



AID Partners Capital Holdings Limited
(匯友資本控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8088)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

* For identification purposes only

ABOUT AID PARTNERS CAPITAL HOLDINGS LIMITED

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year under review, the Group has continued to expand in its asset management and strategic investment businesses. Through mergers and acquisitions, transactions and partnerships, the Group aims to identify businesses with promising growth and unlock their values. The Group has made various investments during the year under review, with a focus on online, entertainment and lifestyle sectors, and has been enhancing the values of its strategic investments by creating synergies and providing management expertise and business relationships, demonstrating its “Project Investment and Active Management” investment philosophy. The Group has also been preparing the expansion of its asset management business by establishing a team of professionals with an objective to enhance the value for the Group, hence maximising the return for the shareholders.

Business Review

The Group has completed the acquisition (the “Acquisition”) of the rights to use the intellectual properties associated with HMV as well as the relevant businesses in Hong Kong, People’s Republic of China (the “PRC”) and Singapore during the year. The Acquisition expanded the Group from operating one (1) HMV retail store in Central and the HMV e-commerce business in the beginning of year to operating an additional four (4) HMV retail stores in Hong Kong as well as the rights to use the trademark and domain name of “HMV” in the PRC and Singapore (together, the “HMV Business”).

The Acquisition allows the Group to consolidate the market presence of “HMV” in Hong Kong, hence enhancing the brand value and gain immediate access to a well-established retail network in Hong Kong, a market in which the “HMV” brand has over twenty years of operating history, as well as the ability to expand into the PRC and Singapore. With the management expertise and business relationship, the Group would be able to enhance the value of the HMV Business by expanding and optimizing the operation of the businesses under the “HMV” brand name as well as exploring other forms of business in collaboration or in conjunction with other investments of the Group. This would allow the Group to maximise its value, hence the return for its shareholders as a whole.

In April 2015, the Group expanded its footprint into mobile-online games industry in the PRC by acquiring 70% equity interests in Honestway Global Group Limited and its subsidiaries (the “HGGL Group”). The HGGL Group is principally engaged in the development, distribution and operation of mobile games in the PRC. This acquisition is in line with the Group’s strategy and can add value to existing investments of the Group, namely, the mobile game franchise “Star Girl” operating by Complete Star Limited and its subsidiaries (the “CSL Group”).

During the year, the Group has enhanced its capital base and strengthened its financial position by issuing convertible bond and has completed the issue of new shares with an aggregate net proceeds of approximately HK\$995 million, hence enabling the continuous expansion of the existing businesses of the Group as well as financing new strategic investments as and when they arise with the objective of generating attractive returns to its shareholders:

1. In July 2015, the Group issued convertible bond in the aggregate amount of HK\$140 million to a subsidiary of HNA Group, Hong Kong HNA Holding Group Co. Limited (the “2015 Convertible Bond”).
2. In August 2015, the Group has completed the placing of 4,005,392,000 new shares (the “Placing”) at the Placing price of HK\$0.22 per share and the total net proceeds from the Placing are approximately HK\$855 million.

The proceeds from the 2015 Convertible Bond and the Placing were primarily used and will be used as (i) the development and investment capital for the strategic investment business of the Group and deploy for investment as and when the right opportunities arise; (ii) the development, investment and expansion of its asset management business and related financial platform; and (iii) general working capital of the Group.

The Group will continue to (i) monitor and develop its existing strategic investments and businesses and realize their value to maximise the return to the Company and its shareholders; (ii) identify new strategic investment opportunities; and (iii) develop, investment and expand its asset management business and related financial platform.

Financial Review

Financial Results

Revenue in the year under review increased to HK\$160.7 million from HK\$56.1 million in last year. The increase in revenue was primarily driven by the continuous improvement in the operation of the HMV retail store in Central, the acquisition of four (4) HMV stores in December and the opening of HMV flagship store in late 2015, which generated more retail sales and food and beverage income this year. Together with the newly acquired businesses — the CSL Group in October 2014, the HGGL Group in April 2015 and the HMV business in December 2015 — which contributed HK\$16.5 million in 2015, HK\$65.2 million (post-acquisition) and HK\$12.7 million (post-acquisition), respectively.

Total operating expenses (being selling and distribution expenses, administrative expenses and other operating expenses) in the year under review were HK\$237.8 million as compared to HK\$126.8 million in last year. To support the Group's strategy, the increase in total operating expenses was mainly due to (i) continuous expansion of existing business and operation of the Group as well as expenses arose from the newly acquired businesses, (ii) impairment loss provided for the goodwill arising from previous acquisition, (iii) pre-operating costs for the HMV flagship store opened in late 2015, (iv) increase in professional fees incurred, in particular, for the establishment of financial platforms to expand the asset management business, and (v) the increase in amortization expense relating to the intangible assets arose from the acquisitions of HMV, CSL and HGGL.

As a result, the Group reported a loss after tax of HK\$230.4 million as compared to a loss of HK\$103.8 million in last year. Excluding non-operating and one-off items (being expenses incurred for, among other things, share-based compensation expense, gain/loss on financial asset/liabilities at fair value through profit or loss, depreciation of fixed assets, amortisation of intangible assets and finance costs), adjusted EBITDA¹ of the Company for the year was a loss of HK\$76.6 million (2014: loss of HK\$50.9 million) as to support our acquisition and expansion strategy in the year under review.

We will continue to monitor our businesses and will focus our resources to achieve our strategy of maximizing the value of the Company, hence enhancing the return to its shareholders by (a) developing its existing strategic investments and achieve synergies with active management participation among such investments; (b) realizing the value of its existing strategic investments as and when such opportunity arises; (c) investing in strategic investment opportunities; and (d) developing, investing and expanding its asset management business and related financial platform.

Segment Results

The major reportable operating segments are asset management and strategic investment for the year under review. The segment result from asset management for the year under review was a loss of HK\$3.0 million as compared with a loss of HK\$7.4 million last year. The segment result from strategic investment for the year under review was a loss of HK\$138.3 million as compared with a loss of HK\$40.1 million last year, mainly due to expansion of management office and higher operating costs for portfolio companies. An analysis of the results by operating segments is provided in Note 3 to the financial statements.

Finance Costs

The finance costs were HK\$22.9 million for the year under review compared to HK\$12.3 million last year. This increase was mainly due to the notional effective interest expenses for the 2014 \$175 million Convertible Bonds and the new 2015 \$140 million Convertible Bonds issued in July 2015.

¹ EBITDA represents Earnings Before Interest, Taxes, Depreciation and Amortisation

Non-controlling Interests

The non-controlling interests in the consolidated statement of profit or loss for the year under review of HK\$2.7 million (2014: credit of HK\$14.1 million) mainly represented 30% non-controlling shareholders' share of profits in the CSL Group and the HGGL Group for the year under review.

Financial Position and Resources

Significant Capital Assets and Investments

On 17 February 2015, the Group disposed its entire interest in Crosby Capital (Holdings) Limited ("CCHL") at a consideration of HK\$37,000,000. CCHL's principal asset is the entire issued share capital of Crosby Capital (Hong Kong) Limited which in turn owns the office premises located at AXA Centre in Wanchai, Hong Kong (31 December 2014: HK\$69.5 million). The disposal resulted in a loss of HK\$512,000 during the year under review.

On 2 April 2015, the Group completed the acquisition of 70% issued share capital of HGGL at a consideration at fair value of RMB73,686,000 (equivalent to approximately HK\$93,088,000). Intangible assets of HK\$49,226,000 were acquired and details of the acquisition is in Note 31(c) to the financial statements.

Liquidity

As at 31 December 2015, the Group had cash and cash equivalents of HK\$824.9 million (2014: HK\$102.1 million) and net current assets of HK\$776.5 million (2014: HK\$22.6 million). The increase was mainly due to the issuance of the 2015 \$140 million Convertible Bonds and the \$855 million placing of shares during the year under review. Further details of the Group's current assets and current liabilities are set out in Notes 15 to 22 to the financial statements.

Gearing

Tranche 1 and Tranche 2 Convertible Bonds (collectively "2010 Convertible Bonds")

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

The terms and conditions of the Tranche 2 Convertible Bonds are the same as those of the Tranche 1 Convertible Bonds, which are also detailed in Note 21(a) to the financial statements. In accordance with the terms and conditions thereof, the conversion price was reset on 4 April 2011, 4 October 2011, 4 April 2013 and 24 February 2014, the prevailing conversion price is HK\$0.12 per share which was adjusted upon completion of bonus issue on 27 January 2015.

In January 2015, principal amount of HK\$21,000,000 of the Tranche 1 Convertible Bonds was converted into 175,000,000 ordinary shares of the Company at the conversion price of HK\$0.12 per share. The 2010 Convertible Bonds have been fully converted in the year under review.

2014 \$175 million Convertible Bonds

In April 2014, the Company entered into a subscription agreement (the “Subscription Agreement”) with Abundant Star Ventures Limited (“Abundant Star”) and Vantage Edge Limited (“Vantage Edge”), pursuant to which Abundant Star and Vantage Edge agreed to subscribe the convertible bonds in principal amount of HK\$100,000,000 and HK\$75,000,000 respectively, bearing a compound interest rate of 5% per annum (the “2014 \$175 million Convertible Bonds”). On 13 June 2014, with the fulfillment of all conditions required for the 2014 Convertible Bonds, the Company issued the 2014 \$175 million Convertible Bonds, of which (i) approximately HK\$5 million was used for the operation of the retail store in Central, (ii) approximately HK\$5 million was used for the renovations to the retail store in Central, (iii) approximately HK\$3 million was used for the anticipated music license rights fees that would be payable to music records companies in relation to the business that HMV Ideal Group operates, (iv) approximately HK\$3 million for the operation of the online business, (v) approximately HK\$3 million was used for marketing and public relations, (vi) approximately HK\$36.9 million was used to settle the consideration payable and profit bonus in respect of the acquisition of 70% equity interest in CSL, (vii) approximately HK\$30.3 million was used to settle the consideration and capital injection in respect of the acquisition of 70% equity interest in HGGL, (viii) approximately HK\$1 million was used as professional fees in respect of the acquisition of equity interests in CSL and HGGL and (ix) approximately HK\$27.4 million was used as general working capital of the Group.

The terms and conditions of the 2014 \$175 million Convertible Bonds are detailed in Note 21(b) to the financial statements. In accordance with the terms and conditions thereof, the prevailing conversion price is HK\$0.13 per share which was adjusted upon completion of bonus issue on 27 January 2015.

2015 \$140 million Convertible Bond

In July 2015, the Company entered into a subscription agreement (the “HNA Subscription Agreement”) with Hong Kong HNA Holding Group Co. Limited (“HNA”) pursuant to which HNA agreed to subscribe the convertible bond in principal amount of HK\$140,000,000, bearing a compound interest rate of 8% per annum (the “2015 \$140 million Convertible Bond”). On 20 July 2015, all the conditions precedent set out in the HNA Subscription Agreement have been fulfilled and the 2015 \$140 million Convertible Bond was issued which was intended to be applied as the investment capital for the strategic investment business of the Company as well as for the expansion of its asset management business and related financial platform and general working capital of the Group. The terms and conditions of the 2015 \$140 million Convertible Bond are detailed in Note 21(c) to the financial statements.

The embedded derivatives in the 2010 Convertible Bonds and in the 2014 \$175 million Convertible Bond are disclosed as financial liabilities at fair value through profit or loss as set out in Note 22 to the financial statements.

As at 31 December 2015, the Group had no other significant debt.

Charges

At 31 December 2015, there are no significant charges on the Group’s investments and assets.

Commitments and Contingent Liabilities

At 31 December 2015, the Group had no significant commitments, other than those under operating leases for the rental of land and buildings and the capital commitments as set out in Note 28 to the financial statements. The Group had no material contingent liabilities as at 31 December 2015.

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 page 15 of the financial statements.

As at 31 December 2015, the total issued share capital of the Company was 7,461,740,884 ordinary shares, increased from 473,173,057 ordinary shares as at 31 December 2014 due to (i) issue of bonus shares on the basis of five (5) bonus shares for every one (1) existing share in January 2015, (ii) placing of shares in August 2015, (iii) consideration shares issued for the acquisition of CSL and HGGL, (iv) conversion of Convertible Bonds and Redeemable Convertible Preference Shares (“RCPS”) and (v) exercise of share options during the year under review. Details of the movement in total share capital are set out in Note 24 to the financial statements.

As at 31 December 2015, the total number of RCPS issued and outstanding was 7,019,790, decreased from 9,799,790 which was due to the conversion to ordinary shares during the year under review.

Details of the movements in RCPS, convertible bonds and ordinary share capital are set out in Notes 20, 21 and 24 to the financial statements, respectively.

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

At 31 December 2015, the Company had 25,934,165 options outstanding under the Company's 2002 Share Option Scheme of which were all exercisable.

At 31 December 2015, the Company had 122,552,000 options outstanding under the Company's 2014 Share Option Scheme of which were all exercisable. The Company can grant a further 597,687,923 options pursuant to the existing shareholder mandate limit.

Non-controlling Interests

The non-controlling interests in the consolidated statement of financial position as at 31 December 2015 represent 30% non-controlling interests in each of the CSL Group and the HGGL Group.

RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2015, together with the comparative audited figures of the corresponding period in 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	4	160,660	56,115
Cost of sales		<u>(87,725)</u>	<u>(26,225)</u>
Gross profit		72,935	29,890
Gain on financial asset at fair value through profit or loss	14	260	–
Loss on financial liabilities at fair value through profit or loss	22	(6,786)	(6,009)
Other net (loss)/income	5	(1,410)	10,017
Selling and distribution expenses		(38,481)	(28,870)
Administrative expenses			
Depreciation of property, plant and equipment	10	(18,490)	(7,297)
Amortisation of intangible assets	12	(47,573)	(19,320)
Other administrative expenses		(111,606)	(65,695)
		(177,669)	(92,312)
Impairment of available-for-sale investments	11	(818)	–
Impairment of goodwill	12	(41,305)	–
Other operating expenses		<u>(21,632)</u>	<u>(5,653)</u>
Loss from operations		(214,906)	(92,937)
Finance costs	6	(22,890)	(12,272)
Share of losses of an associate		<u>(596)</u>	–
Loss before taxation	7	(238,392)	(105,209)
Taxation credit	8	7,978	1,423
Loss for the year		<u>(230,414)</u>	<u>(103,786)</u>

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
Attributable to:			
Owners of the Company		(233,146)	(89,666)
Non-controlling interests		<u>2,732</u>	<u>(14,120)</u>
Loss for the year		<u>(230,414)</u>	<u>(103,786)</u>
Loss per share attributable to owners of the Company during the year	<i>9</i>	<i>HK cents</i>	<i>HK cents (restated)</i>
Basic		(4.52)	(2.32)
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss for the year		(230,414)	(103,786)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments	<i>11</i>	(818)	–
Reclassification adjustment on impairment of available-for-sale investments	<i>11</i>	818	–
Exchange differences on translating foreign operations of subsidiaries		(1,693)	–
Release of foreign exchange reserve upon deregistration of a subsidiary		–	(231)
Other comprehensive income for the year, net of tax		(1,693)	(231)
Total comprehensive income for the year, before and net of tax		(232,107)	(104,017)
Attributable to:			
Owners of the Company		(234,839)	(89,897)
Non-controlling interests		2,732	(14,120)
Total comprehensive income for the year, before and net of tax		(232,107)	(104,017)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	53,416	82,677
Available-for-sale investments	11	30,000	818
Intangible assets	12	262,002	152,225
Interest in an associate	13	3,603	–
Investment in convertible bond	14	11,622	–
Financial asset at fair value through profit or loss	14	11,008	–
Deposits and other receivables	16	30,376	–
		<u>402,027</u>	<u>235,720</u>
Current assets			
Inventories	15	39,903	6,649
Trade and other receivables	16	78,010	24,925
Pledged bank deposits	17	7,000	–
Cash and cash equivalents	17	817,867	102,067
		<u>942,780</u>	<u>133,641</u>
Current liabilities			
Trade and other payables	18	153,245	68,666
Borrowings	19	5,455	10,125
Convertible bonds	21	–	23,313
Financial liabilities at fair value through profit or loss	22	2,738	7,164
Current tax liabilities		4,847	1,765
		<u>166,285</u>	<u>111,033</u>
Net current assets		<u>776,495</u>	<u>22,608</u>
Total assets less current liabilities		<u>1,178,522</u>	<u>258,328</u>

