INTEREST IN A JOINT VENTURE

Group

	2013 US$'000	2012 US$'000
Share of net assets	–	217
Amount due from a joint venture	–	10
At 31 December	–	227

Movements in the Group's interest in a joint venture during the year are summarised as follows:

	2013 US$'000	2012 US$'000
At 1 January	**227**	220
Share of profit	**34**	217
Net repayment during the year	**(10)**	(210)
Disposals of subsidiaries (Note 39)	**(251)**	–
At 31 December	–	227

Amount due from a joint venture is interest-free, unsecured and had no fixed repayment terms.

Particulars of the principal joint venture as at 31 December 2013 are as follows:

Name	Place of incorporation	Issued/Paid-up share capital	Percentage of interest held by the Company indirectly 2013	2012	Principal activities and place of operation
JAIC-CROSBY Investment Management Company Limited	Cayman Islands	100 ordinary shares at US$1 each	–	50%	Provision of fund management services in the Cayman Islands

Notes to the Financial Statements

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17. INTEREST IN A JOINT VENTURE (continued)

Group (continued)

Summarised financial information in respect of the Group's principal joint venture is set out below:

	Assets US$'000	Liabilities US$'000	Equity US$'000	Revenue US$'000	Profit US$'000
2013					
100 per cent	**540**	**472**	**68**	**72**	**68**
Group's effective interest at date of disposal	**–**	**–**	**–**	**36**	**34**
2012					
100 per cent	443	10	433	456	433
Group's effective interest at 31 December 2012	222	5	217	228	217

The financial information above is based on the unaudited management accounts for the period up to date of disposal and year ended 31 December 2012.

18. NOTE RECEIVABLE

On 26 March 2012, the Group signed a subscription agreement to invest HK$20,000,000 (approximately US$2,564,000) in a note (the "Note") issued by Silver Pointer Limited ("Silver Pointer"), a wholly owned subsidiary of Shikumen Special Situations Fund ("SSSF"), an investment fund managed by Shikumen Capital Management (HK) Limited ("Shikumen"), a wholly owned subsidiary of the Company. Silver Pointer was established by SSSF to pursue private equity investment opportunities as permitted under its investment mandate.

The Note was unsecured, interest-bearing at 12% per annum and repayable after a fixed term of 3 years or earlier based on certain conditions. The Note was fully repaid on 12 March 2013.

Notes to the Financial Statements

For the year ended 31 December 2013

19. AVAILABLE-FOR-SALE INVESTMENTS

Group

	2013 US$'000	2012 US$'000
Unlisted investments, at fair value		
Equity securities	–	586
Less: Impairment losses	–	(15)
	–	571
Unlisted investments, at cost		
Equity securities	1,282	1,586
Less: Impairment losses	–	(1,458)
	1,282	128
Total	1,282	699

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

	2013 US$'000	2012 US$'000
At 1 January	699	718
Addition	1,297	–
Disposals of subsidiaries (Note 39)	(575)	–
Impairment	(132)	–
Change in fair value recognised directly in other comprehensive income	(7)	(19)
At 31 December	1,282	699

Included in the addition of US$1,297,000 above is an amount of US$1,282,000 representing an investment of 11.36% in HMV Ideal Limited (formerly known as Billion Merit Investments Limited) acquired in December 2013. After the end of the reporting period, the Group further acquired 53.18% interest in HMV Ideal Limited which has been disclosed as an event after the reporting period (Note 42). The fair value of the unlisted investments was not disclosed as there was no open market on the unlisted investments and the fair value cannot be measured reliably.

Notes to the Financial Statements

For the year ended 31 December 2013

20. INTANGIBLE ASSETS

Group

	Trademarks US$'000
Carrying amount at 1 January 2012	8
Addition	106
Write off	(2)
Carrying amount at 31 December 2012 and 1 January 2013	**112**
Addition	**6**
Disposals of subsidiaries (Note 39)	**(6)**
Impairment loss (Note 9)	**(112)**
Carrying amount at 31 December 2013	**–**

Non-compete contract arose from the acquisition of Shikumen Capital Management (HK) Limited ("Shikumen") in 2010 with a cost as US$569,000 (Note 9) had been fully amortised for the year ended 31 December 2012.

The Group had disposed of certain subsidiaries which carried out business to which the trademarks was relevant and as of the date of these financial statements, the Directors consider that minimal amount of cash flows, if any, would arise from the usage of the trademarks by the existing business of the Group. As a result, full provision for impairment is recognised for the year ended 31 December 2013.

Notes to the Financial Statements

For the year ended 31 December 2013

21. GOODWILL

Group

	2013 US$'000	2012 US$'000
Carrying amount at 1 January	**3,311**	3,311
Less: Impairment loss (Note 9)	**(3,311)**	–
Carrying amount at 31 December	**–**	3,311

The recoverable amount of Shikumen to which the goodwill relates has been determined based on a value in use calculation.

As at 31 December 2012, the calculation was based on financial budgets covering a three-year period approved by management and followed by an extrapolation of expected cash flows with nil growth rate. Key assumptions were based on past performance, management estimation on market development and general inflation based on the growth rates which do not exceed the long-term average growth rates for the business in which Shikumen operates. The pre-tax discount rate applied to the cash flow projections is 25.12% reflecting specific risks relating to the relevant CGU.

The Directors anticipate that there would be a curtailment in the business presently engaged by Shikumen and Shikumen is in the process of assessing other new business initiatives. Therefore, its revenue is expected to decrease and it will likely not generate positive operating cash flows. Due to this change in circumstances, full provision for impairment is recognised for the year ended 31 December 2013.

22. TRADE AND OTHER RECEIVABLES

Group

	Notes	2013 US$'000	2012 US$'000
Trade receivables	(i)	**40**	836
Other receivables	(ii)	**194**	124
Deposits and prepayments		**211**	529
Total		**445**	1,489

The fair value of trade and other receivables is considered by the Directors not to be materially different from carrying amounts.

Notes to the Financial Statements

For the year ended 31 December 2013

22. TRADE AND OTHER RECEIVABLES (continued)

Group (continued)

Notes:

(i) At 31 December 2013, the ageing analysis of trade receivables based on invoice date and net of impairment losses is as follows:

	2013 US$'000	2012 US$'000
0 – 30 days	19	512
31 – 60 days	21	159
61 – 90 days	–	165
	40	836

The Group allows a credit period ranging from 15 to 45 days (2012: 15 to 45 days) to its asset management clients. The credit period for asset management contracts can be extended under special circumstances.

Ageing analysis of trade receivables, based on due date, which are past due but not impaired is as follows:

	2013 US$'000	2012 US$'000
Less than 30 days past due	40	671
31 – 60 days past due	–	165
	40	836

Trade receivables that were past due but not impaired related to a customer (2012: three customers) that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

(ii) All other receivables as at 31 December 2013 and 31 December 2012 were aged less than 30 days past due, based on the due date.

