



AID Partners Capital Holdings Limited

(滙友資本控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8088)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

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

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

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This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to 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 GEM (HK GEM 8088).

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months under review, the Group has continued to engage in the businesses of asset management and strategic investment. Our asset management business represents fund management business under AID Partners Asset Management Limited. Our strategic investment business represents the business of, among others, HMV Ideal Limited (“HMV Ideal”) and its subsidiaries (the “HMV Ideal Group”), Complete Star Limited (“CSL”) and its subsidiaries (the “CSL Group”) and Honestway Global Group Limited (“HGGL”) and its subsidiaries (the “HGGL Group”).

On 2 April 2015, the Group has completed the acquisition of 70% equity interest in the HGGL Group. The HGGL Group is principally engaged in the development, distribution and operation of mobile games.

The management contract for the HMV retail store in Central, in which an indirect wholly-owned subsidiary of HMV Ideal (which the Group has increased its stake from 64.54% to 100% in December 2014) is the contracting party, has a term of thirty years commencing from 1 January 2014. The revenue and expenses of the HMV retail store in Central were recorded in the unaudited condensed consolidated financial statements of the Group accordingly.

The Group reported a loss attributable to owners of the Company for the six months under review of HK\$57.4 million as compared to a loss of HK\$47.0 million for the corresponding period last year. Excluding loss on financial liabilities at fair value through profit or loss of HK\$1.1 million for the six months under review (2014: HK\$0.7 million), the loss attributable to owners of the Company for the six months under review was HK\$56.3 million (2014: HK\$46.3 million). The increase in loss attributable to owners of the Company was mainly attributable to the increase in amortisation of intangible assets of approximately HK\$14.7 million principally as a result of the acquisitions of HMV Ideal Group, CSL Group and HGGL Group as well as the increase in effective interest expense on convertible bonds due to the issuance of the 2014 Convertible Bonds.

Revenue for the six months under review increased to HK\$47.7 million from that of HK\$14.8 million for the corresponding period last year. The increase in revenue was mainly attributable to the retail sales and food and beverage income derived from HMV Ideal Group, the sales of in-app purchase items income arising in CSL Group and income from mobile game business generated from the HGGL Group. Total operating expenses (being distribution and selling expenses, administrative expenses plus other operating expenses) for the six months under review were HK\$71.4 million as compared to HK\$54.5 million for the corresponding period last year. The increase in total operating expenses was mainly attributable to the amortisation expense of HK\$14.7 million and operating expenses of HMV Ideal Group of approximately HK\$26.4 million incurred for the six months under review.

We will continue to monitor our businesses and will focus our resources to achieve our strategy of (a) building the “pan-entertainment platform” and an integrated online to offline ecosystem of music, video, entertainment and lifestyle; (b) investing in strategic investment opportunities; and (c) developing, investing and expanding its asset management business and related financial platform, in order to enhance the return to its shareholders.

FINANCIAL POSITION AND RESOURCES

LIQUIDITY

As at 30 June 2015, the Group had cash and bank balances of HK\$94.8 million and net current assets of HK\$58.7 million, decreased from HK\$102.1 million and increased from HK\$22.6 million as at 31 December 2014, respectively.

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).

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). Intangible assets of HK\$102,304,000 were acquired and details of the intangible assets are set out in Note 14 to the unaudited condensed consolidated financial statements.

GEARING

(a) **Convertible Bonds**

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 fulfillment 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 to the unaudited condensed consolidated 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.

During the year ended 31 December 2014, principal amounts of HK\$9,000,000 and HK\$4,000,000 of the Tranche 1 and Tranche 2 Convertible Bonds respectively were converted into 17,105,262 ordinary shares of the Company at the conversion price of HK\$0.76 per share.

During the six months under review, 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.

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, with the fulfillment of all conditions required for the 2014 Convertible Bonds, the Company issued the 2014 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 Convertible Bonds are detailed in Note 21 to the unaudited condensed consolidated 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.

The embedded derivatives in 2010 Convertible Bonds and 2014 Convertible Bonds are disclosed as financial liabilities at fair value through profit or loss as set out in Note 20 to the unaudited condensed consolidated financial statements.

(b) Bank loans

Bank property instalment loans totaling HK\$30,000,000 and HK\$10,000,000 were raised in 2011 and 2014, respectively. The loans are secured by the office premises located at AXA Centre, Wanchai, Hong Kong and corporate guarantee by the Company of unlimited amount. The loans were disposed upon the disposal of the entire interest in CCHL on 17 February 2015 and the corporate guarantee of unlimited amount given by the Company was released on 15 June 2015.

(c) Loans from a director

During the year ended 31 December 2014, Mr. Wu King Shiu, Kelvin, an Executive Director of the Company, provided loans in an aggregate amount of HK\$11,600,000 to certain subsidiaries of the Company. The loans are in the principal amounts of HK\$1,600,000, HK\$2,500,000 and HK\$7,500,000, and are unsecured, non-interest bearing. In January 2015, total amounts of HK\$11,600,000 were fully repaid.

(d) Other payables

The balance mainly represented the aggregate contingent consideration payable by the Group of HK\$107,141,000 (31 December 2014: HK\$64,198,000) for (i) the acquisition of 70% equity interest in CSL of HK\$23,991,000 payable during the year ending 31 December 2016 (31 December 2014: HK\$40,809,000 payable during the year ending 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\$8,843,000 payable during the year ending 31 December 2015, HK\$33,965,000 payable during the year ending 31 December 2016 and HK\$40,342,000 payable during the year ending 31 December 2017.

At 30 June 2015, the Group had no other significant debt.

CHARGES

At 30 June 2015, there were no significant charges on the Group's investments and assets (31 December 2014: Charges on the office premises located at AXA Centre, Wanchai, Hong Kong).

COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no significant commitments, other than those under operating leases for the rental of its office premises and HMV retail store in Central as set out in Note 25 to the unaudited condensed consolidated financial statements and no significant contingent liabilities, including pension obligations.

EQUITY STRUCTURE

An analysis of the movements in equity during the period is provided in the unaudited consolidated statement of changes in equity on page 18 of the unaudited condensed consolidated financial statements.

At 30 June 2015, the total number of ordinary shares issued was 3,342,937,613, increased from 473,173,057 as at 31 December 2014 and the increase was due to: (i) the issue of 2,366,865,285 bonus shares upon the completion of bonus issue on 27 January 2015, (ii) the issue of shares to settle the consideration payable and profit bonus in respect of the acquisition of 70% equity interest in CSL on 30 April 2015, (iii) the exercise of redeemable convertible preference shares, (iv) the exercise of share options and (v) the conversion of convertible bonds during the six months under review.

As at 30 June 2015, the total number of redeemable convertible preference shares issued was 7,915,690, decreased from 9,799,790 which was due to the conversion to ordinary shares during the six months under review.

Details of the movements in redeemable convertible preference shares, convertible bonds and ordinary share capital are set out in Notes 19, 21 and 22 to the unaudited condensed consolidated financial statements, respectively.

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

At 30 June 2015, the Company had 25,934,165 options outstanding under the Company's 2002 Share Option Scheme of which were all exercisable.

At 30 June 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 154,469,735 options pursuant to the existing shareholder mandate limit.

Non-controlling interests in the unaudited consolidated statement of financial position represented the 30% non-controlling shareholders' interest in each of CSL Group and HGGL Group.

EMPLOYEE INFORMATION

At 30 June 2015, the Group had 145 full-time employees (31 December 2014: 55). Details of the directors' and employees' remuneration during the six months under review are provided in Note 7 to the unaudited condensed consolidated financial statements.

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

FOREIGN CURRENCY EXPOSURE

The Group conducts its businesses in Hong Kong Dollars ("HK\$"), United States Dollars ("US\$") and Renminbi ("RMB"), which include income and expenses, assets and liabilities. During the six months under review, the exchange rate of US\$ and RMB to HK\$ basically remained stable. The Group's management believes that the fluctuation of US\$ and RMB will not have a significant impact on the Group's operations. The Group has not issued any financial instruments for hedging purposes.

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 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 CEO of the Company with effect from 23 May 2014.

(B) DIRECTORS' SECURITIES TRANSACTIONS

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

DISCLOSURE OF INTERESTS

(A) DIRECTOR'S INTERESTS

As at 30 June 2015, the interests of the Directors or any chief executive of the Company in the ordinary shares of the Company (the "Share") and underlying Shares or any of its associated corporations as recorded in the register were:

(i) Interests in the Shares

Name of Director	Personal interest	Family interest	Aggregate long position in Shares	Approximate percentage of the issued share capital of the Company %
Wu King Shiu, Kelvin	14,400,000	165,600,000	180,000,000	5.38
Ho Gilbert Chi Hang	264,000	–	264,000	0.01
Yuen Kwok On	1,980,000	–	1,980,000	0.05

Note: Mr. Wu King Shiu, Kelvin ("Mr. Wu") owns 14,400,000 Shares and HMV Asia Limited ("HMV Asia") owns 165,600,000 Shares. 62.50% of the issued share capital of HMV Asia are held by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the Shares held by HMV Asia.