		As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Other payables	18	44,812	24,089
Borrowings	19	–	30,327
Convertible bonds	21	318,909	160,018
Financial liabilities at fair value through profit or loss	22	27,835	21,021
Deferred tax liabilities	23	31,370	10,734
		<u>422,926</u>	<u>246,189</u>
Net assets		<u>755,596</u>	<u>12,139</u>
EQUITY			
Share capital	24	582,016	36,907
Reserves	25	145,375	(36,721)
		<u>727,391</u>	<u>186</u>
Equity attributable to owners of the Company		727,391	186
Non-controlling interests		28,205	11,953
		<u>755,596</u>	<u>12,139</u>
Total equity		<u>755,596</u>	<u>12,139</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Total equity attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	*Share premium	*Convertible bonds equity reserve	*Capital reserve	*Capital redemption reserve	*Employee share-based compensation reserve	*Foreign exchange reserve	*Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	29,996	212,885	-	2,112	601	36,109	231	(274,731)	7,203	-	7,203
Share-based compensation	-	-	-	-	-	19,463	-	-	19,463	-	19,463
Issue of convertible bonds	-	-	8,061	-	-	-	-	-	8,061	-	8,061
Issue of consideration shares for acquisition of subsidiaries (Notes 24(a) and (b))	4,807	40,639	-	-	-	-	-	-	45,446	-	45,446
Issue of shares upon conversion of redeemable convertible preference shares (Note 24(d))	338	3,162	-	-	-	-	-	-	3,500	-	3,500
Issue of shares upon exercise of warrants (Note 24(e))	160	2,924	-	-	-	-	-	-	3,084	-	3,084
Issue of shares upon exercise of share options (Note 24(f))	272	5,854	-	-	-	(2,662)	-	-	3,464	-	3,464
Lapse of share options	-	-	-	-	-	(579)	-	579	-	-	-
Share issue expenses (Note 24(a))	-	(506)	-	-	-	-	-	-	(506)	-	(506)
Issue of shares upon conversion of convertible bonds (Note 24(c))	1,334	15,308	-	-	-	-	-	-	16,642	-	16,642
Non-controlling interests arising on business combination (Notes 31(a) and (b))	-	-	-	-	-	-	-	-	-	24,667	24,667
Disposal of a subsidiary (Note 30)	-	-	-	-	-	-	-	-	-	79	79
Transactions with non-controlling interests	-	-	-	-	-	-	-	(16,274)	(16,274)	1,327	(14,947)
Transactions with owners	6,911	67,381	8,061	-	-	16,222	-	(15,695)	82,880	26,073	108,953
Loss for the year	-	-	-	-	-	-	-	(89,666)	(89,666)	(14,120)	(103,786)
Other comprehensive income:											
Release of foreign exchange reserve upon deregistration of a subsidiary	-	-	-	-	-	-	(231)	-	(231)	-	(231)
Total comprehensive income for the year	-	-	-	-	-	-	(231)	(89,666)	(89,897)	(14,120)	(104,017)
At 31 December 2014	36,907	280,266	8,061	2,112	601	52,331	-	(380,092)	186	11,953	12,139

	Total equity attributable to owners of the Company										Non-	Total	
	Share capital	*Share premium	*Convertible bonds equity reserve	*Capital reserve	*Capital redemption reserve	*Employee share-based compensation reserve	*Investment revaluation reserve	*Foreign exchange reserve	*Statutory surplus	*Accumulated losses	Total	controlling interests	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	36,907	280,266	8,061	2,112	601	52,331	-	-	-	(380,092)	186	11,953	12,139
Share-based compensation	-	-	-	-	-	638	-	-	-	-	638	-	638
Issue of convertible bonds	-	-	1,921	-	-	-	-	-	-	-	1,921	-	1,921
Issue of consideration shares for acquisition of subsidiaries (Notes 24(g) and (h))	6,030	21,653	-	-	-	-	-	-	-	-	27,683	-	27,683
Issue of shares upon conversion of redeemable convertible preference shares (Note 24(l))	26,021	18,369	-	-	-	-	-	-	-	-	44,390	-	44,390
Issue of shares upon exercise of share options (Note 24(m))	2,372	7,071	-	-	-	(3,623)	-	-	-	-	5,820	-	5,820
Issue of bonus shares (Note 24(i))	184,615	(184,615)	-	-	-	-	-	-	-	-	-	-	-
Placing of shares (Note 24(k))	312,421	542,330	-	-	-	-	-	-	-	-	854,751	-	854,751
Lapse of share options	-	-	-	-	-	(283)	-	-	-	283	-	-	-
Issue of shares upon conversion of convertible bonds (Note 24(j))	13,650	13,191	-	-	-	-	-	-	-	-	26,841	-	26,841
Non-controlling interests arising from business combination (Note 31(c))	-	-	-	-	-	-	-	-	-	-	-	13,520	13,520
Transfer to statutory reserve	-	-	-	-	-	-	-	-	3,331	(3,331)	-	-	-
Transactions with owners	545,109	417,999	1,921	-	-	(3,268)	-	-	3,331	(3,048)	962,044	13,520	975,564
Loss for the year	-	-	-	-	-	-	-	-	-	(233,146)	(233,146)	2,732	(230,414)
Other comprehensive income:													
Change in fair value of available-for-sale investments	-	-	-	-	-	-	(818)	-	-	-	(818)	-	(818)
Impairment of available-for-sale investments	-	-	-	-	-	-	818	-	-	-	818	-	818
Exchange differences on translating foreign operations of subsidiaries	-	-	-	-	-	-	-	(1,693)	-	-	(1,693)	-	(1,693)
Total comprehensive income for the year	-	-	-	-	-	-	-	(1,693)	-	(233,146)	(234,839)	2,732	(232,107)
At 31 December 2015	582,016	698,265	9,982	2,112	601	49,063	-	(1,693)	3,331	(616,286)	727,391	28,205	755,596

* As at 31 December 2015, the total of these reserves amounts to a surplus of HK\$145,375,000 (31 December 2014: deficit of HK\$36,721,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 Units 1 & 2, 29/F., The Hennessy, 256 Hennessy Road, Wanchai, Hong Kong. The Company's shares have been listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000. The Company and its subsidiaries are together referred to as the Group hereinafter.

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

The audited consolidated financial statements 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").

The financial statements for the year ended 31 December 2015 were approved by the board of directors (the "Directors") on 22 March 2016.

2. ADOPTION OF NEW OR REVISED IFRSs

In the current year, the Group has applied for 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 2015.

(a) Adoption of new or revised IFRSs — effective from 1 January 2015

IFRSs (Amendments)	Annual improvements 2010–2012 Cycle
IFRSs (Amendments)	Annual improvements 2011–2013 Cycle

The adoption of the amendments has no material impact on the Group's financial statements.

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

The following new or revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 1	Disclosure Initiative ¹
Amendments to IAS 27	Equity Method in Separate Financial Statements ¹
IFRS 9 (2014)	Financial Instruments ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
IFRS 15	Revenue from Contracts with Customers ²
IFRSs (Amendments)	Annual Improvements 2012–2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

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

Amendments to IAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to IAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

IFRS 9 (2014) — Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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.

Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

IFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Except for IFRS 9 (2014) which the Group is in the process of making an assessment of the impact, the Directors anticipated that the application of other new or revised IFRSs will have no material impact on the Group's financial statements.

(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The Directors consider that there is no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

3. SEGMENT INFORMATION

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

	Asset management		Strategic investment		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue from external customers	<u>–</u>	<u>3,736</u>	<u>160,660</u>	<u>52,379</u>	<u>160,660</u>	<u>56,115</u>
Total segment loss from operations	<u>(2,965)</u>	<u>(7,446)</u>	<u>(138,293)</u>	<u>(40,090)</u>	<u>(141,258)</u>	<u>(47,536)</u>
Other net (loss)/income not allocated					(1,410)	758
Gain on financial asset at fair value through profit or loss					260	–
Loss on financial liabilities at fair value through profit or loss					(6,786)	(6,009)
(Loss)/gain on disposal of subsidiaries					(512)	8,684
Depreciation of property, plant and equipment					(885)	(3,734)
Impairment of available-for-sale investments					(818)	–
Unallocated corporate expenses					<u>(63,497)</u>	<u>(45,100)</u>
Loss from operations					<u>(214,906)</u>	<u>(92,937)</u>
Finance costs					<u>(22,890)</u>	<u>(12,272)</u>
Share of losses of an associate					<u>(596)</u>	<u>–</u>
Loss before taxation					<u>(238,392)</u>	<u>(105,209)</u>
Taxation credit					<u>7,978</u>	<u>1,423</u>
Loss for the year					<u>(230,414)</u>	<u>(103,786)</u>

The segment of strategic investment mainly comprises investments in HMV retail business and mobile game business.

Unallocated corporate expenses mainly comprise legal and professional fees, rent and rates and salaries and allowances.

	Asset management		Strategic investment		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,376	1,497	493,761	196,316	496,137	197,813
Unallocated property, plant and equipment					752	70,634
Available-for-sale investments					30,000	818
Interest in an associate					3,603	–
Investment in convertible bond					11,622	–
Financial asset at fair value through profit or loss					11,008	–
Unallocated corporate assets					791,685	100,096
Total assets					1,344,807	369,361

All assets are allocated to reportable segments other than unallocated assets (mainly comprising interest in an associate, financial asset at fair value through profit or loss, available-for-sale investments, investment in convertible bond, certain other receivables and cash and cash equivalents).

	Asset management		Strategic investment		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment liabilities	644	38	92,604	24,095	93,248	24,133
Financial liabilities at fair value through profit or loss					27,835	28,185
Convertible bonds					318,909	183,331
Borrowings					–	40,452
Deferred tax liabilities					31,370	10,734
Unallocated corporate liabilities					117,849	70,387
Total liabilities					589,211	357,222

All liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising borrowings, convertible bonds, financial liabilities at fair value through profit or loss, deferred tax liabilities and contingent consideration payables as set out in Note 18(a)).

	Asset management		Strategic investment		Total	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information						
Additions to non-current assets	–	–	104,316	15,502	104,316	15,502
Depreciation of property, plant and equipment	–	51	17,605	3,512	17,605	3,563
Share-based payment	–	–	–	128	–	128
Income tax expense	–	–	490	1,765	490	1,765

Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong (place of domicile)	95,424	52,379	371,225	234,902
The PRC	65,236	–	802	–
Other countries	–	3,736	–	–
	<u>160,660</u>	<u>56,115</u>	<u>372,027</u>	<u>234,902</u>

No one single customer contributed more than 10% of the Group's total revenue during the years ended 31 December 2015 and 2014.

4. REVENUE

Revenue, which is also the Group's turnover, represents the (i) net invoiced value of goods and food and beverage sold, net of discounts and returns, (ii) net receipts from sales of in-app purchases items, (iii) advertising income earned, (iv) game publishing service income, (v) concession stores income and (vi) fund management fee income. An analysis of revenue is as follows:

	2015 HK\$'000	2014 HK\$'000
Sales of goods	74,986	34,411
Sales of food and beverage	3,785	1,100
Sales of in-app purchase items	14,680	10,027
Advertising income	8,161	6,841
Game publishing service income	58,786	–
Concession stores income	262	–
Fund management fee income	–	3,736
	<u>160,660</u>	<u>56,115</u>

5. OTHER NET (LOSS)/INCOME

	2015 HK\$'000	2014 HK\$'000
Bank interest income	934	452
Effective interest income on investment in convertible bond (Note 14)	283	–
Rental income	646	275
Foreign exchange gains, net	354	25
Gain on disposal of property, plant and equipment	2	5
Gain on deregistration of a subsidiary	–	231
Gain on disposal of subsidiaries (Note 30(a))	–	8,684
Loss on remeasurement of contingent consideration payables, net (Note 18(a))	(4,735)	–
Marketing income	790	271
Others	316	74
	<u>(1,410)</u>	<u>10,017</u>

6. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Effective interest expense on convertible bonds		
– wholly repayable within five years (<i>Note 21</i>)	21,497	11,044
Interest on bank loan – not wholly repayable within five years	80	497
Effective interest expense on redeemable convertible preference shares (<i>Note 20</i>)	87	88
Effective interest expense on contingent consideration payables		
– wholly repayable within five years	1,226	274
Other interest expense		
– wholly repayable within five years	–	369
	<u>22,890</u>	<u>12,272</u>

7. LOSS BEFORE TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before taxation is arrived at after charging:		
Auditor's remuneration:		
– audit services	1,015	653
– review services	282	–
– other services	946	175
Cost of inventories recognised as expense	47,806	21,219
Depreciation of property, plant and equipment (<i>Note 10</i>)	18,490	7,297
Amortisation of intangible assets (included in administrative expenses) (<i>Note 12</i>)	47,573	19,320
Employee benefit expense (including directors' remuneration and share-based compensation expense)	48,300	49,003
Share-based payment	–	128
Impairment of inventories (<i>Note 15</i>)	2,199	356
Operating leases charges in respect of leased premises	25,302	16,270
Impairment of deposit paid (<i>Note 16(c)</i>)	5,850	–
Impairment of available-for-sale investments (<i>Note 11</i>)	818	–
Impairment of goodwill (<i>Note 12</i>)	41,305	–
Loss on disposal of subsidiaries (<i>Note 30(b)</i>)	512	–
Write-off of property, plant and equipment (<i>Note 10</i>)	–	1,415
After crediting:		
Foreign exchange gains, net	354	25
Gain on disposal of property, plant and equipment	2	5
Gain on disposal of subsidiaries (<i>Notes 5 and 30(a)</i>)	–	8,684
	<u>354</u>	<u>8,684</u>

8. TAXATION CREDIT

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong		
– Current year	490	1,765
Deferred tax credit (<i>Note 23</i>)	<u>(8,468)</u>	<u>(3,188)</u>
Taxation credit	<u>(7,978)</u>	<u>(1,423)</u>

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the years ended 31 December 2015 and 2014. The Group's major operating subsidiary, Shanghai VSOYOU Technology Co., Ltd, was established in the PRC and carries on business in the PRC as a software enterprise. This subsidiary has, pursuant to the relevant laws and regulations in the PRC, obtained exemption from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Exemption"). The PRC subsidiary which are currently entitled to the Tax Exemptions from 1 January 2015 would continue to enjoy such treatments until the Tax Exemptions period expires, but not beyond 31 December 2019. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the year.

Reconciliation between taxation credit and accounting loss at applicable tax rates is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before taxation	<u>(238,392)</u>	<u>(105,209)</u>
Tax at the domestic income tax rates	(39,335)	(17,359)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	2,161	–
Tax effect of share of losses of an associate	98	–
Tax effect of non-taxable income	(3,680)	(1,984)
Tax effect of non-deductible expenses	23,176	7,538
Tax effect of unrecognised temporary differences	8,290	547
Tax effect of unrecognised tax losses	8,292	10,170
Tax effect of tax exemption granted to PRC subsidiaries	(6,980)	–
Tax effect of prior year's tax losses utilised this year	<u>–</u>	<u>(335)</u>
Taxation credit	<u>(7,978)</u>	<u>(1,423)</u>

9. 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.

	2015	(Restated) 2014
<i>(HK\$'000)</i>		
Consolidated loss attributable to owners of the Company	<u>(233,146)</u>	<u>(89,666)</u>
<i>(Number)</i>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>5,160,031,924</u>	<u>3,862,776,522</u>
	2015	(Restated) 2014
	<i>HK cents</i>	<i>HK cents</i>
Basic loss per share	<u>(4.52)</u>	<u>(2.32)</u>

On 27 January 2015, the Company completed the issue of bonus shares to the qualifying shareholders of the Company on the basis of five (5) bonus shares for every one (1) existing share of the Company held on the record date, i.e. 16 January 2015 (the "Bonus Issue") and a total of 2,366,865,285 new shares of the Company were allotted and issued under the Bonus Issue.

Details of the Bonus Issue were set out in the Company's announcements date 10 December 2014 and 27 January 2015 and circular dated 19 December 2014.

On 11 August 2015, the Group completed the placing of 4,005,392,000 new shares (the "Placing") at the Placing price of HK\$0.22 per share and the total net proceeds from the Placing are approximately HK\$855 million. The Placing price of HK\$0.22 per share was lower than the market price of HK\$0.26 on 11 August 2015, the inherent bonus element was taken into account in the calculation of basic loss per share for the year ended 31 December 2015. Details of the Placing were set out in the Company's announcements dated 7 June 2015 and 11 August 2015.

The comparative figures for the basic loss per share for the ended 31 December 2014 are restated to take into account of the effect of the Company's Bonus Issue completed during the year retrospectively as if they had taken place since the beginning of the respective comparative periods.