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For the year ended 31 December 2013

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2013 US$'000	2012 US$'000
Held for trading		
Listed securities, at fair value:		
– Equity securities – Australia	–	20
– Equity securities – Japan	–	10
Total	**–**	30

Movements in financial assets at fair value through profit or loss during the year are as follows:

	2013 US$'000	2012 US$'000
At 1 January	**30**	60
Loss on financial assets at fair value through profit or loss		
– Discontinued operations	**(5)**	(30)
Disposals of subsidiaries (Note 39)	**(25)**	–
At 31 December	**–**	30

24. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$18,000 (2012: US$10,000). RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks which are authorised to conduct foreign exchange business.

Notes to the Financial Statements

For the year ended 31 December 2013

25. OTHER PAYABLES

Group

	2013 US$'000	2012 US$'000
Other payables	**107**	346
Accrued charges	**325**	1,663
	432	2,009

Included in the Group's accrued charges is the provision for bonus of Nil (2012: US$1,050,000) to directors and staff, of which the provision for bonus of Nil (2012: US$414,000) is deferred from prior years.

26. NOTE PAYABLE

The balance represents the carrying amount of the promissory notes of total principal amount of HK$6,840,000 (approximately US$877,000) issued as incentive fee payable to bondholders who exercised their rights to convert the Convertible Bonds (Note 30) into ordinary shares of the Company on or before 30 November 2013. The principal amount was arrived at based on 4% of the principal value of the Convertible Bonds. The note payables are due in 12 months period from the dates of issuance.

Notes to the Financial Statements

For the year ended 31 December 2013

27. BORROWINGS

	Group		Company	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Current liabilities				
Bank loan – secured (Note (a))	**260**	256	**–**	–
Other loan – secured (Note (b))	**–**	1,990	**–**	–
Redeemable convertible preference shares (Note 28)	**972**	–	**972**	–
	1,232	2,246	**972**	–
Non-current liabilities				
Bank loan – secured (Note (a))	**2,963**	3,205	**–**	–
Redeemable convertible preference shares (Note 28)	**–**	961	**–**	961
	2,963	4,166	**–**	961
Total	**4,195**	6,412	**972**	961

	Group		Company	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Borrowings are repayable as follows:				
Within one year	**1,232**	2,246	**972**	–
In the second year	**244**	240	**–**	–
In the third to fifth years	**754**	1,702	**–**	961
After the fifth year	**1,965**	2,224	**–**	–
Total	**4,195**	6,412	**972**	961

Notes to the Financial Statements

For the year ended 31 December 2013

27. BORROWINGS (continued)

Notes:

(a) Bank loan

(i) Interest rate is charged at HIBOR+1.25% per annum. HIBOR represents the Hong Kong Interbank Offered Rate.

(ii) The bank loan is repayable by instalments with the maturity date of the last instalment due on 31 March 2026.

(iii) The bank loan is secured by:

– mortgage over certain leasehold land and building of the Group situated in Hong Kong with a net carrying amount of US$9,185,000 as at 31 December 2013 (2012: US$9,458,000) (Note 15); and

– corporate guarantees given by the Company and Shikumen, a wholly owned subsidiary of the Company, for an unlimited amount and an amount up to HK$30,000,000 (approximately US$3,846,000) respectively, for the years ended 31 December 2013 and 31 December 2012.

(iv) Amounts due are based on the scheduled repayment dates set out in the loan agreement. The banking facilities are subject to certain covenants, as are commonly found in the lending arrangement with financial institutions. Had the Group breached the covenants, the drawn down facilities would become repayable on demand.

The Group regularly monitors its compliance with these covenants and makes timely repayments in accordance with the scheduled repayments of the bank loan. The Group does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 31 December 2013, none of the covenants relating to drawn down facilities had been breached (2012: Nil).

(b) Other loan

(i) Interest rate was charged on other loan at 0.1% per day (i.e. 36.5% per annum) and the effective interest rate was 43.06% per annum The balance was fully repaid on 4 January 2013.

(ii) The other loan was secured by personal guarantee from a former substantial shareholder of the Company.

Notes to the Financial Statements

For the year ended 31 December 2013

28. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Group and Company

On 14 September 2011 ("issue date"), the Company issued 10,019,790 redeemable convertible preference shares ("RCPS") of par value of US$0.10 each (before the Capital Reduction as disclosed in Note 31(a)(ii) to the financial statements) 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 shares at an initial conversion price of HK$1.23 per share, subject to the conversion price reset scheme. At the end of 6-month period from the issue date 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 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 convertible 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 and 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 non-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:

	2013 US$'000	2012 US$'000
Net carrying amount at 1 January	**961**	950
Effective interest expense for the year (Note 8)	**11**	11
Net carrying amount at 31 December (Note 27)	**972**	961

Interest expense on the RCPS is calculated using effective interest method by applying the effective interest rate of 1.14% (2012: 1.14%) per annum.

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29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Derivatives embedded in the convertible bonds issued:				
Balance at 1 January	**5,942**	8,984	**5,942**	8,984
Conversion of bonds	**(5,364)**	(570)	**(5,364)**	(570)
Loss/(Gain) on financial liabilities at fair value through profit or loss	**840**	(2,472)	**840**	(2,472)
Balance at 31 December	**1,418**	5,942	**1,418**	5,942
Warrants issued:				
Balance at 1 January	**71**	245	**71**	245
Exercise of warrants	**–**	(169)	**–**	(169)
Gain on financial liabilities at fair value through profit or loss	**(23)**	(5)	**(23)**	(5)
Balance at 31 December	**48**	71	**48**	71
Derivatives embedded in the redeemable convertible preference shares issued:				
Balance at 1 January	**26**	33	**26**	33
Loss/(Gain) on financial liabilities at fair value through profit or loss	**80**	(7)	**80**	(7)
Balance at 31 December	**106**	26	**106**	26
Total	**1,572**	6,039	**1,572**	6,039
Categorised as:				
Current liabilities	**1,524**	5,942	**1,524**	5,942
Non-current liabilities	**48**	97	**48**	97
Total	**1,572**	6,039	**1,572**	6,039
Gains and losses recognised in profit or loss relating to financial instruments held by the Group at 31 December	**897**	(2,484)	**897**	(2,484)

Notes to the Financial Statements

For the year ended 31 December 2013

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

In October 2010, the Company repurchased the convertible bonds previously issued in March 2006 at a consideration comprising cash of HK$156,000,000 (approximately US$20,000,000) financed by the issue of Tranche 1 Convertible Bonds (Note 30) and an aggregate of 60,000,000 warrants issued. The fair values of warrants issued were valued by an independent professional valuer upon initial recognition.