(ii) Interests in the underlying Shares

(a) Outstanding options

Name of Director	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 period	Exercised during the period	Cancelled/lapsed during the period	Adjusted upon the bonus issue (Note 2)	Balance as at 30 June 2015
Chang Tat Joel	15/05/2014	0.16	15/05/2014 to 14/05/2024	4,464,000	–	–	–	22,878,000	27,342,000
Ho Gilbert Chi Hang	15/05/2014	0.16	15/05/2014 to 14/05/2024	4,464,000	–	–	–	22,878,000	27,342,000
Wu King Shiu, Kelvin	20/06/2014	0.16	20/06/2014 to 19/06/2024	4,576,000	–	–	–	22,308,000	26,884,000
Stephen Shiu Junior	20/06/2014	0.16	20/06/2014 to 19/06/2024	500,000	–	–	–	2,437,500	2,937,500
Shi Jinsheng	20/06/2014	0.16	20/06/2014 to 19/06/2024	450,000	–	–	–	2,193,750	2,643,750

Notes:

- The exercise price was adjusted for the bonus issue of Shares made by the Company on 27 January 2015.
- 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 convertible bonds*

Name of Director	Conversion price HK\$ (Note 2)	Aggregate long position in underlying shares	Approximate percentage of the issued share capital of the Company %
Wu King Shiu, Kelvin (Note 1)	0.13	1,346,153,846	40.26
Ho Gilbert Chi Hang (Note 1)	0.13	1,346,153,846	40.26
Chang Tat Joel (Note 1)	0.13	1,346,153,846	40.26

Notes:

1. Abundant Star Ventures Limited ("Abundant Star") and Vantage Edge Limited ("Vantage Edge") own 769,230,769 and 576,923,077 underlying Shares, which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum HK\$100,000,000 and HK\$75,000,000, respectively.

Mr. Wu King Shiu, Kelvin, Mr. Ho Gilbert Chi Hang and Mr. Chang Tat Joel are deemed to have interest in 1,346,153,846 underlying Shares of which Abundant Star and Vantage Edge are deemed to be interested by virtue of the SFO since they indirectly owned 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.

2. The conversion price was adjusted for the bonus issue of Shares made by the Company on 27 January 2015.

(c) *Other underlying shares*

Mr. Wu King Shiu, Kelvin also owns 88,200,000 underlying shares (representing approximately 2.63% of the issue share capital of the Company) by virtue of an agreement entered between Mr. Wu King Shiu, Kelvin and an independent third party.

(iii) Short positions

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

Save as disclosed above, as at 30 June 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.

(B) SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 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 %
Substantial Shareholders			
Wu King Shiu, Kelvin (Notes 1 and 4)	180,000,000	1,461,237,846	49.09
Li Mau (Notes 1 and 4)	180,000,000	1,461,237,846	49.09
Ho Gilbert Chi Hang (Notes 2 and 4)	264,000	1,373,495,846	41.09
Chang Tat Joel (Notes 3 and 4)	–	1,373,495,846	41.08
AID Partners Capital II L.P. (Note 4)	–	1,346,153,846	40.26
AID Partners GP2, Ltd. (Note 4)	–	1,346,153,846	40.26
Billion Power Management Limited (Note 4)	–	1,346,153,846	40.26
Elite Honour Investments Limited (Note 4)	–	1,346,153,846	40.26
Genius Link Assets Management Limited (Note 4)	–	1,346,153,846	40.26
Leader Fortune International Limited (Note 4)	–	1,346,153,846	40.26
Abundant Star Ventures Limited (Note 4)	–	769,230,769	23.01
Vantage Edge Limited (Note 4)	–	576,923,077	17.25
Able Supreme Management Limited (Note 5)	–	831,612,000	24.87
Billion Pine International Limited (Note 5)	–	831,612,000	24.87
Hu Yin (Note 5)	–	831,612,000	24.87

Notes:

1. Mr. Wu King Shiu, Kelvin (“Mr. Wu”), the Chief Executive Officer and Executive Director of the Company, owns 14,400,000 Shares and HMV Asia Limited (“HMV Asia”) owns 165,600,000 Shares. 62.5% of the shares of HMV Asia are held by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the Shares held by HMV Asia. Mr. Wu 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 1,346,153,846 underlying Shares as mentioned note 4 below. Mr. Wu is also interested in 88,200,000 underlying Shares. Ms. Li Mau, as the spouse of Mr. Wu, is deemed to be interested in these Shares and underlying Shares for the purpose of the SFO.

2. Mr. Ho Gilbert Chi Hang (“Mr. Ho”), the Chief Investment 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 1,346,153,846 underlying Shares as mentioned in note 4 below.
3. Mr. Chang Tat Joel (“Mr. Chang”), an Executive Director of the Company, 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 1,346,153,846 underlying Shares as mentioned in note 4 below.
4. Abundant Star Ventures Limited (“Abundant Star”) and Vantage Edge Limited (“Vantage Edge”) own 769,230,769 and 576,923,077 underlying Shares, which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK\$100,000,000 and HK\$75,000,000, respectively.

Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interest in 1,346,153,846 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.

5. Able Supreme Management Limited (“Able Supreme”) owns 831,612,000 underlying Shares which will be allotted and issued upon full conversion of 6,930,100 RCPS at conversion price of HK\$0.13 per Share (reset on 27 January 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.

(ii) Short positions

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

Save as disclosed above, as at 30 June 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 30 June 2015, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

(C) POTENTIAL COMPETITION FROM HMV HONG KONG LIMITED

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

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

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

As at 30 June 2015, save as disclosed above and so far as the Directors were aware, none of the other Directors or their respective associates were interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

(D) SHARE OPTION SCHEMES

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

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

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

Summary of the 2014 Share Option Scheme disclosed in accordance with the GEM Listing Rules is as follows:

Purpose of the scheme	To encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Group attained through their efforts and contributions and to provide the participants with incentives and help the Group in retaining and recruiting talents.
Participants of the scheme	<p>Eligible participant may be a person or an entity belonging to any of the following classes:</p> <ul style="list-style-type: none">(a) any eligible employee (i.e. any employee of or any person who has accepted an offer of employment from (whether full time or part time employee, including any executive director but not any non-executive director) the Company, its subsidiaries and any entity in which the Group holds any equity interest (the "Invested Entity")) (the "Eligible Employee");(b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;(c) any supplier of goods or services to any member of the Group or any Invested Entity;(d) any customer of the Group or any Invested Entity;(e) any person or entity acting in their capacities as advisers or consultants to the Group or any Invested Entity; and(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the Directors having contributed or may contribute to the development and growth of the Group or any Invested Entity.
Total number of shares available for issue under the 2014 Share Option Scheme and percentage of issued share capital as at 27 March 2015, (i.e. the date of 2014 annual report of the Company), and 10 August 2015 (i.e. the date of this announcement)	<p>The Company has granted options under the 2014 Share Option Scheme to subscribe for 33,404,000 Shares, as of 27 March 2015, the date of the 2014 annual report, 3,060,000 Options had been exercised, 7,500,000 Options were lapsed and 22,844,000 Options remain outstanding and not yet exercised.</p> <p>As at 27 March 2015, the total number of shares available for allotment and issue upon exercise of options granted under 2014 Share Option Scheme and previous share option scheme is 23,389,341, representing 0.73% of the Company's then total number of issued shares.</p> <p>Subsequent to the date of the 2014 annual report, the Company has refreshed the scheme limit on 12 May 2015. As at 10 August 2015, the date of this announcement, the total number of shares available for allotment and issue upon exercise of options granted under 2014 Share Option Scheme and previous share option scheme is 302,955,900, representing 8.78% of the Company's then total number of issued shares.</p>

Maximum entitlement of each participant under the scheme	The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2014 Share Option Scheme (including both exercised and outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being unless it is approved by shareholders at general meeting of the Company with such grantee and his associates abstaining from voting. Where any grant of share options to a substantial shareholder or an independent non-executive director or any of their respective associates, would result in the shares issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant:(a) representing in aggregate over 0.1% of the shares in issue; and (b) having an aggregate value, based on the closing price of shares at the date of each grant, in excess of HK\$5 million; such further grant of options must be approved by shareholders at general meeting of the Company.
The period within which the shares must be taken up under an option	A period to be specified by the Directors and not to exceed 10 years from the date of grant of options.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the Directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid	HK\$10.00 is payable within 28 days from the date of offer in relation to the grant of the options.
The basis of determining the exercise price	The exercise price is determined by the Directors which must be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, which must be a trading day; and (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Share.
The remaining life of the scheme	The 2014 Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 15 April 2014.