(b) Diluted loss per share

No diluted loss per share for the years ended 31 December 2015 and 2014 was presented as the exercise of share options and conversion of convertible bonds and redeemable convertible preference shares would result in a reduction in loss per share and these financial instruments are anti-dilutive or have no dilutive effect.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Computer hardware and software <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014						
Cost	77,338	1,845	1,929	3,559	921	85,592
Accumulated depreciation	(5,702)	(1,675)	(832)	(2,244)	(761)	(11,214)
Carrying amount	<u>71,636</u>	<u>170</u>	<u>1,097</u>	<u>1,315</u>	<u>160</u>	<u>74,378</u>
Year ended 31 December 2014						
Opening carrying amount	71,636	170	1,097	1,315	160	74,378
Additions	–	1,247	1,991	11,733	2,080	17,051
Acquisition of subsidiaries <i>(Note 31(a))</i>	–	124	38	–	–	162
Disposals	–	(69)	(129)	–	(4)	(202)
Write-off <i>(Note 7)</i>	–	(23)	(600)	(752)	(40)	(1,415)
Depreciation	(2,139)	(453)	(578)	(3,599)	(528)	(7,297)
Closing carrying amount	<u>69,497</u>	<u>996</u>	<u>1,819</u>	<u>8,697</u>	<u>1,668</u>	<u>82,677</u>
At 31 December 2014						
Cost	77,338	1,310	2,050	11,733	2,080	94,511
Accumulated depreciation	(7,841)	(314)	(231)	(3,036)	(412)	(11,834)
Carrying amount	<u>69,497</u>	<u>996</u>	<u>1,819</u>	<u>8,697</u>	<u>1,668</u>	<u>82,677</u>
Year ended 31 December 2015						
Opening carrying amount	69,497	996	1,819	8,697	1,668	82,677
Additions	–	4,007	1,605	40,972	5,574	52,158
Acquisition of subsidiaries <i>(Note 31(c))</i>	–	23	170	244	–	437
Acquisition of HMV Business <i>(Note 31(d))</i>	–	324	756	4,610	109	5,799
Disposals	–	(1)	–	–	–	(1)
Disposal of subsidiaries <i>(Note 30(b))</i>	(69,141)	–	–	–	–	(69,141)
Depreciation	(356)	(1,045)	(2,227)	(12,771)	(2,091)	(18,490)
Exchange alignment	–	(2)	(8)	(13)	–	(23)
Closing carrying amount	<u>–</u>	<u>4,302</u>	<u>2,115</u>	<u>41,739</u>	<u>5,260</u>	<u>53,416</u>
At 31 December 2015						
Cost	–	5,651	4,572	57,544	7,763	75,530
Accumulated depreciation	–	(1,349)	(2,457)	(15,805)	(2,503)	(22,114)
Carrying amount	<u>–</u>	<u>4,302</u>	<u>2,115</u>	<u>41,739</u>	<u>5,260</u>	<u>53,416</u>

During the year ended 31 December 2015, the management has reassessed the estimated useful lives of certain property, plant and equipment of the Group's retail stores. Based on the re-assessment, the Group has fully depreciated property, plant and equipment of approximately HK\$5,561,000 in the consolidated statement of profit or loss in the current year. The re-assessment is not expected to have impact in future reporting periods.

As at 31 December 2014, the Group's leasehold land and buildings were situated in Hong Kong, which was held under long-term lease. On 17 February 2015, the Group disposed of the leasehold land and buildings with net carrying amount of approximately HK\$69,141,000 in respect of the disposal of all the entire interest in Crosby Capital (Holdings) Limited and its subsidiaries (Note 30(b)).

As at 31 December 2014, property, plant and equipment of the Group included leasehold land and buildings with total carrying amount of HK\$69,497,000 were pledged to a bank to secure mortgage loans granted to a wholly owned subsidiary of the Company (Note 19(i)).

11. AVAILABLE-FOR-SALE INVESTMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<i>Unlisted investments, at cost</i>		
Equity securities	30,818	818
Less: Impairment losses	(818)	–
Total	30,000	818

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
As at 1 January	818	10,000
Additions	30,000	818
Transfer to investment in a subsidiary (<i>Note 31(a)</i>)	–	(10,000)
Less: Change in fair value recognised directly in other comprehensive income	(818)	–
As at 31 December	30,000	818

As at 1 January 2014, the balance of HK\$10,000,000 represented an investment of 11.36% in HMV Ideal Limited (formerly known as Billion Merit Investments Limited) (“HMV Ideal”) acquired in December 2013.

In February 2014, the Group further acquired approximately 53.18% interest in HMV Ideal which has been disclosed in the acquisition of subsidiaries (Note 31(a)) and accordingly, the Group reclassified its investment in HMV Ideal from available-for-sale investments to investment in subsidiaries.

In August 2015, the Group acquired 40% interest in Glory Kingdom Group Limited, a company incorporated in British Virgin Islands with limited liability and has a subsidiary engages in movie production business, at a consideration of HK\$30,000,000 in cash. As at and during the year ended 31 December 2015, the Group had no intention to and did not control, jointly control nor exercise significant influence over this company as the Group did not participate in the financial and operating decisions of the company during the year ended 31 December 2015. Accordingly, the interest in Glory Kingdom Group Limited is accounted for as an available-for-sale investment. The fair value of this unlisted investment was not disclosed as there was no open market on the unlisted investment and the fair value cannot be measured reliably.

During the year ended 31 December 2015, a fair value loss of HK\$818,000 in respect of an investment brought forward from the year ended 31 December 2014 has been fully recognised in the investment revaluation reserve in equity. Due to the significant decline in anticipated future cash flows of such investment, the same amount of fair value loss recognised in equity has been transferred out of the investment revaluation reserve and recognised in profit or loss as an impairment loss in the current year.

12. INTANGIBLE ASSETS

	Goodwill	Trademarks	Trademark licence	Platform	Content agreement	Intellectual property	Mobile games	Distribution network	Non- compe te agreem ents	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note (a))	(Note (b))	(Note (c))	(Note (c))	(Note (c))	(Note (d))	(Note (e))	(Note (e))	(Note (f))	
Carrying amount at 31 December 2013 and 1 January 2014	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries (Notes 31(a) and (b))	92,009	-	14,400	27,400	9,000	38,822	-	-	-	181,631
Amortisation	-	-	(2,400)	(11,417)	(3,750)	(1,753)	-	-	-	(19,320)
Disposal of subsidiaries (Note 30(a))	(4,836)	-	-	-	(5,250)	-	-	-	-	(10,086)
Carrying amount at 31 December 2014	<u>87,173</u>	<u>-</u>	<u>12,000</u>	<u>15,983</u>	<u>-</u>	<u>37,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,225</u>
Carrying amount at 31 December 2014 and 1 January 2015	87,173	-	12,000	15,983	-	37,069	-	-	-	152,225
Acquisition of subsidiaries (Note 31(c))	61,539	-	-	-	-	-	14,850	7,766	26,610	110,765
Acquisition of HMV IP Rights and HMV Business (Note 31(d))	10,256	77,634	-	-	-	-	-	-	-	87,890
Amortisation	-	(323)	(12,000)	(15,983)	-	(7,764)	(5,569)	(1,942)	(3,992)	(47,573)
Impairment	(41,305)	-	-	-	-	-	-	-	-	(41,305)
Carrying amount at 31 December 2015	<u>117,663</u>	<u>77,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,305</u>	<u>9,281</u>	<u>5,824</u>	<u>22,618</u>	<u>262,002</u>

Notes:

- (a) Goodwill acquired through acquisition of subsidiaries during the year ended 31 December 2015 (Notes 31(c) and (d)) and is allocated to the Group's CGU. A summary of goodwill allocation is presented below:

	2015 HK\$'000	2014 HK\$'000
HMV	31,407	21,151
CSL	24,717	66,022
HGGL	61,539	-
As at 31 December	<u>117,663</u>	<u>87,173</u>

The recoverable amount of CSL and HGGL to which the goodwill relates has been determined based on a value in use calculation. The calculation is based on financial budgets covering a five-year period approved by management and followed by an extrapolation of expected cash flows with 3% growth rate for HGGL and nil for CSL. Key assumptions are based on past performance, management estimation on market development and general inflation based on the growth rates which did not exceed the long-term average growth rates for the business in which the CGU operates. The discount rate used for value in use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

The key assumptions used for value in use calculations are as follows:

	HMV		HGGL		CSL	
	2015	2014	2015	2014	2015	2014
Growth rate	N/A	3%	5%	N/A	7%	4%
Discount rate	N/A	30–33%	32.1%	N/A	26.7%	19%

Apart from the considerations described above in determining the value in use of the CGUs, management is not aware of any other probable changes that would necessitate changes in the key assumptions.

The recoverable amount of HMV to which the goodwill relates has been determined by the independent professional valuer, Grant Sherman Appraisal Limited, based on market approach using the Guideline Merger and Acquisition method (the “GMA Method”). Under the GMA Method, the fair market value is based on the comparable transaction prices at which assets similar to that of the assets of HMV. The GMA Method provides an indication of value by comparing the prices at which similar assets have exchanged between willing buyers and sellers. When GMA Method is used, an indication of the value of a specific item of the asset is obtained by referring to considerations for acquisition of comparable assets. The market approach is preferred over value in use calculations as it refers to actual market transactions or market value benchmark of comparable assets. In addition, as HMV has not recorded net profit or a positive EBITDA in the year ended 31 December 2015, market approach by way of comparing earnings multiples is impractical. As a result, upon considering the characteristics of various approach and the practicability of such methods in valuing the recoverable amount of HMV to which the goodwill relates, the GMA Method under the market approach was adopted.

During the year ended 31 December 2015, the Group recognised in profit or loss an impairment of HK\$41,305,000 in relation to goodwill arising from the acquisition of CSL due to unfavourable change in market condition of mobile game business subsequent to acquisition. The Directors of the Company determined that other CGUs containing goodwill does not suffer any impairment.

- (b) Trademarks arose from the acquisition of HMV IP Rights and HMV Business on 30 November 2015 (Note 31(d)). Trademarks represent the rights to use the name “HMV”, the various HMV trade marks and trade mark applications, and the HMV domain names for the purposes of conducting the retail business of “HMV” operating through the four (4) retail stores selling music, movies and television series related contents and products located in Hong Kong and any other business to be conducted in the PRC, Hong Kong and Singapore.

Trademarks were valued as of the date of acquisition by the independent professional valuer, Grant Sherman Appraisal Limited, based on market approach using the GMA Method.

- (c) Trademark licence, platform and content agreement arose from further acquisition of 53.18% equity interest in HMV Ideal, which increased the Group’s ownership to 64.54%, on 24 February 2014 (Note 31(a)). Trademark licence represents the rights to operate the Central Retail store using the brand name “HMV” and the exclusive use of the domain www.hmv.com.hk to conduct the e-commerce business of retailing music, films, games and portable digital technology products in Hong Kong through the use of the name of “HMV”, the licensed marks and the domain names.

Platform represents a form of data-processing-related intangible asset under domain name www.visible.com, <http://viss.me> and mobile application “VISS” on iOS and Android operated smartphones to provide technology and online platforms for its users to share information of fashion and lifestyle products.

Content agreement refers to a content hosting services and provider sell-through agreement entered into between VS Media Limited, an indirect wholly-owned subsidiary of HMV Ideal at the time of signing the agreement, and Google Ireland Limited, which enables VS Media Limited to publish its video contents through the Google platform (YouTube) and share the advertising revenue with Google.

All of the intangible assets were valued as of the date of acquisition by LCH (Asia-Pacific) Surveyors Limited, a firm of professional valuers, on the following basis:

Trademark licence:	The Relief from Royalty method under the Income Approach
Platform:	The Multi-period Excess Earnings method under the Income Approach
Content agreement:	The Multi-period Excess Earnings method under the Income Approach

On 30 November 2015, the Group completed the acquisition of HMV IP Rights and HMV Business (Note 31(d)) and therefore the Trademark licence arose from the acquisition of HMV Ideal in 2014 was written off and its net carrying amount of HK\$9,360,000 as at 30 November 2015 was fully amortised in December 2015.

During the year ended 31 December 2015, the Group fully amortised the platform with net carrying amount of HK\$2,283,000 as if full amortisation had not been taken place as at 31 December due to unfavourable change in operation of the platform during the year.

- (d) Intellectual property represents a series of interactive role-playing game Apps available on the three major global digital distribution platforms, namely Apple's App Store, Google's Play Store and Amazon's App Store which arose from the acquisition of CSL on 9 October 2014 (Note 31(b)).

The intellectual property was valued as of the date of acquisition by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of professional valuers, using the Relief from Royalty method under the Income Approach.

- (e) Mobile games, distribution network and non-compete agreement arose from acquisition of 70% equity interest in HGGL, in April 2015 (Note 31(c)). Mobile games represent self-developed games to be launched to the mobile game market.

Distribution network represents the mobile application which provides download access to users of the mobile application to download mobile games in the PRC.

- (f) Non-compete agreements refers to the restrictive covenants included in employment contracts of certain key management personnel of VSOYOU who agreed not to enter into or start a similar profession or trade in competition against VSOYOU's business.

The mobile games, distribution networks and non-compete agreements were valued as of the date of acquisition by Grant Sherman Appraisal Limited, a firm of independent professional valuers, using the Relief from Royalty method under the Income Approach.

13. INTEREST IN AN ASSOCIATE

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Share of net liabilities other than goodwill	(a)	(560)	–
Goodwill		4,163	–
		3,603	–

(a) Particulars of the associate as at 31 December 2015 is as follows:

Name	Place of incorporation/ operation	Issued and fully paid share capital HK\$'000	Percentage of ownership interests 2015	Principal activities
Brave Entertainment Co., Ltd. ("Brave Entertainment")	South Korea	21,000	17.12%	Production and distribution of music contents, scouting and promoting artists

Although the Group's ownership interest in Brave Entertainment is below 20%, the shareholders' agreement of Brave Entertainment allows the Group to appoint two out of five directors of the company. In the opinion of the Directors, the Group is able to exercise significant influence on its financial and operating policies and accordingly, the interest in Brave Entertainment is accounted for as an associate.

(b) The recoverable amount of the interest in Brave Entertainment was calculated based on the cash flow projections based on financial budgets approved by management covering a period of 5 years. The key assumptions for the value-in-use calculations were those regarding the discount rates and growth rates. Cash flows beyond the projection period are extrapolated using an estimated growth rate of 1.6%. The pre-tax rate used to discount the forecast cash flows is 17.1%. The value in use figure determined as at 31 December 2015 was higher than the carrying value of the interest in the associate and accordingly, no impairment was considered necessary.

(c) Summarised financial information in relation to the associate is presented below:

	2015 HK\$'000
Non-current assets	7,439
Current assets	25,905
Current liabilities	<u>(36,615)</u>
Net liabilities, excluding goodwill	<u>(3,271)</u>
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	17.12%
Group's share of net liabilities of the associate, excluding goodwill	(560)
Goodwill on acquisition	<u>4,163</u>
Carrying amount of the investment	<u>3,603</u>
Revenue	211
Loss for the year	(3,484)
Total comprehensive income for the year	<u>(3,484)</u>

14. INVESTMENT IN CONVERTIBLE BOND/FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

In December 2015, Shiny Diamond Limited (“Shiny Diamond”), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement (the “Subscription Agreement”) with Brave Entertainment pursuant to which the Company agreed to subscribe a convertible bond with principal amount of HK\$22,158,000, bearing an interest rate of 4% per annum receivable quarterly in arrears. On 3 December 2015, all the conditions precedent set out in the Subscription Agreement had been fulfilled and that the subscription of the convertible bond was completed.

The convertible bond is convertible at the option of Shiny Diamond at any time during the period commencing from the date after the date of subscription up to and including the date immediately preceding the third anniversary of the date of subscription of the convertible bond (the “Maturity Date”) at a price of HK\$387 per share. The convertible bond is transferable with prior notification to Brave Entertainment. Shiny Diamond may, having given not less than thirty days’ notice to the issuer, redeem all or some of the convertible bonds then outstanding on the date which is 18 months after the date of issue and every subsequent 3 months thereafter prior to the Maturity Date.

The embedded derivatives (i.e. the early redemption and conversion option) of the convertible bond are separated from the host contract because its economic characteristics and risk are not closely related to those of the host contract and is accounted for as financial asset at fair value through profit or loss.