During the year ended 31 December 2013, principal amount of HK$171,000,000 (2012: HK$35,000,000) (approximately US$21,923,000 (2012: US$4,487,000)) of convertible bonds was converted into 219,230,761 (2012: 37,634,408) ordinary shares of the Company (Note 31(d)) (2012: Note 31(b)) at the conversion price of HK$0.78 (2012: HK$0.93) per share, with fair value of derivatives embedded therein of US$5,364,000 (2012: US$570,000) at the dates of conversion, as calculated using the Binomial Option Pricing Model.

During the year ended 31 December 2012, warrants with an amount of HK$2,250,000 (approximately US$288,000) were exercised at the exercise price of HK$1.111 per share and 2,025,202 ordinary shares of the Company were allotted and issued (Note 31(c)), with fair value of derivatives embedded therein of US$169,000 at the date of exercise, as calculated using the Binomial Option Pricing Model.

The fair values at 31 December 2013 and 31 December 2012 are calculated using the Binomial Option Pricing Model for the derivatives embedded in the convertible bonds and the RCPS and the warrants issued respectively. The inputs into the model are as follows:

	Derivatives embedded in the convertible bonds issued		Warrants issued		Derivatives embedded in the redeemable convertible preference shares issued	
	2013	2012	**2013**	2012	**2013**	2012
Expected volatility	**65.33%**	70.69%	**65.33%**	70.69%	**70.68%**	75.26%
Expected life	**1.76 years**	2.76 years	**1.76 years**	2.76 years	**2.70 years**	3.71 years
Risk-free rate	**0.30%**	0.12%	**0.30%**	0.12%	**0.56%**	0.22%
Spot price	**HK$0.79**	HK$0.79	**HK$0.79**	HK$0.79	**HK$0.79**	HK$0.79
Expected dividend yield	**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 6.5% would increase the fair value of embedded derivatives in convertible bonds, warrants and redeemable convertible preference shares by approximately US$148,000, US$7,000 and US$11,000 respectively. Lower volatility by 6.5% would decrease the fair value of embedded derivatives in convertible bonds, warrants and redeemable convertible preference shares by approximately US$150,000, US$7,000 and US$9,000 respectively.

Notes to the Financial Statements

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30. CONVERTIBLE BONDS

Group and Company

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 ("Tranche 1 Convertible Bonds") and Tranche 2 of principal amount of up to HK$90,000,000 ("Tranche 2 Convertible Bonds"), subject to certain conditions. In 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 27).

Tranche 1 and Tranche 2 Convertible Bonds are denominated in Hong Kong dollars ("HK$") 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. 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 Tranche 1 and Tranche 2 Convertible Bonds may request the Company to redeem at the aforesaid early redemption amount on or after the third anniversary of 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 which was adjusted upon completion of the acquisition of HMV Ideal Group on 24 February 2014.

Notes to the Financial Statements

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30. CONVERTIBLE BONDS (continued)

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

	2013 US$'000	2012 US$'000
Net carrying amounts at 1 January	**25,112**	26,573
Effective interest expense for the year (Note 8)	**2,177**	2,429
Conversion of Convertible Bonds	**(21,583)**	(3,890)
Net carrying amounts at 31 December (all categorised as current liabilities)	**5,706**	25,112

During the year ended 31 December 2013, principal amount of HK$171,000,000 (2012: HK$35,000,000) (approximately US$21,923,000 (2012: US$4,487,000)) of the convertible bonds was converted into 219,230,761 (2012: 37,634,408) ordinary shares of the Company (Note 31(d)) (2012: Note 31(b)) at the conversion price of HK$0.78 (2012: HK$0.93) per share, with the carrying value of the liability component of the convertible bonds of US$21,583,000 (2012: US$3,890,000) at the date of conversion.

Interest expense of Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds for the year ended 31 December 2013 is calculated using effective interest method by applying an effective interest rate of 9.43% (2012: 9.43%) and 10.95% (2012: 10.95%) per annum to the liability component respectively.

The residual amounts of the proceeds of 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, are assigned as the liability component.

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31. SHARE CAPITAL

	Number of ordinary shares	Number of redeemable convertible preference shares	Value US$'000
Authorised			
At 1 January 2012 (par value of US$0.10 each)	1,900,000,000	100,000,000	200,000
Capital Reduction (Note (a)(i))	17,100,000,000	900,000,000	–
At 31 December 2012, 1 January 2013 and 31 December 2013 (par value of US$0.01 each)	**19,000,000,000**	**1,000,000,000**	**200,000**
Issued and fully paid			
At 1 January 2012 (par value of US$0.10 each)	98,119,596	10,019,790	9,812
Conversion of convertible bonds (Note (b))	37,634,408	–	3,764
Capital Reduction (Note (a)(ii))	–	–	(12,218)
Exercise of warrants (Note (c))	2,025,202	–	20
At 31 December 2012 and 1 January 2013 (par value of US$0.01 each)	**137,779,206**	**10,019,790**	**1,378**
Conversion of convertible bonds (Note (d))	**219,230,761**	**–**	**2,192**
Placing of shares (Note (e))	**27,552,000**	**–**	**276**
At 31 December 2013 (par value of US$0.01 each)	**384,561,967**	**10,019,790**	**3,846**

Notes:

(a) Pursuant to a special resolution passed at the Extraordinary General Meeting of the Company held on 12 August 2011 and an order confirming the capital reduction granted by the Court from Cayman Islands on 19 April 2012 (the "Capital Reduction"):

(i) Each authorised but unissued ordinary share and redeemable convertible preference share ("RCPS") of par value of US$0.10 subdivided into 10 new adjusted shares of US$0.01 each (such that the authorised share capital of the Company became US$200,000,000 divided into 20,000,000,000 adjusted shares of US$0.01 each) comprising 19,000,000,000 ordinary shares of US$0.01 each and 1,000,000,000 RCPS of US$0.01 each with effect from 31 May 2012; and

(ii) The par value of each issued ordinary share and RCPS reduced from US$0.10 to US$0.01 by cancelling US$0.09 of the paid-up capital on each issued ordinary share and RCPS such that the nominal value of each issued ordinary share and RCPS be reduced from US$0.10 to US$0.01 each with effect from 31 May 2012.

(b) On 16 April 2012, principal amount of HK$35,000,000 (approximately US$4,487,000) of convertible bonds were converted into 37,634,408 ordinary shares at the conversion price of HK$0.93 per share.

(c) On 11 June 2012, 2,025,202 ordinary shares were allotted and issued upon exercise of warrants for a total amount of HK$2,250,000 (approximately US$288,000) at the exercise price of HK$1.111 per share.

(d) On 18 October 2013 and 29 November 2013, principal amount of HK$129,000,000 (approximately US$16,538,000) and HK$42,000,000 (approximately US$5,385,000) of convertible bonds were converted into 165,384,609 and 53,846,152 ordinary shares at the conversion price of HK$0.78 per share, respectively.