2002 Share Option Scheme

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

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

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

Date of grant (dd/mm/yyyy)	Exercise price (Note 1) HK\$	Exercise period (dd/mm/yyyy)	Number of share options			Adjusted upon the bonus issue (Note 2)	Balance as at 30 June 2015	
			Balance as at 1 January 2015	Granted during the period	Exercised during the period			Cancelled/lapsed during the period
24/03/2006	9.51	24/03/2007 to 23/03/2016	269,916	-	-	-	1,349,409	1,619,325
26/04/2006	9.51	26/04/2007 to 25/04/2016	809,756	-	-	-	4,048,269	4,858,025
29/01/2007	4.51	29/01/2008 to 28/01/2017	134,956	-	-	-	674,331	809,287
11/02/2008	2.22	11/02/2009 to 10/02/2018	708,543	-	-	-	3,548,140	4,256,683
29/12/2008	0.22	29/12/2009 to 28/12/2018	269,916	-	(818,336)	-	1,366,756	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
16/03/2012	0.20	16/03/2013 to 15/03/2022	3,400,000	-	(15,159,420)	-	17,102,000	5,342,580
14/05/2012	0.19	14/05/2013 to 13/05/2022	980,000	-	-	-	4,879,368	5,859,368
			7,558,290	-	(19,375,558)	-	37,751,433	25,934,165

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 six months ended 30 June 2015.

No option was lapsed during the six months ended 30 June 2015.

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

2014 Share Option Scheme

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

Date of grant (dd/mm/yyyy)	Grantees	Exercise periods (Notes)	Number of share options				Balance as at 30 June 2015	Exercise price per share (Note 6) HK\$	
			Balance as at 1 January 2015	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period			Adjusted upon the bonus issue (Note 5)
15/05/2014	Directors	(1)	8,928,000	-	-	-	45,756,000	54,684,000	0.16
20/06/2014	Directors	(2)	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	(3)	1,404,000	-	(4,512,000)	(3,062,500)	6,170,500	-	0.16
20/06/2014	Other eligible participants	(4)	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>	

Notes:

- (1) Exercisable from 15 May 2014 to 14 May 2024.
- (2) Exercisable from 20 June 2014 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 two tranches exercisable from 20 June 2014 and 20 June 2015, respectively to 19 June 2024.
- (5) 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.
- (6) The exercise prices of the share options were adjusted for the bonus issue of shares made by the Company on 27 January 2015.

No option was granted under the 2014 Share Option Scheme during the six months ended 30 June 2015.

During the six months ended 30 June 2015, 3,362,125 options were lapsed.

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

The weighted average remaining contractual life of the options outstanding as at 30 June 2015 was approximately 8.11 years.

Share-based compensation expense of HK\$945,000 was recognised in the unaudited consolidated statement of profit or loss for the six months ended 30 June 2015.

RESULTS

The board of directors (the "Board") of the Company announces the unaudited consolidated results of the Group for the six months and three months ended 30 June 2015, together with the comparative unaudited figures of the corresponding periods in 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months and three months ended 30 June 2015

	Notes	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	5	47,678	14,799	30,841	8,294
Cost of sales		(24,860)	(8,544)	(16,030)	(5,742)
Gross profit		22,818	6,255	14,811	2,552
Loss on financial liabilities at fair value through profit or loss	20	(1,089)	(733)	(2,647)	(2,835)
Other income	6	1,089	662	233	541
Distribution and selling expenses		(14,845)	(11,252)	(8,109)	(8,911)
Administrative expenses		(50,853)	(40,987)	(28,404)	(33,392)
Other operating expenses		(5,726)	(2,251)	(2,795)	(2,002)
Loss from operations		(48,606)	(48,306)	(26,911)	(44,047)
Finance costs	8	(9,465)	(2,747)	(5,107)	(1,490)
Loss before taxation	9	(58,071)	(51,053)	(32,018)	(45,537)
Taxation credit/(charge)	10	571	–	(157)	–
Loss for the period		(57,500)	(51,053)	(32,175)	(45,537)
Attributable to:					
Owners of the Company		(57,419)	(46,968)	(32,162)	(42,070)
Non-controlling interests		(81)	(4,085)	(13)	(3,467)
Loss for the period		(57,500)	(51,053)	(32,175)	(45,537)
			(Restated)		(Restated)
Loss per share attributable to owners of the Company for the period	11	HK cents	HK cents	HK cents	HK cents
Basic		(1.82)	(1.82)	(0.99)	(1.55)
Diluted		N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2015

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(57,500)	(51,053)	(32,175)	(45,537)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations of subsidiaries	12	–	12	–
Release of foreign exchange reserve upon deregistration of a subsidiary	–	(231)	–	–
Other comprehensive income for the period, net of tax	12	(231)	12	–
Total comprehensive income for the period, before and net of tax	(57,488)	(51,284)	(32,163)	(45,537)
Attributable to:				
Owners of the Company	(57,407)	(47,199)	(32,150)	(42,070)
Non-controlling interests	(81)	(4,085)	(13)	(3,467)
Total comprehensive income for the period, before and net of tax	(57,488)	(51,284)	(32,163)	(45,537)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	11,228	82,677
Available-for-sale investments	13	818	818
Intangible assets	14	239,852	152,225
		251,898	235,720
Current assets			
Inventories	15	6,784	6,649
Trade and other receivables	16	66,753	24,925
Cash and cash equivalents		94,776	102,067
		168,313	133,641
Current liabilities			
Trade and other payables	17	93,624	68,666
Financial liabilities at fair value through profit or loss	20	3,118	7,164
Convertible bonds	21	–	23,313
Borrowings	18	6,101	10,125
Current tax liabilities		6,812	1,765
		109,655	111,033
Net current assets		58,658	22,608
Total assets less current liabilities		310,556	258,328
Non-current liabilities			
Other payables	17	40,342	24,089
Financial liabilities at fair value through profit or loss	20	22,110	21,021
Convertible bonds	21	167,651	160,018
Borrowings	18	–	30,327
Deferred tax liabilities		13,756	10,734
		243,859	246,189
Net assets		66,697	12,139
EQUITY			
Share capital	22	260,749	36,907
Reserves	23	(214,597)	(36,721)
Equity attributable to owners of the Company		46,152	186
Non-controlling interests		20,545	11,953
Total equity		66,697	12,139

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Total equity attributable to owners of the Company										Non-controlling Interests	Total Equity
	Share capital HK\$'000	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	Shares to be issued HK\$'000	Foreign exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2015 (Audited)	36,907	280,266	8,061	2,112	601	52,331	-	-	(380,092)	186	11,953	12,139
Share-based compensation	-	-	-	-	-	945	-	-	-	945	-	945
Issue of shares upon exercise of share options	2,372	7,071	-	-	-	(3,623)	-	-	-	5,820	-	5,820
Issue of bonus shares	184,615	(184,615)	-	-	-	-	-	-	-	-	-	-
Issue of shares upon exercise of redeemable convertible preference shares	17,635	12,434	-	-	-	-	-	-	-	30,069	-	30,069
Issue of shares upon conversion of convertible bonds	13,650	13,192	-	-	-	-	-	-	-	26,842	-	26,842
Issue of consideration shares for acquisition of subsidiaries	5,570	20,850	-	-	-	-	-	-	-	26,420	-	26,420
Shares to be issued upon exercise of redeemable convertible preference shares	-	-	-	-	-	-	13,277	-	-	13,277	-	13,277
Lapse of share options	-	-	-	-	-	(283)	-	-	283	-	-	-
Non-controlling interests arising on business combination (Note 28)	-	-	-	-	-	-	-	-	-	-	8,673	8,673
Transactions with owners	223,842	(131,068)	-	-	-	(2,961)	13,277	-	283	103,373	8,673	112,046
Loss for the period	-	-	-	-	-	-	-	-	(57,419)	(57,419)	(81)	(57,500)
Other comprehensive income	-	-	-	-	-	-	-	12	-	12	-	12
Exchange differences on translating foreign operations of subsidiaries	-	-	-	-	-	-	-	12	-	12	-	12
Total comprehensive income for the period	-	-	-	-	-	-	-	12	(57,419)	(57,407)	(81)	(57,488)
At 30 June 2015 (Unaudited)	260,749	149,198	8,061	2,112	601	49,370	13,277	12	(437,228)	46,152	20,545	66,697
At 1 January 2014 (Audited)	29,996	212,885	-	2,112	601	36,109	-	231	(274,731)	7,203	-	7,203
Share-based compensation	-	-	-	-	-	20,166	-	-	-	20,166	-	20,166
Issue of convertible bonds	-	-	6,907	-	-	-	-	-	-	6,907	-	6,907
Issue of shares upon conversion of convertible bonds	1,026	11,786	-	-	-	-	-	-	-	12,812	-	12,812
Issue of consideration shares for acquisition of subsidiaries	4,680	38,520	-	-	-	-	-	-	-	43,200	-	43,200
Share issue expense	-	(506)	-	-	-	-	-	-	-	(506)	-	(506)
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	-	-	-	14,947	14,947
Transactions with owners	5,706	49,800	6,907	-	-	20,166	-	-	-	82,579	14,947	97,526
Loss for the period	-	-	-	-	-	-	-	-	(46,968)	(46,968)	(4,085)	(51,053)
Other comprehensive income:	-	-	-	-	-	-	-	-	-	-	-	-
Release of foreign exchange reserve upon deregistration of a subsidiary	-	-	-	-	-	-	-	(231)	-	(231)	-	(231)
Total comprehensive income for the period	-	-	-	-	-	-	-	(231)	(46,968)	(47,199)	(4,085)	(51,284)
At 30 June 2014 (Unaudited)	35,702	262,685	6,907	2,112	601	56,275	-	-	(321,699)	42,583	10,862	53,445