The convertible bond was recognised as follows:

	Debt component HK\$'000	Derivative component HK\$'000	Total HK\$'000
On 3 December 2015 (the date of subscription)	11,410	10,748	22,158
Effective interest income (<i>Note 5</i>)	283	–	283
Interest received	(71)	–	(71)
Change in fair value recognised in profit or loss	–	260	260
	<u>11,622</u>	<u>11,008</u>	<u>22,630</u>
As at 31 December 2015	<u>11,622</u>	<u>11,008</u>	<u>22,630</u>

The methods and assumptions applied for the valuation of the convertible bond are as follows:

(i) Valuation of receivable component

Receivable component is initially recognised at fair value and is subsequently measured at amortised cost.

Interest income of the debt component for the year ended 31 December 2015 is calculated using effective interest method by applying an effective interest rate of 31.9% per annum (2014: nil) to the receivable component.

(ii) Valuation of derivative component

Derivative component is measured at fair value by a firm of independent professional valuers, Grant Sherman Appraisal Limited, using the Binomial Option Pricing model, at initial recognition and at the end of the reporting period. The inputs into the model as at date of subscription and at 31 December 2015, was as follows:

	31 December 2015	3 December 2015 (date of subscription)
Expected volatility	44.6%	45.3%
Expected life	2.92 years	3 years
Risk-free rate	1.187%	1.163%
Expected dividend yield	0%	0%

As at 31 December 2015, the convertible bond is neither past due nor impaired. The Directors of the Company are of the opinion that no impairment allowance is necessary in respect of the balance as there has not been a significant change in credit quality and the balance is considered to be fully recoverable. The Group does not hold any collateral or other credit enhancements over the convertible bond.

15. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Finished goods for resale	<u>39,903</u>	<u>6,649</u>

During the year, the Group wrote down the carrying values of inventories of HK\$2,199,000 (2014: HK\$356,000).

16. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Trade receivables	<i>(a)</i>	42,188	380
Other receivables	<i>(b)</i>	28,958	18,912
Deposits and prepayments	<i>(c)</i>	<u>37,240</u>	<u>5,633</u>
Total		<u>108,386</u>	<u>24,925</u>
Categorised as:			
Current portion		78,010	24,925
Non-current portion		<u>30,376</u>	<u>–</u>
		<u>108,386</u>	<u>24,925</u>

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

Notes:

- (a) At 31 December 2015, the ageing analysis of trade receivables based on invoice date and net of impairment losses is as follows:

	2015 HK\$'000	2014 HK\$'000
0–30 days	39,462	244
31–60 days	2,099	95
61–90 days	2	41
Over 90 days	<u>625</u>	<u>–</u>
	<u>42,188</u>	<u>380</u>

Sales of goods and food and beverage are normally made on a cash basis. Credit card receivables from financial institutions in respect of those sales are aged within 45 days (2014: 45 days).

Game publishing service income are receivables from mobile network operators and channel owners and are aged within 30 to 60 days (2014: Nil).

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 60 days past due	2,248	339
Over 60 days past due	627	41
	<u>2,875</u>	<u>380</u>

Trade receivables of HK\$2,875,000 (2014: HK\$380,000) that were past due but not impaired 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.

There was no provision made for the years ended 31 December 2015 and 2014 on trade receivables.

- (b) All other receivables under current portion as at 31 December 2015 and 2014 were aged less than 30 days past due, based on the due date.

The other receivables under non-current portion as at 31 December 2015 was a loan with principal amount of approximately HK\$12,519,000 to a shareholder of the Company's associate company on 3 December 2015. The loan is interest bearing at 5% per annum, payable semi-annually in arrears. The maturity date, on which the principal amount shall be due for repayment, will be 2 December 2017. The loan is secured by two properties and shares of the Company's associate company held by the borrower.

- (c) As at 31 December 2015, included in deposits and prepayments was (i) a deposit of HK\$5,850,000 (2014: nil) for an investment in the production of a popular American television series in the PRC. The investment is subject to various conditions precedent, which, up to 14 August 2015, have not been satisfied. According to the agreement, the Group is entitled to recover the full amount of the deposit and the Group is in the legal process of doing so. However, the Group considered that the chance of such deposit's recoverability was remote as at 31 December 2015, therefore an impairment of HK\$5,850,000 (2014: nil) has been provided and included in other operating expenses; (ii) deposits of HK\$16,810,000 for certain HVM stores' rental and renovation deposits and (iii) deposit of HK\$1,047,000 for the purchase of a property located in Japan for own use at a consideration of HK\$10,787,000 (Note 28(b)).

17. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

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 HK\$14,990,000 (2014: Nil). RMB is not freely convertible into other currencies. Under the PRC'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.

As at 31 December 2015, the Group had pledged bank deposits of HK\$7,000,000 (2014: Nil) to a bank to secure banking facilities granted to a subsidiary of the Group in relation to performance bonds in respect of tenancy agreements of certain retail stores and supplier payments.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash and cash equivalents	817,867	102,067
Pledged bank deposits	7,000	–
	<hr/>	<hr/>
Total cash and bank balances	824,867	102,067
	<hr/> <hr/>	<hr/> <hr/>

18. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	48,253	9,237
Other payables (<i>Note (a)</i>)	110,512	64,198
Accrued charges (<i>Note (b)</i>)	39,292	7,720
Advances from a director (<i>Note (c)</i>)	–	11,600
	<hr/>	<hr/>
	198,057	92,755
	<hr/> <hr/>	<hr/> <hr/>
Categorised as:		
Current portion	153,245	68,666
Non-current portion	44,812	24,089
	<hr/>	<hr/>
	198,057	92,755
	<hr/> <hr/>	<hr/> <hr/>

Details of the trade and other payables including the ageing analysis of trade payables based on invoice date are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	22,616	–
31–60 days	14,820	3,305
61–90 days	6,808	5,616
90–120 days	4,009	316
	<hr/>	<hr/>
	48,253	9,237
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The balance included the aggregate contingent consideration payable by the Group of HK\$95,908,000 (2014: HK\$64,198,000) for (i) the acquisition of 70% equity interest in CSL of HK\$4,184,000 payable during the year ending 31 December 2016 (2014: HK\$40,809,000 payable during the year ended 31 December 2015 and HK\$23,389,000 payable during the year ending 31 December 2016) and (ii) the acquisition of 70% equity interest in HGGL to be paid in three instalments comprising HK\$55,462,000 payable during the year ending 31 December 2016 and HK\$36,262,000 payable during the year ending 31 December 2017. Movement of the balance during the year included fair value change arose from remeasurement of contingent considerations payables of CSL at a gain of HK\$20,431,000 setting off by a loss of HK\$25,166,000 of HGGL (Note 5).
- (b) The balance included the provision for store reinstatement costs of HK\$10,206,000 (2014: HK\$700,000) which the Group is presently obligated to make under non-cancellable operating lease contracts.

Movements in the provision for store reinstatement costs during the year are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
As at 1 January	700	–
Addition	9,506	700
As at 31 December	<u>10,206</u>	<u>700</u>
Categorised as:		
Current portion	1,654	–
Non-current portion	8,552	700
Total	<u>10,206</u>	<u>700</u>

- (c) As at 31 December 2014, the advances were in the principal amounts of HK\$1,600,000, HK\$2,500,000 and HK\$7,500,000, and were unsecured, non-interest bearing, and repayable on 24 March 2015, 27 April 2015 and 28 May 2015 respectively. During the year ended 31 December 2015, the advances were fully repaid.

19. BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current liabilities		
Bank loans — secured (<i>Note (i)</i>)	–	2,623
Redeemable convertible preference shares (<i>Note 20</i>)	<u>5,455</u>	<u>7,502</u>
	<u>5,455</u>	<u>10,125</u>
Non-current liabilities		
Bank loans — secured (<i>Note (i)</i>)	–	<u>30,327</u>
Total	<u><u>5,455</u></u>	<u><u>40,452</u></u>
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Borrowings are repayable as follows:		
Within one year	5,455	10,125
In the second year	–	2,510
In the third to fifth years	–	7,793
After the fifth year	<u>–</u>	<u>20,024</u>
Total	<u><u>5,455</u></u>	<u><u>40,452</u></u>

Notes:

(i) Bank loans

Bank property instalment loans totaling HK\$30,000,000 and HK\$10,000,000 were raised in 2011 and 2014 which are interest-bearing at 1.25% over 1-month HIBOR per annum and 2.25% over 1-month HIBOR per annum respectively and are repayable by 180 monthly instalments. The maturity date, on which the last instalment shall be due for repayment, will be 31 March 2026 and 29 May 2029 respectively.

As at 31 December 2014, the bank loans were secured by (a) mortgage over leasehold land and building of the Group situated in Hong Kong with a net carrying amount of HK\$69,497,000 (*Note 10*); and (b) corporate guarantee of unlimited amount given by the Company as at 31 December 2014.

The loans were disposed of upon the disposal of the entire interest in Crosby Capital (Holdings) Limited and the corporate guarantee of unlimited amount given by the Company was released on 15 June 2015.

20. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 14 September 2011 (“issue date”), the Company issued 10,019,790 redeemable convertible preference shares (“RCPS”) of par value of US\$0.10 each (before the capital reduction with effect from 31 May 2012) 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, 14 September 2013, 14 March 2014, 27 January 2015, 20 July 2015 and 11 August 2015, the prevailing conversion price is HK\$0.10 per share as reset upon the completion of Placing as set out in Note 24(k) on 11 August 2015.

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.

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:

	2015	2014
	HK\$’000	HK\$’000
Net carrying amount at 1 January	7,502	7,581
Exercise of redeemable convertible preferences shares	(2,134)	(167)
Effective interest expense for the year (<i>Note 6</i>)	87	88
Net carrying amount at 31 December (<i>Note 19</i>)	<u>5,455</u>	<u>7,502</u>

Interest expense on the RCPS is calculated using effective interest method by applying the effective interest rate of 1.14% (2014: 1.14%) per annum.

21. CONVERTIBLE BONDS

(a) Tranche 1 and Tranche 2 Convertible Bonds

In June 2010, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place 5-year Zero Coupon Convertible Bonds with an aggregate principal amount of up to HK\$250,000,000, comprising Tranche 1 of principal amount up to HK\$160,000,000 (“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 19).

Tranche 1 and Tranche 2 Convertible Bonds are denominated in Hong Kong dollars and are convertible at the option of the bondholder(s) at any time after the date of issuance up to and including the date which is seven days prior to the maturity date of 4 October 2015, into new shares of the Company at a price of HK\$0.18 per share initially, subject to the conversion price reset where at the end to 6-month period from the date of issuance and at the end of every 6-month period thereafter, the conversion price shall be adjusted to 110% of the one-month volume weighted average price with a floor of HK\$0.78 per share and provided that the conversion price shall not in any event be higher than the lower of HK\$1.80 per share and the previous adjusted conversion price reset. 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, 4 April 2013, 24 February 2014 and 27 January 2015.

The Tranche 1 and Tranche 2 Convertible Bonds had been fully converted in January 2015 and July 2014, respectively.

(b) 2014 Convertible Bonds

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

The 2014 Convertible Bonds are convertible at the option of the bondholders at any time during the period commencing from the date of issue of the convertible bonds up to and including the date falling seven days prior to the third anniversary of the date of issue of the 2014 Convertible Bonds (the “Maturity Date”) at a price of HK\$0.80 per share initially. The prevailing conversion price is HK\$0.13 per share which was adjusted upon the completion of bonus issue on 27 January 2015. The 2014 Convertible Bonds are only transferable with prior notification to the Company and may be transferred in integral multiples of HK\$1,000,000. The Company may, having given not less than thirty days’ notice to the bondholders, redeem the 2014 Convertible Bonds then outstanding, at a premium of 10% above the outstanding principal amount of the 2014 Convertible Bonds, in integral multiples of HK\$1,000,000 at any time prior to the Maturity Date and subject to bondholder’s agreement. The bondholders may also by written notice to the Maturity Date elect to extend the term of the 2014 Convertible Bonds then outstanding, in whole or in part, for a term of one year and thereafter for a further one year.

The conversion option embedded in the 2014 Convertible Bonds meets the definition of equity instrument of the Company, and is classified as equity and presented separately from the 2014 Convertible Bonds liability component. Other embedded derivative (i.e. the call option of the Company and the 2014 Convertible Bonds holder’s extension option) is separated from the host debt because its economic characteristics and risks are not closely related to those of the host debt and is accounted for as financial liabilities at fair value through profit or loss.

The 2014 Convertible Bonds liability component was initially recognised at its fair value and was subsequently measured at amortised cost. The 2014 Convertible Bonds recognised in the statement of financial position at the date of issuance on 13 June 2014 were calculated as follows:

	2014 Convertible Bonds HK\$’000
Fair value of the 2014 Convertible Bonds issued	175,000
Transaction costs	(339)
	<hr/>
Net proceeds	174,661
Equity component (<i>Note 25</i>)	(8,061)
	<hr/>
	166,600
Financial liabilities at fair value through profit or loss (<i>Note 22</i>)	(14,718)
	<hr/>
Liability component on initial recognition upon issuance of the 2014 Convertible Bonds	<u>151,882</u>

(c) 2015 \$140 million Convertible Bonds

In July 2015, the Company entered into a subscription agreement (the “Subscription Agreement”) with Hong Kong HNA Holding Group Co. Limited (“HNA”) pursuant to which HNA agreed to subscribe the convertible bonds in principal amount of HK\$140,000,000, bearing a compound interest rate of 8% per annum (the “2015 \$140 million Convertible Bonds”). On 20 July 2015, all the conditions precedent set out in the Subscription Agreement have been fulfilled and that the issue of the 2015 \$140 million Convertible Bonds has been completed.

The 2015 \$140 million Convertible Bonds is convertible at the option of the bondholder at any time during the period commencing from the date falling on the first anniversary of the issue date up to and including the date falling seven days prior to the fifth anniversary of the date of issue of the 2015 \$140 million Convertible Bonds (the “Maturity Date”) at a price of HK\$0.325 per share initially. The 2015 \$140 million Convertible Bonds is only transferrable with prior notification to the Company and may be transferred in integral multiples of HK\$1,000,000. The Company may, having given not less than thirty days’ notice to the bondholder, redeem the 2015 \$140 million Convertible Bonds then outstanding, at a premium of 10% above the outstanding principal amount of the 2015 \$140 million Convertible Bonds, in integral multiples of HK\$1,000,000 at any time prior to the Maturity Date and subject to bondholder’s agreement.

The conversion option embedded in the 2015 \$140 million Convertible Bonds meets the definition of equity instrument of the Company, and is classified as equity and presented separately from the 2015 \$140 million Convertible Bonds liability component.

The 2015 \$140 million Convertible Bonds liability component is initially recognised at its fair value and is subsequently measured at amortised cost. The 2015 \$140 million Convertible Bonds recognised in the statement of financial position at the date of issuance on 20 July 2015 are calculated as follows:

	2015 \$140 million Convertible Bonds HK\$’000
Face value of the 2015 \$140 million Convertible Bonds issued	140,000
Transaction costs	(500)
	<hr/>
Net proceeds	139,500
Equity component (<i>Note 25</i>)	(1,921)
	<hr/>
Liability component on initial recognition upon issuance of the 2015 \$140 million Convertible Bonds	137,579
	<hr/> <hr/>

- (d) 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net carrying amounts at 1 January	183,331	44,511
Effective interest expense for the year (<i>Note 6</i>)	21,497	11,044
Conversion of Tranche 1 and Tranche 2 Convertible Bonds	(23,498)	(13,581)
Redemption of Tranche 1 Convertible Bonds	–	(10,525)
Issue of 2014 Convertible Bonds	–	151,882
Issue of 2015 \$140 million Convertible Bonds	137,579	–
	<hr/>	<hr/>
Net carrying amounts at 31 December	318,909	183,331
	<hr/> <hr/>	<hr/> <hr/>
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Categorised as:		
Current liabilities	–	23,313
Non-current liabilities	318,909	160,018
	<hr/>	<hr/>
	318,909	183,331
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31 December 2015, principal amount of HK\$21,000,000 of Tranche 1 (2014: HK\$13,000,000 of Tranche 1 and Tranche 2) of the convertible bonds was converted into 175,000,000 (2014: 17,105,262) ordinary shares of the Company (Note 24) at the conversion price of HK\$0.12 (2014: HK\$0.76) per share, with the carrying value of the liability component of the convertible bonds of HK\$23,498,000 (2014: HK\$13,581,000) at the date of conversion.