(e) On 5 December 2013, pursuant to the placing agreement between the Company and a placing agent, the Company issued in aggregate 27,552,000 new ordinary shares at a price of HK$0.68 per share to independent third parties for a total cash consideration of HK$18,735,360 (approximately US$2,402,000) before issue expenses of HK$197,188 (approximately US$25,000), of which US$276,000 and US$2,126,000 were credit to share capital and share premium account respectively (Note 32).

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32. RESERVES

Group

	2013 US$'000	2012 US$'000
Share premium	**27,294**	438
Capital reserve	**271**	271
Capital redemption reserve	**77**	77
Employee share-based compensation reserve	**4,629**	4,430
Investment revaluation reserve	**–**	218
Foreign exchange reserve	**30**	6
Accumulated losses	**(35,222)**	(24,431)
	(2,921)	(18,991)

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on pages 35 and 36. Nature and purpose of the reserves is as follows:

(a) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

(b) Capital reserve

This represents a capital reserve arising from Group reorganisation in 2000, which was and represented the difference between the consideration paid by the Company and the value of the attributable net tangible assets of the subsidiaries acquired.

(c) Capital redemption reserve

This represents the repurchase of shares of the Company listed on the Stock Exchange. These repurchased shares were cancelled upon repurchase and, accordingly, the nominal value of the cancelled shares was credited to capital redemption reserve and the aggregate consideration paid was debited to the accumulated losses and share premium accounts.

(d) Employee share-based compensation reserve

This relates to share options granted to employees and directors under the Company's Share Option Scheme. Further information about share-based payments to directors and employees is set out in Note 33.

(e) Investment revaluation reserve

This represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those investments have been disposed of, are determined to be impaired.

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32. RESERVES (continued)

(f) Foreign exchange reserve

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. US$) are recognised directly in other comprehensive income and accumulated in the foreign exchange reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in Note 3(g).

Company

	Share premium US$'000	Capital reserve US$'000	Capital redemption reserve US$'000	Employee share-based compensation reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2012	107,943	271	77	6,944	(147,972)	(32,737)
Issue of shares upon conversion of bonds	696	–	–	–	–	696
Issue of shares upon exercise of warrants	438	–	–	–	–	438
Capital reduction	(108,639)	–	–	–	120,857	12,218
Employee share-based compensation	–	–	–	133	–	133
Employee share-based compensation granted to subsidiaries	–	–	–	120	–	120
Repurchase of share options	–	–	–	(2,691)	2,674	(17)
Loss for the year	–	–	–	–	(1,373)	(1,373)
At 31 December 2012 and at 1 January 2013	**438**	**271**	**77**	**4,506**	**(25,814)**	**(20,522)**
Placing of shares	**2,126**	**–**	**–**	**–**	**–**	**2,126**
Share issue expenses	**(25)**	**–**	**–**	**–**	**–**	**(25)**
Issue of shares upon conversion of bonds	**24,755**	**–**	**–**	**–**	**–**	**24,755**
Employee share-based compensation	**–**	**–**	**–**	**122**	**–**	**122**
Employee share-based compensation granted to subsidiaries	**–**	**–**	**–**	**77**	**–**	**77**
Loss for the year	**–**	**–**	**–**	**–**	**(17,269)**	**(17,269)**
At 31 December 2013	**27,294**	**271**	**77**	**4,705**	**(43,083)**	**(10,736)**

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33. SHARE OPTION SCHEME

The Company adopted an employee share option scheme on 27 March 2002 (the "Company's Share Option Scheme") in order to incentivise key management and staff.

Pursuant to the Company's Share Option Scheme, a duly authorised committee of the board of Directors of the Company may, at its discretion, grant options to eligible employees, including Directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant of the particular option or (ii) the average of the closing prices of the shares of the Company for the five trading days immediately preceding the date of the grant of the options or (iii) the nominal value of the shares. On each grant of options HK$10 is payable by the grantee.

Total number of shares available for issue under options granted pursuant to the Company's Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date of the approval of the Company's Share Option Scheme (the "Scheme Mandate Limit"), unless shareholders' approval of the Company has been obtained. However, the overall limit must not on aggregate exceed 30% of the Company's issued share capital (i.e. 41,333,762 options as of 31 December 2012). Options lapsed in accordance with the terms of the Company's Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Total number of the shares issued and to be issued upon exercise of options granted (whether or not cancelled) and to be granted under the Company's Share Option Scheme to any eligible person (including both exercised and outstanding options) in any 12 month period immediately preceding the date of grant to such eligible person shall not exceed 1% of the issued shares of the Company, unless approval of shareholders of the Company has been obtained. Where any option is proposed to be granted to a substantial shareholder (as defined in the GEM Listing Rules) or an independent non-executive director of the Company or any of their associates (as defined in the GEM Listing Rules) in excess of 0.1% of the issued shares of the Company and having an aggregate value in excess of HK$5,000,000 then the proposed grant must be subject to the approval of shareholders of the Company.

Share options granted under the Company's Share Option Scheme are exercisable as follows:

(i) the first 30% of the options between the first and tenth anniversary of the date of grant;

(ii) the next 30% of the options between the second and tenth anniversary of the date of grant; and

(iii) the remaining options between the third and tenth anniversary of the date of grant.

Notes to the Financial Statements

For the year ended 31 December 2013

33. SHARE OPTION SCHEME (continued)

Details of the share options granted under the Company's Share Option Scheme are as follows:

			Number of Share Options					
Date of grant (dd/mm/yyyy)	Exercise price HK$	Exercise period (dd/mm/yyyy)	Balance as at 1 January 2013	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2013	Options exercisable at 31 December 2013
24/03/2006	57.054	24/03/2007 to 23/03/2016	269,916	–	–	–	269,916	269,916
26/04/2006	57.054	26/04/2007 to 25/04/2016	809,756	–	–	–	809,756	809,756
29/01/2007	27.045	29/01/2008 to 28/01/2017	134,956	–	–	–	134,956	134,956
11/02/2008	13.337	11/02/2009 to 10/02/2018	708,543	–	–	–	708,543	708,543
29/12/2008	1.334	29/12/2009 to 28/12/2018	269,916	–	–	–	269,916	269,916
07/10/2010	1.171	07/10/2011 to 06/10/2020	2,523,739	–	–	(202,439)	2,321,300	2,321,300
16/03/2012	1.206	16/03/2013 to 15/03/2022	4,905,000	–	–	(580,000)	4,325,000	1,297,500
14/05/2012	1.136	14/05/2013 to 13/05/2022	980,000	–	–	–	980,000	294,000
			10,601,826	–	–	(782,439)	9,819,387	6,105,887

Notes to the Financial Statements

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33. SHARE OPTION SCHEME (continued)