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	Unaudited six months ended 30 June 2015 HK\$'000	Unaudited six months ended 30 June 2014 HK\$'000
Operating activities			
Loss before taxation		(58,071)	(51,053)
Adjustments for:			
Amortisation of intangible assets		14,677	–
Share-based compensation expense		945	20,166
Loss on financial liabilities at fair value through profit or loss		1,089	733
Finance costs		9,465	2,747
Loss on disposal of subsidiaries	27	512	–
Other cash flows (used in)/arising from operating activities		(18,847)	1,880
Net cash used in operating activities		(50,230)	(25,527)
Investing activities			
Disposal of subsidiaries, net of cash	27	36,668	–
Acquisition of subsidiaries, net of cash	28	(12,366)	–
Payment of contingent consideration payable		(14,388)	–
Other cash flows used in investing activities		(2,034)	(6,988)
Net cash from/(used in) investing activities		7,880	(6,988)

	Unaudited six months ended 30 June 2015 HK\$'000	Unaudited six months ended 30 June 2014 HK\$'000
Financing activities		
Issue of shares upon exercise of share options	5,820	–
Issue of shares upon exercise of redeemable convertible preference shares, net of expenses	27,922	–
Proceeds from shares to be issued to holders of redeemable convertible preference shares	13,277	–
Proceeds from issue of convertible bonds, net of expenses	–	174,661
(Repayment to)/Advances from a director	(11,600)	11,600
New bank loan raised	–	10,000
Redemption of convertible bond	–	(10,525)
Other cash flows used in financing activities	(360)	(1,662)
Net cash generated from financing activities	35,059	184,074
Net (decrease)/increase in cash and cash equivalents	(7,291)	151,559
Cash and cash equivalents at 1 January	102,067	18,694
Cash and cash equivalents at 30 June	94,776	170,253

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 21 February 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is Units 1 & 2, 29/F., The Hennessy, 256 Hennessy Road, Wanchai, Hong Kong. The Company's shares have been listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000. The Company 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 unaudited condensed 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 unaudited condensed consolidated 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 unaudited condensed consolidated financial statements have been prepared under historical cost basis except for certain financial instruments classified as available-for-sale and at fair value through profit or loss, which are measured at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited condensed consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited condensed consolidated financial statements, are consistent with those set out in the Company's annual audited consolidated financial statements for the year ended 31 December 2014 ("2014 Annual Report").

These unaudited condensed consolidated financial statements for the six months ended 30 June 2015 are unaudited but have been reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". These unaudited condensed consolidated financial statements should be read in conjunction with the Company's 2014 Annual Report, which has been prepared in accordance with IFRSs.

The principal accounting policies adopted to prepare the unaudited condensed consolidated financial statements are consistent with those adopted to prepare the Company's 2014 Annual Report, except for the following additional accounting policies adopted by the Group as set out below:

Revenue recognition

Game publishing services

The Group engages in the provision of mobile game publishing services through cooperation with upstream game developers, downstream platforms and third party payment vendors to paying players. The Group publishes third party developers' games on its own and third party platforms.

The Group's game publishing service income is pre-determined according to the relevant terms entered into between the Group and the licensor of the game. The games published on the platforms are hosted, maintained and updated by the licensor of the game, and the Group mainly provides access to the platforms and limited after-sale basic technical support to the paying players. The Group has evaluated and determined it is not the primary obligor in the services rendered to the paying players. Accordingly, the Group records its revenue, net of portion of sharing of revenues with the game developers when the paying players purchase in-game virtual items from the relevant mobile games.

The IASB has issued a number of amendments to IFRSs which are first effective for accounting period beginning on 1 January 2015, the adoption of these amendments has no material impact on how the Group's results and financial position for the current and prior periods have been prepared and presented. The Group has not early adopted the new/revised IFRSs which have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new/revised IFRSs and the Directors so far anticipated that the application of these new/revised IFRSs will have no material impact on the Group's unaudited condensed consolidated financial statements.

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

The new Hong Kong Companies Ordinance, Cap. 622, will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Directors consider that there is no impact on the Group's financial position or performance and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) *Critical accounting estimates and assumptions*

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

Valuation of intangible assets and estimated useful lives

The Group has made estimations and assumptions in relation to the potential future cash flows of identifiable intangible assets acquired as part of business combinations. This assessment involves estimations and assumptions relating to potential future revenues, appropriate discount rates and the estimated useful lives of such assets. These estimations and assumptions impact the statement of profit or loss over the estimated useful life of the intangible asset.

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units ("CGUs") to which goodwill and the intangible assets have been allocated. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of selling products of similar nature. Management reassesses the estimation at each reporting period end.

Fair values of financial instruments

Financial instruments such as available-for-sale investments, financial assets and liabilities at fair value through profit or loss, redeemable convertible preference shares and convertible bonds are initially measured at fair value. Certain financial instruments are remeasured at fair value at subsequent reporting dates. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group uses the values determined by the internal or external valuation techniques to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities requires varying degrees of judgement by management, which may result in different fair values and results. The assumptions with regard to the fair value of available-for-sale investments, redeemable convertible preference shares, financial liabilities at fair value through profit or loss and convertible bonds, detailed in Notes 13, 19, 20 and 21 to the unaudited condensed consolidated financial statements respectively, have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period.

Valuation of share options granted

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

Impairment of assets

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

Impairment of trade and other receivables

Management determines impairment of trade and other receivables on a regular basis. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. Further information on the impairment of trade and other receivables is included in Note 16 to the unaudited condensed consolidated financial statements.

Current taxation and deferred taxation

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

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

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

Contingent considerations

As part of the consideration for the business combinations as set out in Note 28, contingent consideration is valued at fair value at the acquisition date with the best estimates of the future outcome of the future events, such as earn-outs arrangement. Where the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at the end of each reporting period. The determination of the fair value is based on the expected adjustment on consideration shares to be issued. The key assumptions take into consideration the probability of meeting each profit target.

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

Subsidiaries

During the six months ended 30 June 2015, the Group has expanded its business in the development, distribution and operating of mobile games ("mobile games"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under the People's Republic of China (the "PRC") laws and regulations. Accordingly, the wholly foreign-owned enterprise within the Group cannot acquire equity interest in the PRC entity, which hold certain licenses and permits required for the operation of mobile games business. As a result, the Group acquired 70% equity interest in Honestway Global Group Limited ("HGGL"), a limited liability company incorporated in the British Virgins Islands, which indirectly owned a wholly foreign-owned enterprise, 深圳八零八八科技有限公司 (Shenzhen 8088 Technology Co., Ltd.* or "SZ8088"), and SZ8088 entered into contractual arrangements ("Contractual Arrangements") with a company with limited liability established in the PRC, 上海威搜游科技有限公司 (Shanghai VSOYOU Technology Co., Ltd.* or "VSOYOU"), and its respective registered shareholders in order to conduct the mobile games business in the PRC and to assert management control over the operation of, and enjoy all economic benefits of VSOYOU.

SZ8088 has entered into a series of Contractual Arrangements between VSOYOU and its respective registered shareholders which enable SZ8088 to:

- exercise effective financial and operating control over VSOYOU;
- exercise equity holders' voting rights of VSOYOU under the proxy agreement;
- receive substantially all of the economic interest returns generated by VSOYOU in consideration for the technology services, marketing services and other services provided by SZ8088 under the exclusive consultancy agreement;
- obtain irrecoverable and exclusive option right to purchase the entire equity interest in VSOYOU from the respective registered shareholders at a minimum purchase price permitted by PRC laws and regulations. SZ8088 may exercise such options at any time until it has acquired all equity interests of VSOYOU;
- obtain a pledge over the entire equity interest of VSOYOU from its respective registered shareholders as collateral security for all of VSOYOU's payments due to SZ8088 and to secure the performance of VSOYOU's obligations under the Contractual Arrangements;
- provide interest-free loan facilities of up to an amount to be agreed to the respective registered shareholder who shall only contribute the loan to the registered capital of VSOYOU for the development of the business of VSOYOU under the loan agreement. The loan shall be repaid by way of transfer of the equity interest in VSOYOU held by the respective registered shareholder to SZ8088 or its nominee(s); and
- purchase copyrights in respect of software for the games owned by VSOYOU at a consideration to be determined and settled in cash under the asset purchasing agreement.