Interest expenses of the 2015 \$140 million Convertible Bonds, 2014 Convertible Bonds, the Tranche 1 and Tranche 2 Convertible Bonds for the year ended 31 December 2015 are calculated using effective interest method by applying an effective interest rates of 8.3% (2014: Nil), 10.08% (2014: 10.08%) and 9.43% (2014: 9.43%) per annum to the liability components, respectively.

22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<i>Derivatives embedded in the redeemable convertible preference shares issued:</i>		
Balance at 1 January	3,821	825
Exercise of redeemable convertible preference shares	(1,055)	(74)
(Gain)/loss on financial liabilities at fair value through profit or loss	(28)	3,070
	<u>2,738</u>	<u>3,821</u>
<i>Derivatives embedded in the convertible bonds issued:</i>		
Balance at 1 January	24,364	11,053
Conversion of bonds	(3,343)	(3,061)
Redemption of bonds	–	(826)
Issue of bonds (Note 21)	–	14,718
Loss on financial liabilities at fair value through profit or loss	6,814	2,480
	<u>27,835</u>	<u>24,364</u>
<i>Derivatives embedded in the warrants issued:</i>		
Balance at 1 January	–	375
Exercise of warrants	–	(834)
Loss on financial liabilities at fair value through profit or loss	–	459
	<u>–</u>	<u>–</u>
Total net balance	<u>30,573</u>	<u>28,185</u>
	<i>2015</i>	<i>2014</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Categorised as:</i>		
Current liabilities	2,738	7,164
Non-current liabilities	27,835	21,021
	<u>30,573</u>	<u>28,185</u>
Total net balance	<u>30,573</u>	<u>28,185</u>
Net losses recognised in profit or loss relating to financial instruments held by the Group	<u>6,786</u>	<u>6,009</u>

In October 2010, the Company repurchased the convertible bonds previously issued in March 2006 at a consideration comprising cash of HK\$156,000,000 financed by the issue of Tranche 1 Convertible Bonds (Note 21) 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 2014, warrants with an amount of HK\$2,250,000 were exercised at the exercise price of HK\$1.096 per share and 2,052,919 ordinary shares of the Company were allotted and issued (Note 24(e)), with fair value of derivatives embedded therein of HK\$834,000 at the date of exercise, as calculated using the Binomial Option Pricing Model.

During the year ended 31 December 2014, 4,344,301 ordinary shares of the Company were allotted and issued upon exercise of redeemable convertible preference shares for a total amount of HK\$3,432,000 at the exercise price of HK\$0.79 per share, with fair value of derivatives embedded therein of HK\$74,000 at the date of exercise, as calculated using the Binomial Option Pricing Model.

During the year ended 31 December 2015, principal amount of HK\$21,000,000 of Tranche 1 (2014: HK\$13,000,000 of Tranche 1 and Tranche 2) of convertible bonds was converted into 175,000,000 (2014: 17,105,262) ordinary shares of the Company (Note 24(j)) at the conversion price of HK\$0.12 (2014: HK\$0.76) per share, with fair value of derivatives embedded therein of HK\$3,343,000 (2014: HK\$3,061,000) at the dates of conversion, as calculated using the Binomial Option Pricing Model.

The fair values at 31 December 2015 and 2014 are calculated using the Binomial Option Pricing Model for the derivatives embedded in the convertible bonds issued and subscribed, and the RCPS issued, respectively. The inputs into the model are as follows:

	Derivatives embedded in the Tranche 1 and Tranche 2 Convertible Bonds issued		Derivatives embedded in the redeemable convertible preference shares issued		Derivatives embedded in the 2014 Convertible Bonds issued	
	2015	2014	2015	2014	2015	2014
	Expected volatility	–	64.92%	112.94%	61.05%	84.52%
Expected life	–	0.76 year	0.7 years	1.70 years	1.45 years	2.45 years
Risk-free rate	–	0.101%	0.10%	0.44%	0.84%	1.37%
Spot price of the Company	–	HK\$2.48	HK\$0.305	HK\$2.48	HK\$0.305	HK\$2.48
Expected dividend yield	–	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 by approximately HK\$2,450,000. Lower volatility by 6.5% would decrease the fair value of embedded derivatives in convertible bonds by approximately HK\$1,643,000. Increased or decreased volatility by 6.5% would not increase or decrease the value of the embedded derivatives in redeemable convertible preference shares.

23. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under liability method using the rates of taxation prevailing in the countries in which the Group's subsidiaries operate.

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Fair value adjustments arising from the acquisition of subsidiaries and business	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	10,734	–
Acquisition of subsidiaries (<i>Note 31(c)</i>)	12,306	14,788
Acquisition of HMV IP Rights and HMV Business (<i>Note 31(d)</i>)	16,798	–
Credited to profit or loss (<i>Note 8</i>)	(8,468)	(3,188)
Disposal of subsidiaries (<i>Note 30(a)</i>)	–	(866)
	<hr/> 31,370 <hr/>	<hr/> 10,734 <hr/>
At 31 December	31,370	10,734

The amount credited to profit or loss relating to the amortisation of intangible assets.

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

	Unutilised tax losses* <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2015	86,808	(17,202)	69,606
At 31 December 2014	78,516	(8,912)	69,604

* 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.

Pursuant to the PRC Enterprise Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements. The applicable tax rate for the Group is 10%.

As at 31 December 2015 and 2014, no deferred tax liability has been recognised on temporary difference in relation to the undistributed earnings of approximately HK\$1,209,000 (2014: Nil) of subsidiaries in the PRC because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not reverse in foreseeable future.

24. SHARE CAPITAL

	Number of ordinary shares	Number of redeemable convertible preference shares	Nominal value US\$'000	Equivalent nominal value HK\$'000
Authorised				
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015 (par value of US\$0.01 each)	19,000,000,000	1,000,000,000	200,000	1,560,000
Issued and fully paid				
At 1 January 2014 (par value of US\$0.01 each)	384,561,967	10,019,790	3,846	29,996
Consideration shares issued for the acquisition of HMV Ideal (<i>Note (a)</i>)	60,000,000	–	600	4,680
Consideration shares issued for the acquisition of CSL (<i>Note (b)</i>)	1,627,795	–	16	127
Conversion of convertible bonds (<i>Note (c)</i>)	17,105,262	–	171	1,334
Exercise of redeemable convertible preference shares (<i>Note (d)</i>)	4,344,301	(220,000)	43	338
Exercise of warrants (<i>Note (e)</i>)	2,052,919	–	21	160
Exercise of share options (<i>Note (f)</i>)	3,480,813	–	35	272
At 31 December 2014 and 1 January 2015 (par value of US\$0.01 each)	473,173,057	9,799,790	4,732	36,907
Consideration shares issued for the acquisition of CSL (<i>Note (g)</i>)	71,404,338	–	714	5,570
Consideration shares issued for the acquisition of HGGL (<i>Note (h)</i>)	5,903,271	–	59	460
Issued bonus shares (<i>Note (i)</i>)	2,366,865,285	–	23,668	184,615
Conversion of convertible bonds (<i>Note (j)</i>)	175,000,000	–	1,750	13,650
Placing of shares (<i>Note (k)</i>)	4,005,392,000	–	40,054	312,421
Conversion of redeemable convertible preference shares (<i>Note (l)</i>)	333,600,000	(2,780,000)	3,336	26,021
Exercise of share options (<i>Note (m)</i>)	30,402,933	–	304	2,372
At 31 December 2015 (par value of US\$0.01 each)	7,461,740,884	7,019,790	74,617	582,016

Notes:

(a) On 24 February 2014, the Company's issued share capital was increased by HK\$46,800,000 through the issue of 60,000,000 shares as part of the consideration to acquire HMV Ideal as set out in Note 31(a). The fair value of the consideration shares as determined by the closing market price of HK\$0.72 per share on 24 February 2014 (being date of issue of shares) was HK\$43,200,000. The premium on the issue of new shares amounting to HK\$38,520,000 has been credited to the share premium account and direct issued costs was HK\$506,000.

(b) On 9 October 2014, the Company's issued share capital was increased by HK\$127,000 through the issue of 1,627,795 shares as part of the consideration to acquire CSL as set out in Note 31(b). The fair value of the consideration shares as determined by the closing market price of HK\$1.38 per share on 9 October 2014 (being the date of issue of shares) was HK\$2,246,000. The premium on the issue of new shares amounting to HK\$2,119,000 has been credited to the share premium account.

(c) On 5 May 2014, principal amount of HK\$9,000,000 of Tranche 1 Convertible Bonds were converted into 11,842,105 ordinary shares at the conversion price of HK\$0.76 per share.

On 6 June 2014, principal amount of HK\$1,000,000 of Tranche 2 Convertible Bonds were converted into 1,315,789 ordinary shares at the conversion price of HK\$0.76 per share.

On 4 July 2014, principal amount of HK\$3,000,000 of Tranche 2 Convertible Bonds were converted into 3,947,368 ordinary shares at the conversion price of HK\$0.76 per share.

(d) On 23 July 2014, 394,936 ordinary shares were allotted and issued upon exercise of redeemable convertible preference shares for a total amount of HK\$312,000 at the exercise price of HK\$0.79 per share.

On 31 July 2014, 987,341 ordinary shares were allotted and issued upon exercise of redeemable convertible preference shares for a total amount of HK\$780,000 at the exercise price of HK\$0.79 per share.

On 7 August 2014, 592,405 ordinary shares were allotted and issued upon exercise of redeemable convertible preference shares for a total amount of HK\$468,000 at the exercise price of HK\$0.79 per share.

On 15 August 2014, 592,405 ordinary shares were allotted and issued upon exercise of redeemable convertible preference shares for a total amount of HK\$468,000 at the exercise price of HK\$0.79 per share.

On 18 August 2014, 1,757,468 ordinary shares were allotted and issued upon exercise of redeemable convertible preference shares for a total amount of HK\$1,388,400 at the exercise price of HK\$0.79 per share.

On 13 October 2014, 19,746 ordinary shares were allotted and issued upon exercise of redeemable convertible preference shares for a total amount of HK\$15,600 at the exercise price of HK\$0.79 per share.

(e) On 9 July 2014, 2,052,919 ordinary shares were allotted and issued upon exercise of 2,052,919 warrants for a total amount of HK\$2,250,000 at the exercise price of HK\$1.096 per share.

- (f) On 3 September 2014, 148,000 ordinary shares were allotted and issued upon exercise of share options for a total amount of HK\$139,120 at the exercise price of HK\$0.94 per share.

On 23 September 2014, 446,000 ordinary shares were allotted and issued upon exercise of share options for a total amount of HK\$419,240 at the exercise price of HK\$0.94 per share.

On 23 September 2014, 700,000 ordinary shares were allotted and issued upon exercise of share options for a total amount of HK\$686,000 at the exercise price of HK\$0.98 per share.

On 17 November 2014, 548,000 ordinary shares were allotted and issued upon exercise of share options for a total amount of HK\$515,120 at the exercise price of HK\$0.94 per share.

On 3 December 2014, 620,813 ordinary shares were allotted and issued upon exercise of share options for a total amount of HK\$726,972 at the exercise price of HK\$1.171 per share.

On 12 December 2014, 496,000 ordinary shares were allotted and issued upon exercise of share options for a total amount of HK\$486,080 at the exercise price of HK\$0.98 per share.

On 12 December 2014, 522,000 ordinary shares were allotted and issued upon exercise of share options for a total amount of HK\$490,680 at the exercise price of HK\$0.94 per share.

- (g) On 30 April 2015, (i) 41,564,729 shares were issued to Outblaze Ventures Holdings Limited (“Outblaze”) in respect of the second instalment of consideration for the acquisition of 70% equity interest in CSL and (ii) 29,839,609 shares were also issued to Outblaze to settle the profit bonus payment.

- (h) On 24 August 2015, 5,903,271 shares were issued to Vendor of VSOYOU in respect of the second instalment of consideration for the acquisition of 70% equity interest in HGGL.

- (i) On 27 January 2015, the Company completed the issue of bonus shares to the qualifying shareholders of the Company on the basis of five (5) bonus shares for every one (1) existing share of the Company held on the record date, i.e. 16 January 2015 (the “Bonus Issue”) and a total of 2,366,865,285 new shares of the Company were allotted and issued under the Bonus Issue.

- (j) On 29 January 2015, principal amount of HK\$21,000,000 of Tranche 1 Convertible Bonds were converted into 175,000,000 ordinary shares at the conversion price of HK\$0.12 per share.

- (k) On 11 August 2015, pursuant to the placing agreement between the Company and a placing agent, the Company issued in aggregate 4,005,392,000 new ordinary shares at a price of HK\$0.22 per share to independent third parties for a total cash consideration of HK\$854,751,000 after issue expenses of HK\$26,435,240, of which HK\$312,421,000 and HK\$542,330,000 were credit to share capital and share premium account respectively.

- (l) On 5 February 2015, 152,700,000 ordinary shares were allotted and issued upon exercise of redeemable convertible preference shares for total amount of HK\$19,851,000 at the exercise price of HK\$0.13 per share.

On 21 April 2015, 84,000 ordinary shares were allotted and issued upon exercise of redeemable convertible preference shares for total amount of HK\$11,000 at the exercise price of HK\$0.13 per share.

On 27 May 2015, 73,308,000 ordinary shares were allotted and issued upon exercise of redeemable convertible preference shares for total amount of HK\$9,530,000 at the exercise price of HK\$0.13 per share.

On 6 July 2015, 107,508,000 ordinary shares were allotted and issued upon exercise of redeemable convertible preference shares for total amount of HK\$13,976,000 at the exercise price of HK\$0.13 per share.

- (m) On 5 January 2015, 200,000 ordinary shares were allotted and issued upon exercise of share options for total amount of HK\$196,000 at the exercise price of HK\$0.98 per share.

On 29 January 2015, 3,016,180 and 818,336 ordinary shares were allotted and issued upon exercise of share options for total amount of approximately HK\$783,000 at the exercise price of HK\$0.20 per share and HK\$0.22 per share respectively.

On 1 April 2015, 4,682,680 ordinary shares were allotted and issued upon exercise of share options for total amount of approximately HK\$937,000 at the exercise price of HK\$0.20 per share.

On 18 May 2015, 410,040 ordinary shares were allotted and issued upon exercise of share options for total amount of approximately HK\$82,000 at the exercise price of HK\$0.20 per share.

On 11 June 2015, 4,799,750 ordinary shares were allotted and issued upon exercise of share options for total amount of approximately HK\$768,000 at the exercise price of HK\$0.16 per share.

On 24 June 2015, 10,448,322 ordinary shares were allotted and issued upon exercise of share options for total amount of approximately HK\$2,090,000 at the exercise price of HK\$0.20 per share.

On 24 June 2015, 6,027,625 ordinary shares were allotted and issued upon exercise of share options for total amount of approximately HK\$964,000 at the exercise price of HK\$0.16 per share.

25. RESERVES

Group

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Share premium	<i>(a)</i>	698,265	280,266
Convertible bonds equity reserve (<i>Note 21</i>)	<i>(b)</i>	9,982	8,061
Capital reserve	<i>(c)</i>	2,112	2,112
Capital redemption reserve	<i>(d)</i>	601	601
Employee share-based compensation reserve	<i>(e)</i>	49,063	52,331
Foreign exchange reserve	<i>(f)</i>	(1,693)	–
Statutory surplus reserve	<i>(g)</i>	3,331	–
Investment revaluation reserve	<i>(h)</i>	–	–
Accumulated losses		(616,286)	(380,092)
		<u>145,375</u>	<u>(36,721)</u>

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on pages 14 and 15. 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) Convertible bonds equity reserve

This represents the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds.

(c) Capital reserve

This represents a capital reserve arose from the acquisition of a subsidiary in 2000.

(d) 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.

(e) 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 26.

(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. HK\$) 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.

(g) Statutory surplus reserve

In accordance with the PRC Companies Law, the Company's PRC subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to statutory surplus reserve. Such reserve may be used to reduce any loss incurred by the subsidiary or be capitalised as paid-up capital of the subsidiary. The statutory surplus reserve is non-distributable.

(h) Investment revaluation reserve

The investment revaluation reserve 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 or are determined to be impaired.