The following table discloses movements in the outstanding options granted under the Company's Share Option Scheme during the year:

			Number of share options					
Year	Grantees	Date of grant (dd/mm/yyyy)	Outstanding at 1 January	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December	Notes
2013	Directors and former directors	24/03/2006	202,437	–	–	–	202,437	
		26/04/2006	809,756	–	–	–	809,756	
		29/01/2007	101,217	–	–	–	101,217	
		11/02/2008	607,325	–	–	–	607,325	
		29/12/2008	202,437	–	–	–	202,437	
		07/10/2010	985,203	–	–	–	985,203	
		16/03/2012	2,420,000	–	–	–	2,420,000	
		14/05/2012	980,000	–	–	–	980,000	
			6,308,375	–	–	–	6,308,375	
	Employees	24/03/2006	67,479	–	–	–	67,479	
		29/01/2007	33,739	–	–	–	33,739	
		11/02/2008	101,218	–	–	–	101,218	
		29/12/2008	67,479	–	–	–	67,479	
		07/10/2010	1,538,536	–	(202,439)	–	1,336,097	
		16/03/2012	2,485,000	–	(580,000)	–	1,905,000	
			4,293,451	–	(782,439)	–	3,511,012	
		Total	10,601,826	–	(782,439)	–	9,819,387	
		Weighted average exercise price	HK$8.022	–	HK$1.197	–	HK$8.565	

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33. SHARE OPTION SCHEME (continued)

			Number of share options					
Year	Grantees	Date of grant (dd/mm/yyyy)	Outstanding at 1 January	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding at 31 December	Notes
2012	Directors	24/03/2006	202,437	–	–	–	202,437	
		26/04/2006	809,756	–	–	–	809,756	
		29/01/2007	101,217	–	–	–	101,217	
		11/02/2008	607,325	–	–	–	607,325	
		29/12/2008	202,437	–	–	–	202,437	
		07/10/2010	985,203	–	–	–	985,203	
		16/03/2012	–	2,420,000	–	–	2,420,000	1
		14/05/2012	–	980,000	–	–	980,000	2
			2,908,375	3,400,000	–	–	6,308,375	
	Employees	27/03/2002	4,048	–	(4,048)	–	–	
		24/03/2006	67,479	–	–	–	67,479	
		26/04/2006	809,756	–	(809,756)	–	–	
		29/01/2007	33,739	–	–	–	33,739	
		11/02/2008	438,616	–	(337,398)	–	101,218	
		29/12/2008	67,479	–	–	–	67,479	
		07/10/2010	1,538,536	–	–	–	1,538,536	
		16/03/2012	–	2,485,000	–	–	2,485,000	1
			2,959,653	2,485,000	(1,151,202)	–	4,293,451	
		Total	5,868,028	5,885,000	(1,151,202)	–	10,601,826	
		Weighted average exercise price	HK$21.938	HK$1.194	HK$44.059	–	HK$8.022	

Notes:

1. The closing price of the shares of the Company quoted on the Stock Exchange on 15 March 2012, being the business date immediately before the date on which share options were granted, was HK$1.20.

2. The closing price of the shares of the Company quoted on the Stock Exchange on 11 May 2012, being the business date immediately before the date on which share options were granted, was HK$1.14.

Notes to the Financial Statements

For the year ended 31 December 2013

33. SHARE OPTION SCHEME (continued)

No option was granted during the year ended 31 December 2013. 5,885,000 options were granted during the year ended 31 December 2012.

782,439 options were lapsed upon resignation of employee during the year ended 31 December 2013. During the year ended 31 December 2012, 1,147,154 options were repurchased and cancelled at a total consideration of HK$131,585 (approximately US$17,000) and 4,048 options were lapsed upon expiry of the life of the options.

The fair value of the options granted during the year ended 31 December 2012, measured at the date of grant, totalled approximately US$465,000. The weighted average remaining contractual life of the options outstanding as at 31 December 2013 was approximately 6.80 years (2012: 7.85 years).

Employee share-based compensation expense of US$235,000 (2012: US$253,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2013.

There are 13,575,400 ordinary shares, which represent 10% of the total number of shares in issue as at the date of the approval of the renewal of the Scheme Mandate Limit and 3.05% of the total issued share capital of the Company, available for issue under the Company's Share Option Scheme at the date of this annual report.

The following significant assumptions were used to derive the fair value of the share options granted in the year ended 31 December 2012, using the Binomial Option Pricing Model:

(i) an expected constant volatility: between 90.87% and 91.04% throughout the option life;

(ii) nil dividend yield;

(iii) the estimated expected life of the options granted is 10 years; and

(iv) the risk free rates are based on the yields on Hong Kong Exchange Fund Bills and Notes.

In determining the volatility, the historical volatility of the Company prior to the issuance of share options has been considered. The volatility is measured based on the weekly price change and the volatility measured on weekly basis provided a reasonable estimation for the expected volatility is considered.

Notes to the Financial Statements

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34. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Other than those disclosed elsewhere in these financial statements, details of the other significant transactions between the Group and other related parties during the year ended 31 December 2013 are as follows:

(a) Remuneration for key management personnel of the Group, including amounts paid to the Directors and the highest paid employees other than the Directors of the Company as disclosed in Note 14 to the financial statements, is as follows:

	2013 US$'000	2012 US$'000
Fees	**97**	133
Salaries, allowances and benefits in kind	**695**	1,363
Bonus paid and payable	**218**	240
Termination payments	**121**	–
Retirement fund contributions	**7**	10
Share-based compensation expense	**162**	181
	1,300	1,927

(b) During the year, the Group had the following material related party transactions:

	2013 US$'000	2012 US$'000
Fee rebate paid and payable to key management staff of the Group	**109**	360

(c) As at 31 December 2013 and 31 December 2012, the balances with related parties were:

	2013 US$'000	2012 US$'000
Fee rebate payable to key management staff of the Group	**9**	181
Note payable to substantial shareholders of the Company	**446**	–

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For the year ended 31 December 2013

35. COMMITMENTS

(a) Operating leases

As at 31 December 2013, the total future minimum lease payments of the Group and the Company under non-cancellable operating leases are payable as follows:

Group

	2013 Land and buildings US$'000	2012 Land and buildings US$'000	2013 Motor vehicles US$'000	2012 Motor vehicles US$'000	2013 Others US$'000	2012 Others US$'000	2013 Total US$'000	2012 Total US$'000
Within one year	127	275	–	7	7	9	134	291
In the second to fifth years	312	–	–	–	–	–	312	–
	439	275	–	7	7	9	446	291

Company

	2013 Land and buildings US$'000	2012 Land and buildings US$'000
Within one year	127	–
In the second to fifth years	312	–
	439	–

The Group and the Company leased certain properties under operating leases in Hong Kong. The leases run for an initial period of 2 to 3 years (2012: 1 to 2 years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

(b) Capital commitments

As at 31 December 2013 and 31 December 2012, the Group and the Company had no material capital commitments.