The Group does not have any equity interest in VSOYOU. However, as a result of the effective execution of Contractual Arrangements, the Group has rights to variable returns from its involvement with VSOYOU and has the ability to affect those returns through its power over VSOYOU and is considered to control VSOYOU indirectly through SZ8088. Consequently, the Company regards VSOYOU as its indirect non-wholly owned subsidiary and the Group has consolidated the financial position and performance of VSOYOU in the consolidated financial statements since the date of acquisition. Significant judgments have been exercised by management in assessing and concluding VSOYOU as a subsidiary of the Group.

Further details of the Contractual Arrangements are set out in the Company's announcement dated 1 December 2014 and circular dated 2 March 2015.

* The English translation of Chinese name of the PRC entities, if any, is included for identification only and should not be regarded as their official English translation.

4. SEGMENT INFORMATION

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

The Group has identified the following reportable operating segments:

- (i) Asset management — provision of fund management and asset management.
- (ii) Strategic investment — acquiring controlling stakes in companies engaging in among others, O2O (Online to Offline) lifestyle and e-commerce business.

Each of these operating segments is managed separately as each of them requires different resources.

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

- loss on disposal of subsidiaries;
- loss on financial liabilities at fair value through profit or loss;
- share-based compensation expense;
- amortisation of intangible assets;
- finance costs;
- taxation; and
- certain other unallocated income and expenses

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

Segment assets include all assets but available-for-sale investments as well as corporate assets unrelated to the business activities of any operating segment.

Segment liabilities include all liabilities but exclude financial liabilities at fair value through profit or loss, convertible bonds, borrowings, deferred tax liabilities and corporate liabilities unrelated to the business activities of any operating segments.

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

(a) Business Segments

	Asset management		Strategic investment		Total	
	Unaudited Six months ended 30 June 2015 HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000	Unaudited Six months ended 30 June 2015 HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000	Unaudited Six months ended 30 June 2015 HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000
Revenue from external customers	-	3,255	47,678	11,544	47,678	14,799
Total segment loss from operations	(1,133)	(9,060)	(21,784)	(11,522)	(22,917)	(20,582)
Other income not allocated					914	14
Loss on disposal of subsidiaries					(512)	-
Loss on financial liabilities at fair value through profit or loss					(1,089)	(733)
Share-based compensation expense					(945)	(20,166)
Amortisation of intangible assets					(14,677)	-
Unallocated corporate expenses					(9,380)	(6,839)
Loss from operations					(48,606)	(48,306)
Finance costs					(9,465)	(2,747)
Loss before taxation					(58,071)	(51,053)
Taxation credit					571	-
Loss for the period					(57,500)	(51,053)

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

	Asset management		Strategic investment		Total	
	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Segment assets	1,876	1,497	330,302	196,316	332,178	197,813
Unallocated property, plant and equipment					884	70,634
Available-for-sale investments					818	818
Unallocated corporate assets					86,331	100,096
Total assets					420,211	369,361

All assets are allocated to reportable segments other than unallocated assets (mainly comprising available-for-sale investments, certain other receivables and cash and cash equivalents).

	Asset management		Strategic investment		Total	
	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Segment liabilities	16	38	32,723	24,095	32,739	24,133
Financial liabilities at fair value through profit or loss					25,228	28,185
Convertible bonds					167,651	183,331
Borrowings					6,101	40,452
Deferred tax liabilities					13,756	10,734
Unallocated corporate liabilities					108,039	70,387
Total liabilities					353,514	357,222

All liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising contingent consideration payables).

	Asset management		Strategic investment	
	Unaudited Six months ended 30 June 2015 HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000	Unaudited Six months ended 30 June 2015 HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000
Other segment information				
Depreciation of property, plant and equipment	–	51	3,922	69
Loss/(Gain) on disposal of property, plant and equipment	–	131	(2)	–
Write off of property, plant and equipment	–	7	–	–
Share-based compensation expense	–	63	55	68
Income tax expense	–	–	571	–

(b) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	Unaudited Six months ended 30 June 2015 HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Hong Kong (place of domicile)	31,401	11,544	150,540	234,902
The PRC	16,277	3,255	100,540	–
	47,678	14,799	251,080	234,902

5. REVENUE

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Sales of goods	21,475	11,197	10,028	6,643
Sales of food and beverages	974	260	516	151
Fund management fee income	–	3,255	–	1,500
Advertising income	3,215	87	1,631	–
Sales of in-app purchase items	5,737	–	2,389	–
Game publishing service income	16,277	–	16,277	–
	47,678	14,799	30,841	8,294

6. OTHER INCOME

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Bank interest income	195	3	78	3
Gain on de-registration of a subsidiary	–	211	–	211
Gain on disposal of property, plant and equipment	2	–	–	–
Rental income	645	137	–	68
Others	247	311	155	259
	1,089	662	233	541

7. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Fees	204	150	104	75
Salaries, allowances and benefits in kind	12,535	13,220	6,950	8,737
Termination payments	–	543	–	543
Bonus paid and payable	216	120	29	88
Share-based compensation expense	312	7,793	130	7,715
Retirement fund contributions	443	220	266	200
	13,710	22,046	7,479	17,358

8. FINANCE COSTS

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Effective interest expense on convertible bonds — wholly repayable within five years (Note 21)	7,818	2,301	3,858	1,266
Effective interest expense on redeemable convertible preference shares (Note 19)	43	42	22	21
Interest on bank loans — not wholly repayable within five years	80	181	–	91
Other interest expense — wholly repayable within five years	1,524	223	1,227	112
	9,465	2,747	5,107	1,490

9. LOSS BEFORE TAXATION

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Loss before taxation is arrived at after charging/(crediting):				
Auditor's remuneration				
— audit services	258	219	216	130
— other services	509	30	443	30
Cost of inventories recognised as expenses	13,823	7,009	6,360	4,240
Depreciation of property, plant and equipment	4,538	2,019	2,240	1,323
Amortisation of intangible assets (included in administrative expenses)	14,677	–	8,591	–
Employee benefit expense (including directors' remuneration) (Note 7)	13,710	22,046	7,479	17,358
Share-based compensation expense — others	633	12,373	189	12,373
(Gain)/Loss on disposal of property, plant and equipment	(2)	147	–	147
Write off of property, plant and equipment	–	7	–	7
Foreign exchange losses/(gain), net	24	(1)	26	(1)
Impairment of inventories	154	22	36	50
Operating lease charges in respect of leased premises	10,714	6,533	5,874	4,842

10. TAXATION CREDIT/(CHARGE)

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current tax				
Hong Kong:				
— Charged for the period	(468)	—	(278)	—
PRC Enterprise Income Tax				
— Charged for the period	(1,596)	—	(1,596)	—
Deferred tax	2,635	—	1,717	—
Taxation credit/(charge)	571	—	(157)	—

Hong Kong profits tax has been provided at the tax rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months and three months ended 30 June 2015. The Group's subsidiaries operating in the PRC are subject to PRC Enterprise income tax at the tax rate of 25%.

No Hong Kong profits tax has been provided in the unaudited condensed consolidated financial statements as the Group did not make any assessable profit for the six months and three months ended 30 June 2014.

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2015	2014 (Restated)	2015	2014 (Restated)
<i>(HK\$'000)</i>				
Loss for the purpose of calculating basic loss per share (consolidated loss attributable to owners of the Company)	(57,419)	(46,968)	(32,162)	(42,070)
<i>(Number)</i>				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	3,156,842,685	2,583,303,756	3,255,886,102	2,713,785,912
(HK cents)				
Basic loss per share	(1.82)	(1.82)	(0.99)	(1.55)

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 dated 10 December 2014 and 27 January 2015 and circular dated 19 December 2014.

The comparative figures for the basic loss per share for the six months and three months ended 30 June 2014 are restated to take into effect the Company's Bonus Issue completed during the period under review retrospectively as if they had taken place since the beginning of the respective comparative periods.

For the six months and three months ended 30 June 2015 and 2014, the diluted loss per share would reduce if the outstanding share options, convertible bonds, warrants and redeemable convertible preference shares were taken into account, as those financial instruments had an anti-dilutive effect and were hence ignored in the calculation of diluted loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment totalling HK\$2,232,000 which included HK\$437,000 in respect of the acquisition of 70% equity interest in HGGL (Note 28). Additions of HK\$1,702,000 were included in the assets of the business segment of strategic investment as disclosed in Note 4, while the remaining additions of HK\$93,000 were included in unallocated corporate assets.