Company

	Share premium HK\$'000	Convertible bonds equity reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 December 2013 and at 1 January 2014	212,885	–	2,112	601	36,698	(336,044)	(83,748)
Share-based compensation	–	–	–	–	18,241	–	18,241
Issue of convertible bonds	–	8,061	–	–	–	–	8,061
Issue of consideration shares for acquisition of subsidiaries	40,639	–	–	–	–	–	40,639
Share issue expenses	(506)	–	–	–	–	–	(506)
Issue of shares upon conversion of convertible bonds	15,308	–	–	–	–	–	15,308
Issue of shares upon conversion of redeemable convertible preference shares	3,162	–	–	–	–	–	3,162
Issue of shares upon exercise of warrants	2,924	–	–	–	–	–	2,924
Issue of shares upon exercise of share options	5,854	–	–	–	(1,440)	–	4,414
Lapse of share options	–	–	–	–	(644)	–	(644)
Loss for the year	–	–	–	–	–	(48,697)	(48,697)
At 31 December 2014 and at 1 January 2015	280,266	8,061	2,112	601	52,855	(384,741)	(40,846)
Share-based compensation	–	–	–	–	638	–	638
Issue of convertible bonds	–	1,921	–	–	–	–	1,921
Issue of consideration shares for acquisition of subsidiaries	21,653	–	–	–	–	–	21,653
Issue of shares upon conversion of redeemable convertible preference shares	18,369	–	–	–	–	–	18,369
Issue of shares upon exercise of share options	7,071	–	–	–	(3,623)	–	3,448
Issue of bonus share	(184,615)	–	–	–	–	–	(184,615)
Placing of shares	542,330	–	–	–	–	–	542,330
Issue of shares upon conversion of convertible bonds	13,191	–	–	–	–	–	13,191
Lapse of share options	–	–	–	–	(283)	283	–
Loss for the year	–	–	–	–	–	(31,079)	(31,079)
At 31 December 2015	698,265	9,982	2,112	601	49,587	(415,537)	345,010

26. SHARE OPTION SCHEME

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

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

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

2002 Share Option Scheme

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

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

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

Date of grant (dd/mm/yyyy)	Exercise price (Note 1) HK\$	Exercise period (dd/mm/yyyy)	Number of share options					Options	
			Balance as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Adjusted upon the bonus issue (Note 2)	Balance as at 31 December 2015	Options exercisable as at 31 December 2015
24/03/2006	9.51	24/03/2007 to 23/03/2016	269,916	-	-	-	1,349,409	1,619,325	1,619,325
26/04/2006	9.51	26/04/2007 to 25/04/2016	809,756	-	-	-	4,048,269	4,858,025	4,858,025
29/01/2007	4.51	29/01/2008 to 28/01/2017	134,956	-	-	-	674,331	809,287	809,287
11/02/2008	2.22	11/02/2009 to 10/02/2018	708,543	-	-	-	3,548,140	4,256,683	4,256,683
29/12/2008	0.22	29/12/2009 to 28/12/2018	269,916	-	(818,336)	-	1,366,756	818,336	818,336
07/10/2010	0.20	07/10/2011 to 06/10/2020	985,203	-	(3,397,802)	-	4,783,160	2,370,561	2,370,561
16/03/2012	0.20	16/03/2013 to 15/03/2022	3,400,000	-	(15,159,420)	-	17,102,000	5,342,580	5,342,580
14/05/2012	0.19	14/05/2013 to 13/05/2022	980,000	-	-	-	4,879,368	5,859,368	5,859,368
			<u>7,558,290</u>	<u>-</u>	<u>(19,375,558)</u>	<u>-</u>	<u>37,751,433</u>	<u>25,934,165</u>	<u>25,934,165</u>

The following table discloses movements in the outstanding options granted by the Company under the 2002 Share Option Scheme during the year:

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period	Number of share options						
				Exercise price (Note 1) HK\$	Balance as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Adjusted upon the bonus issue (Note 2)	Balance as at 31 December 2015
				2015	24/03/2006	Former directors and former employees	24/03/2007 to 23/03/2016	9.51	269,916	-
	26/04/2006	Former directors and former employees	26/04/2007 to 25/04/2016	9.51	809,756	-	-	-	4,048,269	4,858,025
	29/01/2007	Former directors and former employees	29/01/2008 to 28/01/2017	4.51	134,956	-	-	-	674,331	809,287
	11/02/2008	Former directors and former employees	11/02/2009 to 10/02/2018	2.22	708,543	-	-	-	3,548,140	4,256,683
	29/12/2008	Former directors and former employees	29/12/2009 to 28/12/2018	0.22	269,916	-	(818,336)	-	1,366,756	818,336
	07/10/2010	Former directors and former employees	07/10/2011 to 06/10/2020	0.20	985,203	-	(3,397,802)	-	4,783,160	2,370,561
	16/03/2012	Former directors and former employees	16/03/2013 to 15/03/2022	0.20	3,400,000	-	(15,159,420)	-	17,102,000	5,342,580
	14/05/2012	Former directors and former employees	14/05/2013 to 13/05/2022	0.19	980,000	-	-	-	4,879,368	5,859,368
				Total	<u>7,558,290</u>	<u>-</u>	<u>(19,375,558)</u>	<u>-</u>	<u>37,751,433</u>	<u>25,934,165</u>
			Weighted average exercise price		<u>HK\$1.8</u>	<u>-</u>	<u>HK\$0.37</u>	<u>-</u>		<u>HK\$2.99</u>

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period	Number of share options					
				Exercise price HK\$	Balance as at 1 January 2014	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2014
				2014	24/03/2006	Former directors and former employees	24/03/2007 to 23/03/2016	57.054	269,916
	26/04/2006	Former directors and former employees	26/04/2007 to 25/04/2016	57.054	809,756	-	-	-	809,756
	29/01/2007	Former directors and former employees	29/01/2008 to 28/01/2017	27.045	134,956	-	-	-	134,956
	11/02/2008	Former directors and former employees	11/02/2009 to 10/02/2018	13.337	708,543	-	-	-	708,543
	29/12/2008	Former directors and former employees	29/12/2009 to 28/12/2018	1.334	269,916	-	-	-	269,916
	07/10/2010	Former directors and former employees	07/10/2011 to 06/10/2020	1.171	2,321,300	-	(620,813)	(715,284)	985,203
	16/03/2012	Former directors and former employees	16/03/2013 to 15/03/2022	1.206	4,325,000	-	-	(925,000)	3,400,000
	14/05/2012	Former directors and former employees	14/05/2013 to 13/05/2022	1.136	980,000	-	-	-	980,000
				Total	<u>9,819,387</u>	<u>-</u>	<u>(620,813)</u>	<u>(1,640,284)</u>	<u>7,558,290</u>
			Weighted average exercise price		<u>HK\$8.565</u>	<u>-</u>	<u>HK\$1.171</u>	<u>HK\$1.191</u>	<u>HK\$10.773</u>

Notes:

- (1) The exercise prices of the share options were adjusted for the bonus issue of shares made by the Company on 27 January 2015.
- (2) The aggregate number of shares that can be subscribed for was adjusted for the bonus issue of shares made by the Company on 27 January 2015.

No option was granted under the 2002 Share Option Scheme during the years ended 31 December 2015 and 2014.

No options were lapsed under the 2002 Share Option Scheme (2014: 1,640,284) upon resignation of employees during the year ended 31 December 2015.

The weighted average closing price of the shares immediately before the date on which share options under the 2002 Share Option Scheme were exercised was HK\$0.37.

The weighted average remaining contractual life of the options outstanding as at 31 December 2015 was approximately 3.70 years.

No share-based compensation expense was recognised under the 2002 Share Option Scheme (2014: HK\$127,000) during the year ended 31 December 2015.

2014 Share Option Scheme

The following table sets out information relating to the 2014 Share Option Scheme during the year:

Year	Date of grant (dd/mm/yyyy)	Exercise price HK\$	End of exercise period	Exercise period	Adjusted Exercise price (Note 1)	Balance as 1 January 2015	Exercised during the year	Cancelled/ lapsed during the year	Adjusted upon the bonus issue (Note 2)	Balance as at 31 December 2015	Options exercisable as at 31 December 2015
2015	15/05/2014	0.98	14/05/2024	15/05/2014– 14/05/2024	0.16	10,332,000	(4,512,000)	(3,062,500)	51,926,500	54,684,000	54,684,000
	20/06/2014	0.94	19/06/2024	20/06/2014– 19/06/2024	0.16	12,712,000	(6,515,375)	(299,625)	61,971,000	67,868,000	67,868,000
						<u>23,044,000</u>	<u>(11,027,375)</u>	<u>(3,362,125)</u>	<u>113,897,500</u>	<u>122,552,000</u>	<u>122,552,000</u>

Notes:

- (1) The exercise prices of the share options were adjusted for the bonus issue of shares made by the Company on 27 January 2015.
- (2) The aggregate number of shares that can be subscribed for were adjusted for the bonus issue of shares made by the Company on 27 January 2015.

The following table discloses movements in the outstanding option granted by the Company under the 2014 Share Option Scheme during the year:

Year	Date of grant (dd/mm/yyyy)	Grantees	End of exercise period	Exercise period	Balance as 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Adjusted upon the bonus issue	Balance as at 31 December 2015	Exercise price per share HK\$
2015	15/05/2014	Directors	14/05/2024	15/05/2014– 14/05/2024	8,928,000	–	–	–	45,756,000	54,684,000	0.16
	20/06/2014	Directors	19/06/2024	20/06/2014– 19/06/2024	5,976,000	–	(2,643,750)	–	29,133,000	32,465,250	0.16
					<u>14,904,000</u>	<u>–</u>	<u>(2,643,750)</u>	<u>–</u>	<u>74,889,000</u>	<u>87,149,250</u>	
	15/05/2014	Other eligible participants	14/05/2024	15/05/2014– 14/05/2024	1,404,000	–	(4,512,000)	(3,062,500)	6,170,500	–	0.16
	20/06/2014	Other eligible participants	19/06/2024	20/06/2014– 19/06/2024	6,736,000	–	(3,871,625)	(299,625)	32,838,000	35,402,750	0.16
					<u>8,140,000</u>	<u>–</u>	<u>(8,383,625)</u>	<u>(3,362,125)</u>	<u>39,008,500</u>	<u>35,402,750</u>	
				Total	<u>23,044,000</u>	<u>–</u>	<u>(11,027,375)</u>	<u>(3,362,125)</u>	<u>113,897,500</u>	<u>122,552,000</u>	
				Weighted average exercise price	<u>0.96</u>	<u>–</u>	<u>0.16</u>	<u>0.16</u>	<u>0.16</u>	<u>0.16</u>	

Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (Notes)	Number of share options					Balance as at 31 December 2014	Exercise price per share HK\$	
				Balance as at 1 January 2014	Transferred from other category on 23 May 2014	Granted during the year	Exercised during the year	Lapsed during the year			Transferred to other category on 23 May 2014
2014	15/05/2014	Directors	(1) and (5)	–	9,128,000	–	(200,000)	–	–	8,928,000	0.98
	20/06/2014	Directors	(2)	–	–	11,426,000	(450,000)	(5,000,000)	–	5,976,000	0.94
				–	<u>9,128,000</u>	<u>11,426,000</u>	<u>(650,000)</u>	<u>(5,000,000)</u>	<u>–</u>	<u>14,904,000</u>	
	15/05/2014	Other eligible participants	(3) and (5)	–	–	11,528,000	(996,000)	–	(9,128,000)	1,404,000	0.98
	20/06/2014	Other eligible participants	(4)	–	–	10,450,000	(1,214,000)	(2,500,000)	–	6,736,000	0.94
				–	–	<u>21,978,000</u>	<u>(2,210,000)</u>	<u>(2,500,000)</u>	<u>(9,128,000)</u>	<u>8,140,000</u>	
			Total	–	<u>9,128,000</u>	<u>33,404,000</u>	<u>(2,860,000)</u>	<u>(7,500,000)</u>	<u>(9,128,000)</u>	<u>23,044,000</u>	
			Weighted average exercise price	–	<u>HK\$0.98</u>	<u>HK\$0.95</u>	<u>HK\$0.96</u>	<u>HK\$0.94</u>	<u>HK\$0.98</u>	<u>HK\$0.96</u>	

Notes:

- (1) Exercisable from 15 May 2014 to 14 May 2024.
- (2) Divided into two tranches exercisable from 20 June 2014 and 20 June 2015, respectively to 19 June 2024.
- (3) Divided into two tranches exercisable from 15 May 2014 and 15 May 2015, respectively to 14 May 2024.
- (4) Divided into four tranches exercisable from 20 June 2014, 1 January 2015, 20 June 2015 and 1 January 2016, respectively to 19 June 2024.
- (5) Mr. Chang Tat Joel and Mr. Ho Gilbert Chi Hang were appointed as Directors of the Company on 23 May 2014, such share options were transferred from the category of “Other eligible participants” to “Directors”.
- (6) The closing price of the shares of the Company quoted on the Stock Exchange on 14 May 2014, being the business date immediately before the date on which share options were granted, was HK\$0.97.
- (7) The closing price of the shares of the Company quoted on the Stock Exchange on 19 June 2014, being the business date immediately before the date on which share options were granted, was HK\$0.95.

No options were granted under the 2014 Share Option Scheme (2014: 33,404,000) during the year ended 31 December 2015.

3,362,125 (2014: 7,500,000) options were lapsed upon resignation other eligible participants during the year ended 31 December 2015.

The weighted average closing price of the shares immediately before the dates on which share options under 2014 Share Option Scheme were exercised was HK\$0.4 (2014: HK\$1.86).

The fair value of the options granted for the year ended 31 December 2014, measured at the date of grant, totalled approximately HK\$26,260,000. The weighted average remaining contractual life of the options outstanding as at 31 December 2015 was approximately 8.43 years (2014: 8.74 years).

Share-based compensation expense of HK\$638,000 (2014: HK\$19,336,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

The total number of share available for issue under the scheme is 122,552,000 representing approximately 1.64% of the Company’s total number of issued shares at the date of this announcement.

The following significant assumptions were used to derive the fair value of the share options granted in the year ended 31 December 2015, using the Binomial Option Pricing Model:

- (i) an expected constant volatility: between 87% and 88% (2014: 87% and 88%) throughout the option life;
- (ii) no dividend yield (2014: nil);
- (iii) the estimated expected life of the options granted is 9 years (2014: 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 daily price change and the volatility measured on daily basis provided a reasonable estimation for the expected volatility is considered.

27. MATERIAL RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these financial statements, details of other significant transactions between the Group and other related parties during the year ended 31 December 2015 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 is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fees	1,016	588
Salaries, allowances and benefits in kind	15,029	3,279
Retirement fund contributions	54	36
Share-based compensation expense	–	12,347
	16,099	16,250

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fee rebate paid and payable to key management staff of the Group	–	57
Advertising expenses paid to a related company, Totally Apps Holdings Limited	4,404	–
Rental expenses and related charges paid to a related company, HMV Hong Kong Limited	2,588	–
Advertising fee paid to a related company, Animoca Brands Limited	1,014	–
Service fee paid and payable to the non-controlling shareholders, Outblaze Ventures Holdings Limited (“Outblaze”)	2,368	592

- (c) As at 31 December 2015 and 2014, the balances due from/(to) related parties were:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amount due from HMV Hong Kong Limited	151	–
Amount due from HMV Kafe Limited	155	–
Amount due from Animoca Brands Limited	1,554	–
Amount due from Totally Apps Holdings Limited	11,527	10,151
Amount due to Outblaze	(2,063)	(270)
Loan to a shareholder of an associate (<i>Note 16(b)</i>)	(12,519)	–
Advances from a director, Mr. Wu King Shiu, Kelvin (<i>Note 18(c)</i>)	–	(11,600)

28. COMMITMENTS

(a) Operating leases

As at 31 December 2015, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings are payable as follows:

	2015	2014
	Land and buildings	Land and buildings
	HK\$'000	HK\$'000
Within one year	24,951	1,141
In the second to fifth years	65,893	1,284
	90,844	2,425

The Group leased certain properties under operating leases in Hong Kong and China. The leases run for an initial period of 3 to 5 years (2014: 2 to 3 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. The lease contracts include terms of contingent rentals.

(b) Capital commitments

As at 31 December 2015, the Group had capital commitments of HK\$9,740,000 for the acquisition of a property located in Japan for own use and HK\$2,117,000 for office renovation work.

In December 2015, the Group entered into a sale and purchase agreement to purchase a property at a consideration of HK\$10,787,000 in cash. As at 31 December 2015, the Group had paid a deposit of HK\$1,047,000 (Note 16(c)), representing 10% of purchase consideration of the property. The remaining balance has been settled in full in January 2016.

Other than the above, the Group had no material capital commitments as at 31 December 2015.