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For the year ended 31 December 2013

36. CONTINGENCIES

The Company and Shikumen, its wholly owned subsidiary, provided corporate guarantees of unlimited amount and an amount up to HK$30,000,000 (approximately US$3,846,000) respectively to secure the bank loan granted to another wholly owned subsidiary of the Company, HK$25,147,000 (approximately US$3,223,000) of which the maximum amount required to pay if the guarantees were called on, as set out in Note 27 to the financial statements. The Company had not recognised any provision in the financial statements as at 31 December 2013 (2012: 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 and the Company had no material contingent liabilities as at 31 December 2013 and 31 December 2012.

37. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH USED IN OPERATIONS

	Notes	2013 US$'000	(Restated) 2012 US$'000
Cash flows from operating activities			
Continuing operations			
Loss before taxation		**(10,298)**	(4,496)
Adjustments for:			
Amortisation of intangible assets		**–**	569
Depreciation of property, plant and equipment		**607**	515
Finance costs		**3,078**	2,563
Foreign exchange losses, net		**1**	1
Employee share-based compensation expense	14(c)	**235**	253
Write off of property, plant and equipment		**15**	–
Gain on disposal of property, plant and equipment		**(9)**	(2)
Loss/(Gain) on financial liabilities at fair value through profit or loss		**897**	(2,484)
Interest income		**–**	(25)
Impairment of intangible assets	20	**112**	–
Impairment of goodwill	21	**3,311**	–
Other income received in kind		**–**	(95)
Operating loss before working capital changes		**(2,051)**	(3,201)
Decrease in deferred income		**–**	(52)
Decrease/(Increase) in trade and other receivables		**971**	(887)
Decrease in other payables		**(1,489)**	(17)
Cash outflow from operations		**(2,569)**	(4,157)

Notes to the Financial Statements

For the year ended 31 December 2013

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, the Group had the following non-cash transactions:

(i) Certain subsidiaries were disposed of to Crosby Management Holdings Limited ("CMHL") at a total consideration of HK$230,000 (approximately US$29,000), which was offset against the amount due to CMHL in respect of the promissory note dated 29 May 2013 issued to CMHL by Aira Capital Limited, a wholly owned subsidiary of the Company (Note 39).

(ii) Certain subsidiaries were disposed of to a former director of the Company at a total consideration of HK$8,177,066 (approximately US$1,048,000), of which US$759,000 was settled through offset with the entire outstanding provision for salary and bonus deferred from prior years owed by the Group to the former director (Note 39).

(iii) Promissory notes of total principal amount of HK$6,840,000 (approximately US$877,000) were issued as incentive fee payable to bondholders who exercised their rights to convert the convertible bonds into ordinary shares of the Company on or before 30 November 2013 (Note 26).

Major non-cash transaction during the year ended 31 December 2012 related to repurchases of 1,147,154 share options from a former director for a consideration of HK$131,585 (approximately US$17,000), which was settled through offset with the amount due from a company beneficially owned by that former director.

39. DISPOSALS OF SUBSIDIARIES

During the year, the Group disposed of certain subsidiaries as follows:

(i) On 13 June 2013, the Group disposed of its entire interests in Crosby Securities Limited and Steeple Capital Limited to CMHL, at a consideration of HK$230,000 (approximately US$29,000) (Note 38). CMHL is beneficially owned by a director of Shikumen, a wholly owned subsidiary of the Company and CMHL is also a former substantial shareholder of the Company.

(ii) On 26 June 2013, the Group disposed of its entire interests in Crosby Asset Management (Asia) Limited and its subsidiaries (including JAIC-CROSBY Investment Management Company Limited, a joint venture of the Company), techpacific.com (BVI) Investments Limited and techpacific.com Investments Limited and its subsidiary to companies beneficially owned by a former director of the Company, who resigned as the Director of the Company on 18 March 2013, date of signing the agreement for the disposal, for a consideration of HK$8,177,066 (approximately US$1,048,000) (Note 38).

(iii) On 23 October 2013, the Group disposed of its entire interests in Crosby Asset Management (Holdings) Limited and Crosby Investment (BVI) Limited and its subsidiaries to a company beneficially owned by a former director of the Company, who resigned as the Director of the Company on 27 September 2013, date of signing the agreement for the disposal, for cash consideration of HK$2,181,406 (approximately US$280,000).

Notes to the Financial Statements

For the year ended 31 December 2013

39. DISPOSALS OF SUBSIDIARIES (continued)

Net assets of the subsidiaries at the dates of disposal were as follows:

	2013 US$'000
Net assets of subsidiaries disposed of:	
Property, plant and equipment (Note 15)	12
Interest in a joint venture (Note 17)	251
Available-for-sale investments (Note 19)	575
Intangible assets (Note 20)	6
Trade and other receivables	106
Financial assets at fair value through profit or loss (Note 23)	25
Cash and cash equivalents	1,142
Trade and other payables	(116)
Note payable	(706)
	1,295
Less: Non-controlling interests	(2)
	1,293
Total consideration	1,357
Gain on disposal of subsidiaries (Note 11)	64
Satisfied by:	
Cash	569
Note payable (Note 38)	29
Provision for salary and bonus (Note 38)	759
	1,357

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, as detailed below, which are managed by the four Executive Directors collectively in close cooperation with the Board of Directors:

(A) Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk of its financial assets other than liquid funds, which may cause a financial loss to the Group is limited as the management of the Group closely monitors the credit worthiness of the counterparties so as to ensure full recovery, including scrutinising their financial position. In this regard, the Directors consider that the Group's credit risk is minimal.

The credit risk on liquid funds is limited because the Group mainly places deposits with leading financial institutions in Hong Kong.

As at 31 December 2013, the maximum exposure to credit risk in respect of financial guarantees issued by the Company was US$3,223,000 (2012: US$3,461,000) which represented the maximum amount the Company could be required to pay if the guarantees were called on (Note 36 to the financial statements).

(B) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

(i) Foreign currency risk management

The Group's exposure to foreign currencies included its investments in foreign subsidiaries and financial assets and liabilities at fair value through profit or loss where the foreign currency risk was managed as an integral part of the investment return.

Several subsidiaries of the Group also had foreign currency revenue and costs, which exposed the Group to foreign currency risk. The Group managed this risk by reserving sufficient revenue to settle the costs in the relevant foreign currency, subject to other operating requirements.