On 17 February 2015, the Group disposed of a property 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 27).

13. AVAILABLE-FOR-SALE INVESTMENTS

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Unlisted investments, at cost		
Equity securities	818	818
Less: Impairment losses	–	–
	818	818

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

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
At 1 January	818	10,000
Additions during the period/year	–	818
Transfer to investment in a subsidiary	–	(10,000)
At 30 June/31 December	818	818

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

14. INTANGIBLE ASSETS

	Goodwill HK\$'000	Trademark licence HK\$'000	Platform HK\$'000	Content agreement HK\$'000	Intellectual property HK\$'000	Mobile games HK\$'000	Distribution network HK\$'000	Total HK\$'000
Carrying amount at 1 January 2014 (Audited)	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	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	(4,836)	-	-	(5,250)	-	-	-	(10,086)
	<u>87,173</u>	<u>12,000</u>	<u>15,983</u>	<u>-</u>	<u>37,069</u>	<u>-</u>	<u>-</u>	<u>152,225</u>
Carrying amount at 31 December 2014 (Audited)	87,173	12,000	15,983	-	37,069	-	-	152,225
Acquisition of subsidiaries (Note 28)	79,677	-	-	-	-	14,859	7,768	102,304
Amortisation	-	(1,440)	(6,850)	-	(3,883)	(1,857)	(647)	(14,677)
	<u>166,850</u>	<u>10,560</u>	<u>9,133</u>	<u>-</u>	<u>33,186</u>	<u>13,002</u>	<u>7,121</u>	<u>239,852</u>
Carrying amount at 30 June 2015 (Unaudited)	166,850	10,560	9,133	-	33,186	13,002	7,121	239,852

Notes:

- (a) Goodwill acquired through acquisition of subsidiaries during the six months ended 30 June 2015 (Note 28) and is allocated to the Group's CGU. A summary of goodwill allocation is presented below:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
HMV Ideal Limited and its subsidiaries ("HMV Ideal Group")	21,151	21,151
Complete Star Limited ("CSL") and its subsidiary ("CSL Group")	66,022	66,022
HGGL and its subsidiaries ("HGGL Group")	79,677	-
	<u>166,850</u>	<u>87,173</u>

- (b) 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.vissible.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, a former indirect wholly-owned subsidiary of HMV Ideal at the time of signing the agreement, and Google Ireland Limited, which enabled VS Media Limited to publish its video contents through the Google platform (YouTube) and share the advertising revenue with Google. On 22 December 2014, the Group disposed of 98% equity interests in VS Media Co Limited and its subsidiary together with the content agreement.

Intellectual property represents a series of interactive role-playing game Apps available on the three major global digital distribution platform, namely Apple's App Store, Google's Play Store and Amazon's App Store which arose from the acquisition of 70% equity interest in CSL on 9 October 2014.

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.

Amortisation is provided on straight-line method over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any impairment losses. The amortisation expenses is recognised in profit or loss.

Trademark licence	5 years
Platform	2 years
Content agreement	2 years
Intellectual property	5 years
Mobile games	2 years
Distribution network	3 years

15. INVENTORIES

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Finished goods for resale	6,784	6,649

16. TRADE AND OTHER RECEIVABLES

	Notes	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Trade receivables	(i)	29,377	380
Other receivables	(ii)	13,067	18,912
Deposits and prepayments	(iii)	24,309	5,633
Total		66,753	24,925

Notes:

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

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
0–30 days	26,306	244
31–60 days	432	95
61–90 days	1,149	41
Over 90 days	1,490	–
Total	29,377	380

Sales of goods and food and beverages are normally made on a cash basis. Credit card receivables from financial institutions in respect of those sales are aged within 45 days (31 December 2014: 45 days).

Game publishing service income are receivables from mobile network operators and channel owners and are aged within 30 to 120 days (31 December 2014: Nil).

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

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Less than 30 days past due	1,149	339
31–60 days past due	1,447	41
61–90 days past due	–	–
Over 90 days past due	41	–
	<hr/> 2,637 <hr/>	<hr/> 380 <hr/>

As at 30 June 2015, trade receivables of approximately HK\$2,637,000 were past due but not impaired (31 December 2014: HK\$380,000). Management believes that no impairment allowance is necessary in respect of these balances as the balances are still considered to be fully recoverable.

- (ii) As at 30 June 2015 other receivables of approximately HK\$6,043,000 were past due but not impaired (31 December 2014: HK\$18,912,000). Management believes that no impairment allowance is necessary in respect of these balances as the balances are still considered to be fully recoverable.
- (iii) Included in deposits and prepayments was a deposit paid of HK\$5,850,000 (31 December 2014: HK\$5,850,000) for an investment to co-finance the Chinese Series of a popular television drama in the United States of America (the "Series"). The co-financing investment is subject to various conditions precedent, which, up to 1 August 2015, have not been satisfied. According to the financing agreement, the Group is therefore entitled to receive reimbursement of the full amount of the investment or assume control of production and distribution of the Series and deliver to applicable distributors.

17. TRADE AND OTHER PAYABLES

	Notes	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Trade payables	(i)	13,561	9,237
Other payables	(ii)	115,282	64,198
Accrued charges	(iii)	5,123	7,720
Advances from a director	(iv)	–	11,600
Total		133,966	92,755
Categorised as:			
Current portion		93,624	68,666
Non-current portion		40,342	24,089
		133,966	92,755

Notes:

- (i) Ageing analysis of the trade payables based on invoice date are as follows:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
0–30 days	9,151	–
31–60 days	1,879	3,305
61–90 days	1,248	5,616
Over 90 days	1,283	316
	13,561	9,237

- (ii) The balance included the aggregate contingent consideration payable by the Group of HK\$107,141,000 (31 December 2014: HK\$64,198,000) for (i) the acquisition of 70% equity interest in CSL of HK\$23,991,000 payable during the year ending 31 December 2016 (31 December 2014: HK\$40,809,000 payable during the year ending 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\$8,843,000 payable during the year ending 31 December 2015, HK\$33,965,000 payable during the year ending 31 December 2016 and HK\$40,342,000 payable during the year ending 31 December 2017.
- (iii) The balance included the provision for store reinstatement costs of HK\$700,000 (31 December 2014: HK\$700,000) the Group is presently obligated to make under a non-cancellable operating lease contract.
- (iv) 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 six months ended 30 June 2015, the advances were fully repaid (Note 24).

18. BORROWINGS

	Note	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Current liabilities			
Bank loans — secured	(i)	–	2,623
Redeemable convertible preference shares (Note 19)		6,101	7,502
		6,101	10,125
Non-current liabilities			
Bank loans — secured	(i)	–	30,327
Total		6,101	40,452
		Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000

Borrowings are repayable as follows:

Within one year	6,101	10,125
In the second year	–	2,510
In the third to fifth years	–	7,793
After the fifth year	–	20,024
Total	6,101	40,452

Note:

- (i) Bank property instalment loans totaling HK\$30,000,000 and HK\$10,000,000 were raised in 2011 and 2014 which were interest bearing at 1.25% over 1-month HIBOR per annum and 2.25% over 1-month HIBOR per annum respectively and were 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.

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

The loans were disposed 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.

19. 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 ordinary shares of the Company at an initial conversion price of HK\$1.23 per share, subject to the conversion price reset scheme. At the end of 6-month period from the issue date and at the end of every 6-month period thereafter, the conversion price per share shall be adjusted to 110% of the one-month volume weighted average price of the ordinary shares of the Company. The conversion price shall not be lower than the par value of the ordinary shares of the Company. The RCPS mature five years from the issue date at an amount equals to the initial RCPS subscription price of the RCPS redeemed or can be converted into shares on and after the issue date up to 7 September 2016 at the holder's option upon the payment of the remaining balance of US\$1.90 per share. The RCPS holders may request the Company to redeem the RCPS (in whole or in part) on or after the third anniversary of the issue date of the RCPS. The RCPS are not entitled to any dividend 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 and 27 January 2015 and the prevailing conversion price is HK\$0.12 per share as reset upon the completion issuance of convertible bond of HK\$140,000,000 on 20 July 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 under current liabilities.

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

	Unaudited	Audited
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Net carrying amount at 1 January	7,502	7,581
Exercise of redeemable convertible preferences shares	(1,444)	(167)
Effective interest expense for the period/year (Note 8)	43	88
	<hr/>	<hr/>
Net carrying amount at 30 June/31 December (Note 18)	6,101	7,502

Interest expense on the RCPS is calculated using the effective interest method by applying the effective interest rate of 1.14% (31 December 2014: 1.14%) per annum.

20. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
<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	–	14,718
Loss on financial liabilities at fair value through profit or loss	1,089	2,480
	<hr/>	<hr/>
Balance at 30 June/31 December	22,110	24,364
	<hr/>	<hr/>
<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
	<hr/>	<hr/>
Balance at 30 June/31 December	–	–
	<hr/>	<hr/>
<i>Derivatives embedded in the redeemable convertible preference shares issued:</i>		
Balance at 1 January	3,821	825
Exercise of redeemable convertible preference shares	(703)	(74)
Loss on financial liabilities at fair value through profit or loss	–	3,070
	<hr/>	<hr/>
Balance at 30 June/31 December	3,118	3,821
	<hr/>	<hr/>
Total	25,228	28,185
	<hr/>	<hr/>
Categorised as:		
Current liabilities	3,118	7,164
Non-current liabilities	22,110	21,021
	<hr/>	<hr/>
Total	25,228	28,185
	<hr/>	<hr/>
Losses recognised in profit or loss relating to financial instruments held by the Group at 30 June/31 December	1,089	6,009
	<hr/>	<hr/>

The fair values at 30 June 2015 and 31 December 2014 are calculated using the Binomial Option Pricing Model for the derivatives embedded in the convertible bonds and RCPS respectively. The inputs into the model are as follows:

	Derivatives embedded in the convertible bonds issued				Derivatives embedded in the redeemable convertible preference shares issued	
	2014 Convertible Bonds		Tranche 1 and Tranche 2 Convertible Bonds			
	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014	Unaudited 30 June 2015	Audited 31 December 2014
Expected volatility	74.44%	68%	N/A	64.92%	91.91%	61.05%
Expected life	1.95 years	2.45 years	N/A	0.76 year	1.21 years	1.70 years
Risk-free rate	0.92%	1.37%	N/A	0.101%	0.12%	0.44%
Spot price	HK\$0.39	HK\$2.48	N/A	HK\$2.48	HK\$0.39	HK\$2.48
Expected dividend yield	0%	0%	N/A	0%	0%	0%

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

Increased volatility by 5% would increased the fair value of embedded derivatives in convertible bonds and redeemable convertible preference shares by approximately HK\$1,631,000 and HK\$nil respectively. Lower volatility by 5% would decreased the fair value of embedded derivatives in convertible bonds and redeemable convertible preference shares by approximately HK\$1,173,000 and HK\$nil respectively.

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 loans (Note 18).

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

In accordance with the terms and conditions thereof, the conversion price was reset on 4 April 2011, 4 October 2011, 4 April 2013, 24 February 2014 and 27 January 2015.

(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 have been fulfilled and that the issue of the 2014 Convertible Bonds has been completed.

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

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

	Unaudited	Audited
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	Note	
Net carrying amounts at 1 January	183,331	44,511
Effective interest expense for the period/year (Note 8)	7,818	11,044
Conversion during the period/year	(23,498)	(13,581)
Redemption during the period/year	–	(10,525)
Issue of 2014 Convertible Bonds during the period/year	–	151,882
	<hr/>	<hr/>
Net carrying amounts at 30 June/31 December	167,651	183,331
	<hr/>	<hr/>
Categorised as:		
Current liabilities	–	23,313
Non-current liabilities	167,651	160,018
	<hr/>	<hr/>
	167,651	183,331
	<hr/>	<hr/>

Note:

- (i) During the six months period ended 30 June 2015, principal amount of HK\$21,000,000 of Tranche I Convertible Bonds (year ended 31 December 2014: HK\$13,000,000 of Tranche 1 and Tranche 2 Convertible Bonds) was converted into 175,000,000 (year ended 31 December 2014: 17,105,262) ordinary shares of the Company at the conversion price of HK\$0.12 (year ended 31 December 2014: HK\$0.76) per share, with the carrying value of the liability component of the convertible bonds of HK\$23,498,000 (year ended 31 December 2014: HK\$13,581,000) at the date of conversion.

The interest expense of the 2014 Convertible Bonds and Tranche 1 Convertible Bonds for the six months ended 30 June 2015 is calculated using the effective interest method by applying an effective interest rate of 10.08% (31 December 2014: 10.08%) and 9.43% (31 December 2014: 9.43%) to the liability component respectively. Interest expense of Tranche 2 Convertible Bonds for the year ended 31 December 2014 was calculated using effective interest method by applying an effective interest rate of 10.95% per annum to the liability component.

22. SHARE CAPITAL

	Number of ordinary shares	Number of redeemable convertible preference shares	Value HK\$'000
Authorised			
(par value of US\$0.01 each)			
As 30 June 2015 and 31 December 2014	19,000,000,000	1,000,000,000	1,560,000
Issued and fully paid			
(par value of US\$0.01 each)			
At 31 December 2014 (Audited)	473,173,057	9,799,790	36,907
Consideration shares issued for the acquisition of CSL (Note (a))	71,404,338	–	5,570
Issue of bonus shares (Note (b))	2,366,865,285	–	184,615
Conversion of convertible bonds (Note (c))	175,000,000	–	13,650
Exercise of redeemable convertible preference shares (Notes (d), (e) & (f))	226,092,000	(1,884,100)	17,635
Exercise of share options (Notes (g) to (m))	30,402,933	–	2,372
At 30 June 2015 (Unaudited)	3,342,937,613	7,915,690	260,749

Notes:

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.

- (e) 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.
- (f) 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.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) 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.
- (k) 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.
- (l) 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.
- (m) 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.

23. RESERVES

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Share premium	149,198	280,266
Convertible bonds equity reserve	8,061	8,061
Capital reserve	2,112	2,112
Capital redemption reserve	601	601
Employee share-based compensation reserve	49,370	52,331
Shares to be issued upon exercise of redeemable convertible preference shares	13,277	–
Foreign exchange reserve	12	–
Accumulated losses	(437,228)	(380,092)
Total	(214,597)	(36,721)

24. MATERIAL RELATED PARTY TRANSACTIONS

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

- (a) Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company is as follows:

	Unaudited Six months ended 30 June 2015 HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000
Fees	204	150
Salaries, allowances and benefits in kind	3,198	581
Retirement fund contributions	27	–
Share-based compensation expense	–	6,873
	3,429	7,604

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

	Unaudited Six months ended 30 June 2015 HK\$'000	Unaudited Six months ended 30 June 2014 HK\$'000
Fee rebate paid and payable to key management staff of the Group	–	57
Service fee paid and payable to the non-controlling shareholder, Outblaze	1,184	–

Note:

- (i) Service fee was charged based on terms mutually agreed between the relevant parties.

- (c) As at 30 June 2015 and 31 December 2014, the balances with related parties were:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Advances from a director, Mr. Wu King Shiu, Kelvin (Note 17)	–	11,600
Amount due to Outblaze	506	270

25. COMMITMENTS

Operating leases

As at 30 June 2015, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of leased premises are payable as follows:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Within one year	21,950	19,560
In the second to fifth years	14,660	8,476
	36,610	28,036

26. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2015, the Group has the following major non-cash transactions:

- (i) On 29 January 2015, the Tranche 1 Convertible Bonds in aggregate principal amount of HK\$21,000,000 at the conversion price of HK\$0.12 per share whereby a respective total number of 175,000,000 conversion shares were issued. As a result of the conversion, share capital and share premium account of the Company have increased by approximately HK\$13,650,000 and HK\$13,191,000 respectively and aggregate of which represents proportional amounts of the derivative component and the liability component at the time of conversion.
- (ii) On 30 April 2015, 41,564,729 shares were issued to Outblaze in respect of the second instalment of consideration for the acquisition of 70% equity interest in CSL. As the 2014 profit bonus has been achieved, 29,839,609 shares were issued to Outblaze to settle the profit bonus payment.

During the six months ended 30 June 2014, the Group has the following major non-cash transactions:

- (i) On 24 February 2014, the Group acquired approximately 53.18% equity interest in HMV Ideal, at a fair value consideration of HK\$43,200,000, which was satisfied by way of allotment and issue of 60,000,000 ordinary shares of the Company.
- (ii) On 5 May 2014 and 6 June 2014, Tranche 1 and Tranche 2 Convertible Bonds in aggregate principal amount of HK\$10,000,000 at the conversion price of HK\$0.76 per share whereby a respective total number of 13,157,894 conversion shares were issued. As a result of the conversion, share capital and share premium account of the Company had increased by approximately HK\$1,026,000 and approximately HK\$11,786,000 respectively and the aggregate of which represented proportional amounts of the derivative component and the liability component at the time of conversion.