In December 2014, a wholly-owned subsidiary of the Company, the Company, Mr. Zhuang Xiao Jie (“Mr. Zhuang”), Mr. Zhang Yong Feng and Ms. Chen Xiao Ping entered into a sale and purchase agreement, pursuant to which the wholly-owned subsidiary of the Company has agreed to purchase seventy (70) shares of US\$1.00 each in the share capital of Honestway Global Group Limited (“Honestway Global”), representing 70% of the issued share capital of Honestway Global at an aggregate amount of RMB84,000,000 (the “Consideration”) subject to adjustments. The Consideration is to be settled in several instalments by cash and issuance of new shares of the Company to Mr. Zhuang. Details are set out in Note 31(c) to the financial statements.

29. CONTINGENCIES

As at 31 December 2015, the Group had no material contingent liabilities.

As at 31 December 2014, the Company provided corporate guarantee of unlimited amount to secure bank loans granted to a wholly owned subsidiary of the Company, HK\$32,950,000 of which the maximum amount required to pay if the guarantees were called on, as set out in Note 19 to the financial statements. The Company did not recognise any provision in the financial statements as at 31 December 2014 in respect of the corporate guarantee as the Directors considered that the probability for the holder of the corporate guarantee to call upon the Company as a result of default in repayment is remote. The corporate guarantee of unlimited amount given by the Company was released on 15 June 2015 following the disposal of the entire interest in Crosby Capital (Holdings) Limited (Note 30(b)).

Save as disclosed above, the Group had no other material contingent liabilities as at 31 December 2015.

30. DISPOSALS OF SUBSIDIARIES

(a) Disposal of VS Media Co Limited

On 22 December 2014, the Group disposed of 98% equity interests in VS Media Co Limited, which had principally engaged in content creators support and development, in exchange for the acquisition of approximately 35.46% equity interests in HMV Ideal. The net assets of VS Media Co Limited at the date of disposal were as follows:

	2014 HK\$'000
Net assets of subsidiaries disposed of:	
Intangible assets (<i>Note 12</i>)	5,250
Attributable goodwill (<i>Note 12</i>)	4,836
Other receivables	389
Cash and cash equivalents	79
Trade and other payables	(3,290)
Deferred tax liabilities (<i>Note 23</i>)	(866)
Non-controlling interests	(7)
	<hr/>
	6,391
Less: Non-controlling interests	(128)
	<hr/>
	6,263
Deemed consideration	14,947
	<hr/>
Gain on disposal of subsidiaries included in other income in the consolidated statement of profit or loss for the year (<i>Note 5</i>)	8,684
	<hr/> <hr/>
Satisfied by:	
3,120 ordinary shares of HMV Ideal, at fair value	14,947
	<hr/>
Net cash outflow arising on disposal:	
Cash and bank balances disposed of	79
	<hr/> <hr/>

(b) Disposal of Crosby Capital (Holdings) Limited

On 17 February 2015, the Group disposed of its entire interests in Crosby Capital (Holdings) Limited and its subsidiaries to an individual third party at a consideration of HK\$37,000,000. The net assets of Crosby Capital (Holdings) Limited and its subsidiaries at the date of disposal were as follows:

	2015 HK\$'000
Net assets of subsidiaries disposal of:	
Property, plant and equipment (<i>Note 10</i>)	69,141
Other receivables	734
Cash and cash equivalents	332
Accruals and other payables	(105)
Bank borrowings	(32,590)
	<hr/>
	37,512
Total consideration	37,000
	<hr/>
Loss on disposal of subsidiaries included in other operating expenses in the consolidated statement of profit or loss for the year (<i>Note 7</i>)	512
	<hr/>
Satisfied by:	
Cash	37,000
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration	37,000
Cash and bank balances disposed of	(332)
	<hr/>
	36,668
	<hr/> <hr/>

31. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of HMV Ideal

On 24 February 2014, the Group further acquired 4,680 ordinary shares of HMV Ideal, representing 53.18% of the issued share capital of HMV Ideal, at a consideration of HK\$46,800,000, which was settled by the issue of 60,000,000 ordinary shares of the Company at the issue price of HK\$0.78 each. Together with the subscription of the 1,000 ordinary shares of HMV Ideal, representing 11.36% of the enlarged share capital of HMV Ideal, at a consideration of HK\$10,000,000 on 10 December 2013, the Group had an aggregate interest of 64.54% in HMV Ideal. HMV Ideal, together with its subsidiaries, is engaged in the operation of the Central Retail Store, the HMV online business and an online fashion platform. The acquisition of HMV Ideal enables the Group to build an integrated online and offline business ecology in the entertainment and lifestyle sector.

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

	2014 HK\$'000
Net assets acquired:	
Property, plant and equipment (<i>Note 10</i>)	162
Inventories	5,375
Trade and other receivables	1,143
Cash and cash equivalents	1,395
Intangible assets (<i>Note 12</i>)	50,800
Trade and other payables	(8,333)
Deferred tax liabilities recognised upon fair value adjustments (<i>Note 23</i>)	(8,382)
	<hr/>
The fair value of net assets acquired	42,160
Less: Non-controlling interests	(14,947)
	<hr/>
	27,213
Total consideration (at fair value)	53,200
	<hr/>
Goodwill arising on acquisition (<i>Note 12</i>)	25,987
	<hr/> <hr/>
Consideration satisfied by:	
Available-for-sale investments (<i>Note 11</i>)	10,000
60,000,000 ordinary shares of the Company, at fair value (<i>Note 24(a)</i>)	43,200
	<hr/>
	53,200
	<hr/> <hr/>

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

The fair value of trade and other receivables at the date of acquisition amounting to HK\$1,143,000 which was also the gross contractual amounts of these trade and other receivables acquired. None of the contractual cash flows of the above amount was estimated to be uncollectible.

The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interest's proportionate share of the recognised amount of the net assets of these companies and amounted to HK\$14,947,000.

Goodwill of HK\$25,987,000 arose on this acquisition, which was not deductible for tax purposes, comprised the acquired workforce and the expected synergies arising from the combination of the acquired business with the existing operations of the Group.

During the year ended 31 December 2014, the acquired business contributed revenue of HK\$36,327,000 and a loss after income tax of HK\$31,459,000 to the Group for the period from 22 February 2014 to 31 December 2014.

Had the acquisition occurred on 1 January 2014, the Group's revenue and loss after income tax would have been increased by HK\$44,563,000 and HK\$34,302,000 respectively for the year ended 31 December 2014.

This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

On 22 December 2014, the Group further acquired the remaining 35.46% of the issued share capital of HMV Ideal at a consideration being the aggregate of (i) 980 ordinary shares in VS Media Co Limited and (ii) the amounts owed by VS Media Limited to each of HMV Ideal, HMV Marketing Limited, Vissible Co & Limited and Viss Me Co & Limited outstanding as at the date of completion of the transaction, which shall not in any event be more than HK\$6,100,000.

The transaction was accounted for as equity transaction with the non-controlling interests as follows:

	2014 HK\$'000
Consideration paid for 35.46% ownership interest	14,947
Net liabilities attributable to 35.46% ownership interest	<u>1,327</u>
Decrease in equity attributable to owners of the Company (included in accumulated losses)	<u><u>16,274</u></u>

(b) Acquisition of CSL

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

CSL, which is a limited liability company incorporated in the British Virgin Islands, together with its subsidiary, is engaged in the development, operation and distribution of mobile games. After the acquisition, the Group will have potential to collaborate with other products which target similar end users such as toys and fashion products and have strong synergies with the operations of the Group, for the development of an innovative Online to Offline platform and e-commerce business.

The fair value of identifiable assets and liabilities arising from the acquisition of CSL as at the date of acquisition were:

	2014 HK\$'000
Net assets acquired:	
Intangible assets (<i>Note 12</i>)	38,822
Trade and other payables	(16)
Deferred tax liabilities recognised upon fair value adjustments (<i>Note 23</i>)	<u>(6,406)</u>
The fair value of net assets acquired	32,400
Less: Non-controlling interests	<u>(9,720)</u>
Fair value of net assets acquired	22,680
Total consideration at fair value	<u>88,702</u>
Goodwill arising on acquisition (<i>Note 12</i>)	<u><u>66,022</u></u>
Consideration satisfied by:	
Cash	22,532
1,627,795 ordinary shares of the Company, at fair value (<i>Note 24(b)</i>)	2,246
Contingent consideration payable (<i>Note 18(a)</i>)	<u>63,924</u>
	<u><u>88,702</u></u>

	2014 HK\$'000
Purchase consideration settled in cash	(22,532)
Cash and cash equivalents acquired	<u>–</u>
Cash outflow on acquisition	<u><u>(22,532)</u></u>

The above contingent consideration represented the third instalment of the Consideration and includes a performance-based adjustment, which principally based on the shortfall between the audited consolidated net profits of CSL and its subsidiary (the “CSL Group”) for the year ending 31 December 2015 and the performance target of US\$2,750,000 (or equivalent to approximately HK\$21,381,000), if any. The adjustment will be settled after the release of the audited financial statements of CSL Group for the year ended 31 December 2015. The potential undiscounted amount of the contingent consideration adjustment that the Group could be required to make under such arrangement is between nil to US\$3,220,000 (or equivalent to HK\$25,035,500). At the acquisition date, the fair value of the contingent consideration arrangement of HK\$23,115,000 was estimated by applying the discounted cash flow approach at a discount rate of 5.25%. As at 31 December 2015, the fair value of the contingent consideration decreased by HK\$20,431,000 as a result of the payment of second instalment of HK\$40,898,000, reduction in estimated third instalment of HK\$20,431,000 for the year ended 31 December 2015.

The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interest’s proportionate share of the recognised amount of the net assets of these companies and amounted to HK\$9,720,000.

The acquisition-related costs of HK\$850,000 was expensed and were included in administrative expenses for the year ended 31 December 2014. The attributable costs of the issuance of the Company’s shares of HK\$506,000 were deducted in the share premium.

Goodwill of HK\$66,022,000 arose on this acquisition, which was not deductible for tax purposes, comprised the expected synergies arising from the combination of the acquired business with the existing operations of the Group.

During the year ended 31 December 2014, the acquired business contributed revenue of HK\$16,052,000 and a profit after income tax of HK\$8,924,000 to the Group for the period from 9 October 2014 to 31 December 2014.

Had the acquisition occurred on 1 January 2014, the Group’s revenue and gain after income tax would have been increased by HK\$16,052,000 and HK\$8,907,000 respectively for the year ended 31 December 2014.

This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

(c) Acquisition of HGGL

On 2 April 2015, the Group completed the acquisition of 70% issued share capital of HGGL at a consideration of RMB84,000,000 (equivalent to approximately HK\$106,117,200), in which RMB14,000,000 (equivalent to approximately HK\$17,686,200) was paid at completion and the remaining consideration of RMB70,000,000 (equivalent to approximately HK\$88,431,000) is to be paid by instalments, subject to adjustment.

The fair value of identifiable assets and liabilities of HGGL Group as at the date of acquisition were:

	<i>Notes</i>	2015 <i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment (<i>Note 10</i>)		437
Trade and other receivables, deposits and prepayments		27,863
Cash and cash equivalents		5,320
Intangible assets (<i>Note 12</i>)		49,226
Trade and other payables		(22,452)
Provision for taxation		(3,019)
Deferred tax liabilities recognised upon fair value adjustments (<i>Note 23</i>)		<u>(12,306)</u>
Total fair value of net assets acquired		45,069
Less: Non-controlling interests		<u>(13,520)</u>
		31,549
Total consideration at fair value		<u>93,088</u>
Goodwill arising on acquisition (<i>Note 12</i>)	(ii)	<u>61,539</u>
Consideration satisfied by:		
Cash		17,686
Contingent consideration payable, at fair value	(iii)	<u>75,402</u>
		<u>93,088</u>
Net cash outflow for acquisition:		
Cash consideration paid at acquisition		(17,686)
Cash and bank balances acquired		<u>5,320</u>
		<u>(12,366)</u>

After acquisition and up to 31 December 2015, the second instalment comprising cash of HK\$7,579,800 and 5,903,271 ordinary shares of the Company with aggregate fair value of HK\$1,263,300 were paid and settled.

Notes:

- (i) The fair value of trade and other receivables amounted to HK\$25,945,000. The gross amount of these receivables is HK\$25,945,000. None of these receivables had been impaired and it was expected that the full contractual amount could be collected.
- (ii) Goodwill of HK\$61,539,000 arose on this acquisition, which is not deductible for tax purposes, comprises the acquired workforce and the expected synergies arising from the combination of the existing operations of the Group.
- (iii) The contingent consideration represents the second, third and fourth instalments of the consideration and includes a performance-based adjustment, which principally based on the shortfall between the audited consolidated net profit of SZ8088 and VSOYOU for the period ended 30 June 2015, year ended 31 December 2015 and year ending 31 December 2016, and the performance target of RMB8,800,000 (equivalent to approximately HK\$11,117,040), RMB22,000,000 (equivalent to approximately HK\$27,792,600) and RMB29,000,000 (equivalent to approximately HK\$36,635,700) respectively, if any. In the event of the above target profits are met, the second, third and fourth considerations will be settled as follows:

Second instalment

- (i) as to RMB6,000,000 (equivalent to approximately HK\$7,579,800) to be settled by cash; and (ii) as to RMB1,000,000 (equivalent to approximately HK\$1,263,300) by the issue and allotment of consideration shares payable and to be settled within 15 business days from the date of issue of the interim report for the period ended 30 June 2015.

Third instalment

- Assuming the second instalment is not payable, (i) as to RMB6,000,000 (equivalent to approximately HK\$7,579,800) to be settled by cash, and (ii) as to RMB29,000,000 (equivalent to approximately HK\$36,635,700) by the issue and allotment of consideration shares and to be settled within 15 business days from the date of issue of the annual report for the year ended 31 December 2015; and
- Assuming the second instalment is payable, an amount equivalent to the second instalment shall be deducted from the third instalment and RMB28,000,000 (equivalent to approximately HK\$35,372,400) to be settled by the issue and allotment of consideration shares and to be settled within 15 business days from the date of issue of the annual report for the year ended 31 December 2015.

Fourth instalment

- as to RMB35,000,000 (equivalent to approximately HK\$44,215,500) by the issue and allotment of consideration shares and to be settled within 15 business days from the date of issue of the annual report for the year ending 31 December 2016.

In the event that the 2015 audited net profit is less than RMB22,000,000 (equivalent to approximately HK\$27,792,600) or the 2016 audited net profit is less than RMB29,000,000 (equivalent to approximately HK\$36,635,700), the third or fourth instalment will be adjusted by deducting the amount equal to 3.85 times of the shortfall for the relevant years, and the amount of adjustment shall be no more than RMB35,000,000 (equivalent to approximately HK\$44,215,500). There will not be any upward adjustment to the third and the fourth Instalment. The adjustment will be settled after the release of the audited consolidated financial statements of SZ8088 and VSOYOU for the period ended 30 June 2015, year ended 31 December 2015 and year ending 31 December 2016.

In the event that the 2015 audited net profit exceeds the 2015 profit target, the purchaser shall pay to the vendor a profit bonus equal to 50% of 3.85 times of the amount of the 2015 audited net profit in excess of the 2015 profit target, provided that the 2015 profit bonus shall be no more than RMB15,400,000 (equivalent to approximately HK\$19,454,820). The 2015 profit bonus shall be settled by the issue and allotment of the 2015 profit bonus shares, within fifteen (15) business days from the date of issue of the 2015 annual report. The issue and allotment of 2015 profit bonus shares shall be subject to the same conditions as the issue and allotment of the second instalment consideration shares, the third instalment consideration shares and the fourth instalment consideration shares. If any of the conditions for the issue and allotment of the 2015 profit bonus shares is not satisfied, the purchaser will settle that portion of the 2015 profit bonus by cash. The issue price of the 2015 profit bonus shares shall be the average closing price of the shares quoted on GEM for the ten (10) business days immediately preceding the date of the issue of the 2015 annual report.