Notes to the Financial Statements

For the year ended 31 December 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are subject to foreign exchange risk, at 31 December 2013 and 31 December 2012 are summarised as follows:

	2013				
	US$ denominated US$'000	YEN denominated equivalent US$'000	AUD denominated equivalent US$'000	Other currencies equivalent US$'000	Total US$'000
ASSETS					
Available-for-sale investments	–	–	–	1,282	1,282
Trade and other receivables*	40	–	–	251	291
Cash and cash equivalents	40	–	–	2,357	2,397
	80	–	–	3,890	3,970
LIABILITIES					
Other payables	(20)	–	–	(412)	(432)
Note payable	–	–	–	(830)	(830)
Financial liabilities at fair value through profit or loss	–	–	–	(1,572)	(1,572)
Borrowings	–	–	–	(4,195)	(4,195)
Convertible bonds	–	–	–	(5,706)	(5,706)
	(20)	–	–	(12,715)	(12,735)
NET TOTAL	60	–	–	(8,825)	(8,765)

Notes to the Financial Statements

For the year ended 31 December 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

	2012				
	US$ denominated US$'000	YEN denominated equivalent US$'000	AUD denominated equivalent US$'000	Other currencies equivalent US$'000	Total US$'000
ASSETS					
Available-for-sale investments	572	–	–	127	699
Trade and other receivables*	1,067	–	–	223	1,290
Financial assets at fair value through profit or loss	–	10	20	–	30
Cash and cash equivalents	737	–	–	2,284	3,021
	2,376	10	20	2,634	5,040
LIABILITIES					
Other payables	(747)	–	–	(1,262)	(2,009)
Loan payable	–	–	–	(62)	(62)
Financial liabilities at fair value through profit or loss	–	–	–	(6,039)	(6,039)
Borrowings	–	–	–	(6,412)	(6,412)
Convertible bonds	–	–	–	(25,112)	(25,112)
	(747)	–	–	(38,887)	(39,634)
NET TOTAL	1,629	10	20	(36,253)	(34,594)

* Excluded from the trade and other receivables of US$291,000 (2012: US$1,290,000) is an amount of US$154,000 (2012: US$199,000) representing prepayments which are not subject to foreign exchange risk.

Notes to the Financial Statements

For the year ended 31 December 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

Sensitivity analysis

The Group was mainly exposed to the effects of fluctuation in YEN and AUD. Other currencies mainly represented HK$. Since HK$ is pegged to US$, the Group does not expect any significant movements in US$/HK$ exchange rate. The following table details the Group's sensitivity to a 20% (2012: 20%) increase and decrease in the US$ against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the period end for a 20% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where US$ weaken 20% against the relevant currency. For a 20% strengthening of US$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

2013 Foreign Currency	As at 31 December US$'000	Increase in exchange rate %	Effect on loss for the year and equity US$'000	Decrease in exchange rate %	Effect on loss for the year and equity US$'000
YEN	–	**20**	–	**20**	–
AUD	–	**20**	–	**20**	–
TOTAL	–		–		–

2012 Foreign Currency	As at 31 December US$'000	Increase in exchange rate %	Effect on loss for the year and capital deficiency US$'000	Decrease in exchange rate %	Effect on loss for the year and capital deficiency US$'000
YEN	9	20	(2)	(20)	2
AUD	20	20	(4)	(20)	4
TOTAL	29		(6)		6

Notes to the Financial Statements

For the year ended 31 December 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(ii) Interest rate risk management

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's floating interest rate borrowing as disclosed in Note 27 to the financial statements. During the year, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

(iii) Equity price risk management

The Group had no significant exposure to equity price risk as at 31 December 2013.

As at 31 December 2012, the Group's equity risk was mainly on its holdings of White Energy Company Limited ("White Energy"), which was quoted on the Australian Stock Exchange, the carrying amount as at 31 December 2012 was US$16,000. This was disposed of during the year ended 31 December 2013.

(iv) Fair value measurements recognised on the statement of financial position

The following table presents financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset 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.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iv) Fair value measurements recognised on the statement of financial position (continued)

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	2013			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial liabilities:				
Financial liabilities at fair value through profit or loss	–	–	(1,572)	(1,572)

	2012			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets:				
Available-for-sale investments				
– Unlisted	–	571	–	571
Financial assets at fair value through profit or loss				
– Listed	30	–	–	30
TOTAL	30	571	–	601
Financial liabilities:				
Financial liabilities at fair value through profit or loss	–	–	(6,039)	(6,039)

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(iv) Fair value measurements recognised on the statement of financial position (continued)

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 and the comparative was re-presented as level 3 financial instruments.

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

Listed securities

These were mainly denominated in YEN and AUD. Fair values had been determined by reference to their quoted bid prices at the reporting date and had been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

Unlisted securities

The fair value of unlisted funds was determined by reference to their net assets value.

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 29 to the financial statements.

(C) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group managed liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The cash management of all operating entities is centralised, including the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. As disclosed in Note 3(a) to the financial statements, the Directors have taken active steps to improve the liquidity position of the Group by considering additional financing by way of a possible refinancing through its office premises, new shares issue or other means and focusing on the existing business of asset management and to attain positive cash flow operations through the newly acquired subsidiaries, HMV Ideal Group by engaging in operating a retail store selling music, movie and television series related contents and products and HMV Kafe in Hong Kong.

The following table details the Group's and the Company's remaining contractual maturities for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk.

Notes to the Financial Statements

For the year ended 31 December 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(C) Liquidity risk (continued)

Group

	2013						
	Less than 1 month or on demand US$'000	1 – 3 months US$'000	3 months – 1 year US$'000	1 – 5 years US$'000	More than 5 years US$'000	Total contractual undiscounted cash flow US$'000	Total carrying amount as at 31 December US$'000
Non-derivatives:							
Other payables*	(178)	–	(85)	–	–	(263)	(263)
Note payable	–	–	(877)	–	–	(877)	(830)
Borrowings	(24)	(71)	(214)	(2,146)	(2,081)	(4,536)	(4,195)
Convertible bonds	–	–	–	(5,840)	–	(5,840)	(5,706)
TOTAL	(202)	(71)	(1,176)	(7,986)	(2,081)	(11,516)	(10,994)

	2012						
	Less than 1 month or on demand US$'000	1 – 3 months US$'000	3 months – 1 year US$'000	1 – 5 years US$'000	More than 5 years US$'000	Total contractual undiscounted cash flow US$'000	Total carrying amount as at 31 December US$'000
Non-derivatives:							
Other payables*	(723)	(5)	(428)	(371)	–	(1,527)	(1,527)
Loan payable	(62)	–	–	–	–	(62)	(62)
Borrowings	(2,022)	(72)	(215)	(2,150)	(2,373)	(6,832)	(6,412)
Convertible bonds	–	–	–	(28,537)	–	(28,537)	(25,112)
TOTAL	(2,807)	(77)	(643)	(31,058)	(2,373)	(36,958)	(33,113)

* Excluded from other payables of US$263,000 (2012: US$1,527,000) are amounts of US$169,000 (2012: US$68,000) and Nil (2012: US$414,000) representing provision for payments for long service and unconsumed leave, and provision for bonus deferred from prior year respectively, the settlement which will depend upon either the termination of services of the relevant staff and management discretion respectively, and therefore the liquidity terms cannot be reasonably ascertained.