27. DISPOSAL OF SUBSIDIARIES

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:

	Unaudited 2015 HK\$'000
Net assets of subsidiaries disposal of:	
Property, plant and equipment	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 period	512
	<hr/>
Satisfied by:	
Cash	37,000
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration	37,000
Cash and bank balances disposed of	(332)
	<hr/>
	36,668
	<hr/>

28. ACQUISITION OF SUBSIDIARIES

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

	Notes	Unaudited 2015 HK\$'000
Net assets acquired:		
Property, plant and equipment		437
Trade and other receivables, deposits and prepayments		27,864
Cash and cash equivalents		5,320
Intangible assets (Note 14)		22,627
Trade and other payables		(18,662)
Provision for taxation		(3,019)
Deferred tax liabilities recognised upon fair value adjustments		(5,657)
		<hr/>
The provisional fair value of net assets acquired		28,910
Less: Non-controlling interests		(8,673)
		<hr/>
		20,237
Total consideration		99,914
		<hr/>
Goodwill arising on acquisition (Note 14)	(ii)	79,677
		<hr/>
Consideration satisfied by:		
Cash		17,686
Contingent consideration payable, at fair value	(iii)	82,228
		<hr/>
		99,914
		<hr/>
Net cash outflow arising on acquisition:		
Cash consideration		(17,686)
Cash and bank balances acquired		5,320
		<hr/>
		(12,366)
		<hr/>

As at the date of these unaudited condensed 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.

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 have been impaired and it is expected that the full contractual amount can be collected.
- (ii) Goodwill of HK\$79,677,000 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 instalment 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, years ending 31 December 2015 and 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 ending 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 ending 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, years ending 31 December 2015 and 31 December 2016.

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 HK\$88,431,000). At the acquisition date, the fair value of the contingent consideration payable of HK\$82,228,000 was estimated by applying the discounted cash flow approach at a discount rate of 5.25%. As of 30 June 2015, the fair value of the contingent consideration payable was increased by approximately HK\$922,000 as a result of the effective interest for the period from the date of acquisition up to 30 June 2015.

- (iv) The acquired business contributed revenue of approximately HK\$16,276,000 and profit after income tax of approximately HK\$2,495,000 for the period from 2 April 2015 to 30 June 2015.

Had the acquisition occurred on 1 January 2015, the HGGL Group's revenue and profit after income tax would have been approximately HK\$36,606,000 and approximately HK\$8,844,000 respectively for the period ended 30 June 2015.

This proforma 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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, which are the same as those detailed in the Company's 2014 Annual Report, which are managed through all the Executive Directors of the Company collectively in close cooperation with the Board of Directors.

30. FAIR VALUE MEASUREMENT

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The financial assets and liabilities measured at fair value in the consolidated statement of financial position at 30 June 2015 and 31 December 2014 are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2015 (Unaudited)				
Financial assets:				
Available-for-sale investments				
— Unlisted	—	—	818	818
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Contingent consideration payables	—	—	(25,228)	(25,228)
	—	—	(107,141)	(107,141)
	—	—	(132,369)	(132,369)
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2014 (Audited)				
Financial assets:				
Available-for-sale investments				
— Unlisted	—	—	818	818
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Contingent consideration payables	—	—	(28,185)	(28,185)
	—	—	(64,198)	(64,198)
	—	—	(92,383)	(92,383)

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

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

The fair value of the financial liabilities at fair value through profit or loss and the contingent consideration payables is a Level 3 fair value measurement and is estimated by applying the binomial option pricing model and discounted cash flow method respectively.

No sensitivity analysis for unlisted equity investment is presented as a reasonably possible change in key assumptions used in the sensitivity analysis would not result in any significant potential financial impact.

The determination of fair value is based on discount rate which is unobservable. The significant unobservable input and relationship of this input to fair value are shown as below:

(a) Financial liabilities at fair value through profit or loss

- Derivatives embedded in the redeemable convertible preference shares issued

Significant unobservable inputs	Relationship of unobservable input to fair value
Discount rate of 10%	The higher the discount rate, the lower the fair value.

(b) Financial liabilities at fair value through profit or loss

- Derivatives embedded in the convertible bonds issued

Significant unobservable inputs	Relationship of unobservable input to fair value
Discount rate of 9.32%	The higher the discount rate, the lower the fair value.

(c) Contingent consideration payables

Pursuant to the relevant agreement, the Group is required to pay in cash or by issue or allotment of the Company's shares to the then respective sellers contingent considerations with reference to certain performance indicators as written in the respective agreements with those then sellers. Accordingly, liabilities in respect of the present value of contingent considerations have been recognised. The contingent considerations are subsequently re-measured at their fair values as a result of change in the expected performance at each reporting date, with any resulting gain or loss recognised in the consolidated statement of profit or loss. Deferred consideration is subsequently measured at amortised cost. Details of contingent consideration refer to Note 28(iii) to the unaudited condensed consolidated financial statements.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Unlisted equity investments

	Available-for-sale investments	
	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
At 1 January	818	10,000
Additions	—	818
Transfer to investment in a subsidiary	—	(10,000)
	<hr/> 818	<hr/> 818
At 30 June/31 December	818	818

Financial liabilities at fair value through profit or loss

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
At 1 January	28,185	12,253
Conversion of bonds	(3,343)	(3,061)
Loss on financial liabilities at fair value through profit or loss	1,089	6,009
Exercise of redeemable convertible preference shares	(703)	(74)
Redemption of bonds	–	(826)
Issue of bonds	–	14,718
Exercise of warrants	–	(834)
	<hr/>	<hr/>
At 30 June/31 December	25,228	28,185

Contingent consideration payables

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
At 1 January	64,198	–
Arising from acquisition of subsidiaries	82,228	88,701
Settlement of contingent consideration	(40,809)	(24,777)
Total gains or losses: — in profit or loss (included in finance costs)	1,524	274
	<hr/>	<hr/>
At 30 June/31 December	107,141	64,198
	<hr/>	<hr/>
Gains or losses recognised in profit or loss (included in finance costs) relating to financial instruments held by the Group at the reporting date	1,524	274

The details of the valuation of the fair value of contingent consideration payables are disclosed in Notes 17 and 28.

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

Unlisted securities

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

Financial liabilities at fair value through profit or loss

The fair value of financial liabilities at fair value through profit or loss is measured using the Binomial Option Pricing Model as disclosed in Note 20 to the unaudited condensed consolidated financial statements.

31. EVENTS AFTER THE REPORTING PERIOD

(i) *Placing of shares of the Company*

On 5 June 2015, the Company entered into a placing agreement with UOB Kay Hian (Hong Kong) Limited (the "Placing Agent"), pursuant to which the Placing Agent has conditionally agreed to place up to 4,090,896,000 shares of the Company (comprising up to 2,272,720,000 placing shares and up to 1,818,176,000 optional shares) on a best effort basis to institutional, professional and/or individual investor procured by the Placing Agent (the "Placing"). As at the date of this announcement, the Placing has not yet been completed.

Details of the Placing were set out in the Company's announcement dated 7 June 2015 and circular dated 27 June 2015.

(ii) *Issue of convertible bond of HK\$140,000,000*

On 6 July 2015, the Company and Hong Kong HNA Holding Group Co. Limited ("HNA Holding") entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue, and HNA Holding has agreed to subscribe for, the convertible bond in the aggregate amount of HK\$140,000,000. The issue of the convertible bond was completed on 20 July 2015.

Details of the issue of the convertible bond were set out in the Company's announcement dated 6 July 2015, 10 July 2015 and 20 July 2015.

(iii) *Signing of non-binding indicative term sheet*

On 28 July 2015, Supreme Sharp Limited, an indirectly wholly-owned subsidiary of the Company and an independent third party entered into a non-binding indicative term sheet in relation to the acquisition of the entire interest in a business of providing e-payment technology with an emphasis in offering uncomplicated, secured and prompt payment processing network to domestic and global businesses, for a consideration of HK\$550,000,000, subject to adjustment. As at the date of this announcement, no legally binding agreement has been signed.

Details of the above were set out in the Company's announcement dated 28 July 2015.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

AUDIT COMMITTEE

The Company established an audit committee on 31 March 2000 with the written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises four independent non-executive directors, Messrs. Yuen Kwok On (Chairman), Balme Didier Raymond Marie, 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 reports its work, findings and recommendations to the Board after each meeting.

The audit committee meets at least quarterly with the most recent meeting held on 10 August 2015. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2015 have been reviewed by the audit committee.

REVIEW OF INTERIM FINANCIAL INFORMATION

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

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

The Company has not redeemed any of its shares during the six months ended 30 June 2015 and 30 June 2014. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the six months ended 30 June 2015 and 30 June 2014.

By Order of the Board
AID PARTNERS CAPITAL HOLDINGS LIMITED
Wu King Shiu, Kelvin
Executive Director

Hong Kong, 10 August 2015

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*

Non-Executive Director: *Stephen Shiu Junior*

Independent Non-Executive Directors: *Balme Didier Raymond Marie, Chinn Adam David, Professor Lee Chack Fan, GBS, SBS, JP, Shi Jinsheng, Sin Hendrick and Yuen Kwok On*

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