The vendor undertakes to each of the purchaser and the company that, subject to completion taking place and the issue of the consideration shares to the vendor pursuant to the third instalment and the fourth instalment (as applicable), it shall not, directly or indirectly, and shall procure that the holder(s) of the shares and/or shares shall not, directly or indirectly:

- (a) in respect of the 30% of the shares issued at anytime pursuant to the third instalment, for a three (3)-month period commencing on the date of issuance of the third instalment consideration shares;
- (b) in respect of the remaining 70% of the shares issued at anytime pursuant to the third instalment, for a six (6)-month period commencing on the date of issuance of the third instalment consideration shares;
- (c) in respect of the 50% of the fourth instalment consideration shares issued at anytime pursuant to the fourth instalment, for a six (6)-month period commencing on the date of issuance of the fourth instalment consideration shares;
- (d) in respect of the remaining 50% of the fourth instalment consideration shares issued at anytime pursuant to the fourth instalment, for a twelve (12)-month period commencing on the date of issuance of the fourth instalment consideration shares;

sell, transfer or otherwise dispose of (including but not limited to the creation of any options over or pledge or charge as security) any of such Shares described above. This undertaking shall survive the completion, save for:

- (a) where such disposal is made in the acceptance of an offer made in accordance with the Takeovers Code by any third party; or
- (b) where such disposal is made pursuant to an offer by the Company to purchase its own Shares which is made by the Company under the Hong Kong Code on Share Repurchases.

Please refer to the circular dated 2 March 2015 for details of the acquisition.

The potential undiscounted amount of the contingent consideration adjustment that the Group could be required to make such arrangement is between RMBNil to RMB70,000,000 (equivalent to approximately HK\$88,431,000). At the acquisition date, the fair value of the contingent consideration payable of HK\$75,402,000 was estimated by applying Monte Carlo simulation by a firm of independent professional valuers, Grant Sherman Appraisal Limited. As of 31 December 2015, the fair value of the contingent consideration payable was remeasured at HK\$91,724,000 by Grant Sherman Appraisal Limited and hence a loss on fair value of HK\$25,166,000 was recorded under "Other net (loss)/income" in profit or loss for the year ended 31 December 2015.

- (iv) The acquired business contributed revenue of approximately HK\$65,236,000 and profit after income tax of approximately HK\$20,608,000 for the period from 2 April 2015 to 31 December 2015.

Had the acquisition occurred on 1 January 2015, the HGGL Group's revenue and profit after income tax would have been approximately HK\$85,565,000 and approximately HK\$26,957,000 respectively for the year ended 31 December 2015.

The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interest's proportionate share of the recognised amount of the net assets of these companies and amounted to HK\$17,115,000.

The acquisition-related costs of HK\$1,750,000 have been expensed and are included in administrative expenses for the year ended 31 December 2015.

This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

(d) Acquisition of HMV IP Rights and HMV Business

On 1 December 2015, the Group completed the acquisition of HMV IP Rights and HMV Business at a final consideration of HK\$105,737,000 in cash. The HMV IP Rights represents all the rights to use the name "HMV" the various HMV trade marks and trade mark applications and the HMV domain names for the purposes of conducting the retail business of "HMV" operating through the four (4) retail stores selling music, movies and television series related contents and products located in Hong Kong (the "HMV Business") and any other business to be conducted in the PRC, Hong Kong and Singapore.

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

	2015 HK\$'000
Net assets acquired:	
Intangible assets (<i>Note 12</i>)	77,634
Property, plant and equipment (<i>Note 10</i>)	5,799
Inventories	16,019
Trade and other receivables	12,648
Cash and cash equivalents	179
Deferred tax liabilities recognised upon fair value adjustments (<i>Note 23</i>)	<u>(16,798)</u>
Provisional fair value of net assets acquired	95,481
Total consideration	<u>105,737</u>
Goodwill arising on acquisition (<i>Note 12</i>)	<u>10,256</u>
Consideration satisfied by:	
Cash	<u><u>105,737</u></u>
Net cash outflow for acquisition:	
Cash consideration	(105,737)
Cash and cash equivalents acquired	<u>179</u>
	<u><u>(105,558)</u></u>

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

The acquisition-related costs of HK\$2,264,000 have been expensed and are included in the administrative expenses for the year ended 31 December 2015.

The fair value of trade and other receivables at the date of acquisition amounting to HK\$12,648,000 which was also the gross contractual amounts of these trade and other receivables acquired. None of the contractual cash flows of the above amount was estimated to be uncollectible.

Goodwill of HK\$10,256,000 arose on this acquisition, which is not deductible for tax purposes, comprises the expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The acquired business contributed revenue of HK\$12,712,000 and a profit after income tax of HK\$283,000 to the Group for the period from 1 December 2015 to 31 December 2015.

Had the acquisition occurred on 1 January 2015, the Group's revenue and loss after income tax would have been approximately HK\$121,259,000 and approximately HK\$607,000 respectively for the year ended 31 December 2015.

This pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and the results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

During the year ended 31 December 2015, the Company has complied with the code provisions (“Code Provisions”) as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules, except for the following deviation:

Code Provision A.2.1

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

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

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

On 16 March 2016, Mr. Wu King Shiu, Kelvin was appointed as the Chairman and was re-designated from CEO to Chief Investment Officer. Mr. Ho Gilbert Chi Hang was re-designated from Chief Investment Officer to CEO.

DIRECTORS’ SECURITIES TRANSACTIONS

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.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had 351 full-time employees (2014: 53). Employee remuneration (including Directors' remuneration) totaled HK\$48.3 million (2014: HK\$49.0 million). 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.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year under review, other than the acquisition of the HGGL Group and the HMV IP Rights and HMV Business, and the disposal of Crosby Capital (Holdings) Limited and its subsidiaries as detailed in Notes 31 and 30 to the financial statements respectively, the Group made no significant acquisition or disposal of subsidiaries or affiliated companies.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2015, 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 (Chapter 571 of the laws of Hong Kong) (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 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 (the "Share(s)")

Name of Directors	Personal interest	Corporate interest	Family interest	Aggregate long position in Shares	Approximate percentage of the issued share capital of the Company %
Mr. Wu King Shiu, Kelvin ("Mr. Wu") (Notes 1 and 2)	14,400,000	454,544,000	165,600,000	634,544,000	8.50
Mr. Ho Gilbert Chi Hang ("Mr. Ho") (Note 1)	264,000	454,544,000	–	454,808,000	6.09
Mr. Chang Tat Joel ("Mr. Chang") (Note 1)	–	454,544,000	–	454,544,000	6.09
Mr. Yuen Kwok On	1,980,000	–	–	1,980,000	0.02

Notes:

1. Mr. Wu, Mr. Ho and Mr. Chang own 14,400,000, 264,000 and nil Shares, respectively. Hero Sign Limited owns 454,544,000 Shares. Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interest in 454,544,000 Shares of which Hero Sign Limited was deemed to be interested by virtue of the SFO since they indirectly own 56% through Billion Power Management Limited, 23% through Elite Honour Investments Limited and 21% through Genius Link Assets Management Limited, respectively, of the issued share capital of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P.. AID Partners Capital II, L.P. is interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited.
2. HMV Asia Limited owns 165,600,000 Shares. 62.50% of the issued share capital of HMV Asia Limited are held by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the Shares held by HMV Asia Limited.

(ii) Interests in the underlying Shares

(a) Outstanding share options

Name of Directors	Date of grant (dd/mm/yyyy)	Exercise price HK\$ (Note 1)	Exercise period (dd/mm/yyyy)	Balance as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Adjusted upon the bonus issue (Note 2)	Balance as at 31 December 2015
Mr. Wu	20/06/2014	0.16	20/06/2014 to 19/06/2024	4,576,000	-	-	-	22,308,000	26,884,000
Mr. Ho	15/05/2014	0.16	15/05/2014 to 14/05/2024	4,464,000	-	-	-	22,878,000	27,342,000
Mr. Chang	15/05/2014	0.16	15/05/2014 to 14/05/2024	4,464,000	-	-	-	22,878,000	27,342,000

Notes:

1. The exercise price was adjusted for the bonus issue of Shares made by the Company on 27 January 2015.
2. The aggregate number of Shares that can be subscribed for was adjusted for the bonus issue of Shares made by the Company on 27 January 2015.

(b) *Outstanding 5% coupon convertible bonds*

Name of Directors	Conversion price HK\$ (Note 2)	Aggregate long position in underlying Shares	Approximate percentage of the issued share capital of the Company %
Mr. Wu (Note 1)	0.11	1,590,909,090	21.32
Mr. Ho (Note 1)	0.11	1,590,909,090	21.32
Mr. Chang (Note 1)	0.11	1,590,909,090	21.32

Notes:

1. Abundant Star Ventures Limited (“Abundant Star”) and Vantage Edge Limited (“Vantage Edge”) own 909,090,909 and 681,818,181 underlying Shares, which will be allotted and issued upon full conversion of the outstanding 5% coupon convertible bonds for a principal sum of HK\$100,000,000 and HK\$75,000,000, respectively, at the conversion price of HK\$0.11 per Share (subject to adjustments). Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interest in 1,590,909,090 underlying Shares of which Abundant Star and Vantage Edge were deemed to be interested by virtue of the SFO since they indirectly own 56% through Billion Power Management Limited, 23% through Elite Honour Investments Limited and 21% through Genius Link Assets Management Limited, respectively, of the issued share capital in AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P.. AID Partners Capital II, L.P. is interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Abundant Star and Vantage Edge.
2. The conversion price was adjusted for the bonus issue of Shares made by the Company on 27 January 2015 and the Placing on 11 August 2015.

(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 2015, 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2015, 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 Shares and underlying Shares

Name	Aggregate long position in Shares	Aggregate long position in underlying Shares	Approximate percentage of the issued share capital of the Company %
Mr. Wu (<i>Notes 1, 5 and 6</i>)	634,544,000	1,617,793,090	30.18%
Li Mau (<i>Notes 1, 5 and 6</i>)	634,544,000	1,617,793,090	30.18%
Mr. Ho (<i>Notes 2, 5 and 6</i>)	454,808,000	1,618,251,090	27.78%
Mr. Chang (<i>Notes 3, 5 and 6</i>)	454,544,000	1,618,251,090	27.77%
Hong Kong HNA Holding Group Co. Limited (<i>Note 4</i>)	1,636,360,000	430,769,230	27.70%
AID Partners Capital II, L.P. (<i>Notes 5 and 6</i>)	454,544,000	1,590,909,090	27.41%
AID Partners GP 2, Ltd. (<i>Notes 5 and 6</i>)	454,544,000	1,590,909,090	27.41%
Billion Power Management Limited (<i>Notes 5 and 6</i>)	454,544,000	1,590,909,090	27.41%
Elite Honour Investments Limited (<i>Notes 5 and 6</i>)	454,544,000	1,590,909,090	27.41%
Genius Link Assets Management Limited (<i>Note 5 and 6</i>)	454,544,000	1,590,909,090	27.41%
Leader Fortune International Limited (<i>Notes 5 and 6</i>)	454,544,000	1,590,909,090	27.41%
Able Supreme Management Limited (<i>Note 7</i>)	–	1,081,095,600	14.48%
Billion Pine International Limited (<i>Note 7</i>)	–	1,081,095,600	14.48%
Hu Yin (<i>Note 7</i>)	–	1,081,095,600	14.48%
David Tin	909,088,000	–	12.18%
Abundant Star (<i>Note 5</i>)	–	909,090,909	12.18%
Yeung Wing Yee	748,408,256	–	10.02%
Vantage Edge (<i>Note 5</i>)	–	681,818,181	9.13%
Hero Sign Limited (<i>Note 6</i>)	454,544,000	–	6.09%
Sunfield Holdings Group Limited (<i>Note 8</i>)	454,544,000	–	6.09%
Huang Shiyong (<i>Note 8</i>)	454,544,000	–	6.09%
Huang Tao (<i>Note 8</i>)	454,544,000	–	6.09%

Notes:

1. Mr. Wu, the Chairman, the Chief Investment Officer and Executive Director of the Company, owns 14,400,000 Shares and HMV Asia Limited owns 165,600,000 Shares. 62.50% of the shares of HMV Asia Limited are held by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the Shares held by HMV Asia Limited. Mr. Wu is interested in 26,884,000 share options at an exercise price of HK\$0.16 per Share to subscribe for Shares. Mr. Wu is deemed to have interest in 1,590,909,090 underlying Shares and 454,544,000 Shares as mentioned in note 5 and note 6 below, respectively. Ms. Li Mau, as the spouse of Mr. Wu, is deemed to be interested in these Shares and underlying Shares for the purpose of the SFO.
2. Mr. Ho, the Chief Executive Officer and Executive Director of the Company, owns 264,000 Shares and is interested in 27,342,000 share options at an exercise price of HK\$0.16 per Share to subscribe for Shares. Mr. Ho is also deemed to have interest in 1,590,909,090 underlying Shares and 454,544,000 Shares as mentioned in note 5 and note 6 below, respectively.
3. Mr. Chang, an Executive Director, is interested in 27,342,000 share options at an exercise price of HK\$0.16 per Share to subscribe for Shares. Mr. Chang is also deemed to have interest in 1,590,909,090 underlying Shares and 454,544,000 Shares as mentioned in note 5 and note 6 below, respectively.
4. Hong Kong HNA Holding Group Co. Limited is wholly-owned by Hisea International Co., Ltd. (“Hisea”). Hisea is wholly-owned by HNA Group Holding Co., Ltd. (“HNA Holding”). HNA Holding is owned as to approximately 72% by HNA Group Company Limited (“HNA Group”) and 28% by HNA Capital Group Co., Ltd (“HNA Capital”). HNA Capital is wholly-owned by HNA Group. HNA Group is owned as to approximately 70% by Hainan Traffic Administration Holdings Company Limited (“Hainan Traffic”). Hainan Traffic is owned as to approximately 50% by Sheng Tang Development (Yangpu) Company Limited (“Sheng Tang”). Sheng Tang is owned as to 65% by Hainan Province Cihang Foundation and 35% by Tang Dynasty Development Company Limited (“Tang Dynasty”). Tang Dynasty is owned as to approximately 98% by Pan-American Aviation Holding Company Limited, which is in turn 100% beneficially owned by Jun Guan.
5. Abundant Star and Vantage Edge own 909,090,909 and 681,818,181 underlying Shares, which will be allotted and issued upon full conversion of the outstanding 5% coupon convertible bonds for a principal sum of HK\$100,000,000 and HK\$75,000,000, respectively.

Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interest in 1,590,909,090 underlying Shares of which Abundant Star and Vantage Edge were deemed to be interested by virtue of the SFO since they indirectly own 56% through Billion Power Management Limited, 23% through Elite Honour Investments Limited and 21% through Genius Link Assets Management Limited, respectively, of the issued share capital in AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P.. AID Partners Capital II, L.P. is a private equity fund interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Abundant Star and Vantage Edge.

6. Hero Sign Limited owns 454,544,000 Shares. Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interest in 454,544,000 Shares of which Hero Sign Limited is interested by virtue of the SFO since they indirectly own 56% through Billion Power Management Limited, 23% through Elite Honour Investments Limited and 21% through Genius Link Assets Management Limited, respectively, of the issued share capital of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P.. AID Partners Capital II, L.P. is a private equity fund interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited.

7. Able Supreme Management Limited (“Able Supreme”) owns 1,081,095,600 underlying Shares which will be allotted and issued upon full conversion of 6,930,100 RCPS at conversion price of HK\$0.10 per Share (reset on 11 August 2015). The entire issued share capital of Able Supreme is held by Billion Pine International Limited, which in turn is beneficially wholly-owned by Mr. Hu Yin (“Mr. Hu”). Accordingly, Mr. Hu is interested in these underlying Shares through his 100% indirect interests in Able Supreme.
8. Sunfield Holdings Group Limited (“Sunfield”) owns 454,544,000 Shares. Mr. Huang Tao and Mr. Huang Shiyang own 60% and 40% equity interest in Sunfield, respectively. According, Mr. Huang Tao and Mr. Huang Shiyang are interested in these Shares through their interests in Sunfield.

(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 2015, 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 2015, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

AUDIT COMMITTEE

The Company established an Audit Committee on 31 March 2000 with the written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three Independent Non-Executive Directors, Messrs. Yuen Kwok On (Chairman), Chinn Adam David and Professor Lee Chack Fan, GBS, SBS, JP. The primary duties of the audit committee are to review and supervise the Company’s financial reporting process and internal control systems.

The audit committee meets at least quarterly with the most recent meeting held on 22 March 2016. The audited financial statements for the year ended 31 December 2015 have been reviewed by the audit committee.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2015 have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the years ended 31 December 2015 and 31 December 2014. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the years ended 31 December 2015 and 31 December 2014.

By Order of the Board
AID Partners Capital Holdings Limited
Wu King Shiu, Kelvin
Chairman

Hong Kong, 22 March 2016

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

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

Independent Non-Executive Directors: *Chinn Adam David, Professor Lee Chack Fan, GBS, SBS, JP and Yuen Kwok On*

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.aid8088.com.