Notes to the Financial Statements

For the year ended 31 December 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(C) Liquidity risk (continued)

Company

2013	Less than 1 month or on demand US$'000	1 – 3 months US$'000	3 months – 1 year US$'000	1 – 5 years US$'000	More than 5 years US$'000	Total contractual undiscounted cash flow US$'000	Total carrying amount as at 31 December US$'000
Non-derivatives:							
Other payables	(125)	–	–	–	–	(125)	(125)
Note payable	–	–	(877)	–	–	(877)	(830)
Borrowings	–	–	–	(1,002)	–	(1,002)	(972)
Convertible bonds	–	–	–	(5,840)	–	(5,840)	(5,706)
TOTAL	(125)	–	(877)	(6,842)	–	(7,844)	(7,633)
Financial guarantees issued:							
Maximum amount guaranteed	(3,223)	–	–	–	–	(3,223)	–

2012	Less than 1 month or on demand US$'000	1 – 3 months US$'000	3 months – 1 year US$'000	1 – 5 years US$'000	More than 5 years US$'000	Total contractual undiscounted cash flow US$'000	Total carrying amount as at 31 December US$'000
Non-derivatives:							
Other payables	(629)	–	–	–	–	(629)	(629)
Borrowings	–	–	–	(1,002)	–	(1,002)	(961)
Convertible bonds	–	–	–	(28,537)	–	(28,537)	(25,112)
TOTAL	(629)	–	–	(29,539)	–	(30,168)	(26,702)
Financial guarantees issued:							
Maximum amount guaranteed	(3,461)	–	–	–	–	(3,461)	–

Notes to the Financial Statements

For the year ended 31 December 2013

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(D) Capital risk management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide capital for the purpose of potential mergers and acquisitions.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Directors review the capital structure annually. As part of this review, the Directors assess the annual budget prepared by management of the Company and consider the cost of capital and the risks associated with each class of capital. As disclosed in Note 3(a) to the financial statements, the Directors are of the opinion that, in light of the measures taken to date, together with the expected results of other measures in progress, the additional financing by way of new bank loan or other means to raise fund and favourable income generated from newly acquired subsidiaries, HMV Ideal Group, the Group will have sufficient working capital and financial resources to satisfy its future working capital and other financial requirements for the foreseeable future such that the Group is able to continue as a going concern.

The Group is not subject to externally imposed capital requirements, except for a wholly owned subsidiary, Shikumen. This subsidiary met its relevant paid up share capital and liquid capital requirements as stipulated by respective regulators throughout the year.

For capital management purpose, the Directors regard the total equity presented in the face of statement of financial position as capital. The amount of equity attributable to owners of the Company as at 31 December 2013 was US$925,000 (2012: capital deficiency of US$17,613,000).

Notes to the Financial Statements

For the year ended 31 December 2013

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2013 are as follows:

Name	Place/ Country of incorporation	Principal place of operation	Issued/Paid-up share capital	Percentage of issued/ paid-up share capital held by the Company 2013	2012	Principal activities
Action Key Investments Limited	Samoa	N/A	1 ordinary share at US$1 each	**100%**	–	Investment holding
Crosby Capital (Holdings) Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Crosby Capital (Hong Kong) Limited	Hong Kong	Hong Kong	1,006 ordinary shares at HK$1 each	**100%**	100%	Provision of corporate services
Crosby Investment Holdings Limited	Cayman	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Shikumen Capital Management (HK) Limited	Hong Kong	Hong Kong	3,060,000 ordinary shares at HK$1 each	**100%**	100%	Provision of investment advisory and fund management services

All of the above principal subsidiaries are limited liability companies and are directly held by the Company except for Crosby Capital (Hong Kong) Limited and Crosby Investment Holdings Limited.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

Notes to the Financial Statements

For the year ended 31 December 2013

42. EVENTS AFTER THE REPORTING PERIOD

Acquisition of 53.18% issued share capital of HMV Ideal Limited (formerly known as Billion Merit Investments Limited)

On 10 December 2013, the Group entered into a subscription agreement (the "Subscription Agreement") with HMV Asia Limited, Ms. Wong Nga Fan, Ms. Butt, Emily Oy-Fong and Mr. Wu King Shiu Kelvin, as the vendors (the "Sellers"), pursuant to which the Group acquired approximately 11.36% of the issued share capital of HMV Ideal Limited at a cash consideration of HK$10,000,000. The Subscription Agreement was completed on the same day as the signing of the Subscription Agreement, i.e. 10 December 2013.

On 10 December 2013, the Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with the Sellers simultaneously with the Subscription Agreement, pursuant to which the Group further acquired approximately 53.18% of the issued share capital of HMV Ideal Limited at a consideration of HK$46,800,000 (the "Consideration"). The Consideration was satisfied by the Company by way of allotment and issue of 60,000,000 ordinary shares of the Company to the Sellers.

The acquisition was completed on 24 February 2014. Accordingly, the Group owns an aggregate of 64.54% of the issued share capital of HMV Ideal Limited and HMV Ideal Limited became a subsidiary of the Group thereafter. As of the date of these financial statements, the Directors are in the process of assessing the financial impact of this transaction to the Group.

Details of these two transactions were set out in the Company's announcement and circular dated 10 December 2013 and 28 January 2014 respectively.

APPENDIX I

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000
Financial results					
Loss attributable to owners of the Company	**(10,827)**	(4,900)	(6,294)	(5,858)	(16,036)
Assets and liabilities					
Total assets	**13,660**	22,093	25,696	13,657	21,107
Total liabilities	**(12,735)**	(39,634)	(43,125)	(28,613)	(31,604)
Total equity/(capital deficiency)	**925**	(17,541)	(17,429)	(14,956)	(10,497)

APPENDIX II

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Clive Ng Cheang Neng *Chairman*
Liu Guang He
Stephen Shiu Junior
Nelson Tong Naiyi

Independent Non-Executive Directors:

Shi Jinsheng
Sin Hendrick
Yuen Kwok On

Audit Committee

Yuen Kwok On *Chairman*
Shi Jinsheng
Sin Hendrick

Remuneration Committee

Yuen Kwok On *Chairman*
Shi Jinsheng
Sin Hendrick

Nomination Committee

Shi Jinsheng *Chairman*
Sin Hendrick
Yuen Kwok On

Company Secretary

Chan Suet Ngan

Compliance Officer

Nelson Tong Naiyi

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
The Bank of East Asia Limited

Auditor

BDO Limited

Solicitors

Troutman Sanders LLP
J.S. Gale & Co.

Registered Office

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road Easet
Wanchai
Hong Kong

Stock Code

GEM 8088