STOCK CODE: 8088

AID PARTNERS

AID Partners Technology Holdings Limited

滙友科技控股有限公司*

Annual Report 2016

* For identification purpose only

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

Contents

Expressed in Hong Kong dollars ("HK$")

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

This annual report is printed on environmentally friendly paper

About
AID Partners Technology Holdings Limited

AID Partners Technology Holdings Limited (formerly known as AID Partners Capital Holdings Limited) ("AID Partners" or the "Company" and, together with its subsidiaries, the "Group") is a strategic investment group listed on GEM (HK GEM 8088).

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

Highlights

Revenue

Up 28.3% to HK$206.1 million

(2015: HK$160.7 million)

Gross profit

Up 23.3% to HK$89.9 million

(2015: HK$72.9 million)

Profit attributable to owners of the Company

HK$504.6 million

(2015: Loss of HK$233.1 million)

Equity attributable to owners of the Company

HK$1,467.6 million

(2015: HK$727.4 million)

Management Discussion and Analysis

OVERVIEW

During the year under review, the Group has continued to engage in the businesses of strategic investment and asset management. The Group is focused on selecting attractive investment opportunities with an objective to enhance the value of the Group, and hence maximise the return of its shareholders. The Group has made various investments and disposals during the year under review.

BUSINESS REVIEW

(A) New Investments

(i) Investment in STAYJAPAN.com

On 29 January 2016, the Group completed the acquisition of approximately 14.74% equity interest in Kabushiki Kaisha Hyakusen Renma, a company incorporated in Japan which owns and operates STAYJAPAN.com (https://stayjapan.com/) — one of the leading legitimate platforms in Japan for licensed property owners to list vacant rooms for private lodging and for guests to book vacation rentals, at a cash consideration of JPY490 million (equivalent to approximately HK$32.7 million).

(ii) Establishment of AID Japan and investment in StylesBank Inc.

On 1 April 2016, the Group acquired the entire issued share capital of AID Japan Co., Ltd.* ("AID Japan") (formerly known as EEL 21 Co., Ltd.*), a long established business advisory company in Japan principally focusing in entertainment and investment, at a cash consideration of JPY60 million (equivalent to approximately HK$4.2 million) and on 9 September 2016, the Group acquired approximately 33.33% equity interest in StylesBank Inc., a company incorporated in Japan which operates as an e-commerce service provider specialising in building and managing third party online shopping websites, at a cash consideration of JPY60 million (equivalent to approximately HK$4.0 million).

With the aforementioned acquisitions and investments, the Group has demonstrated its competitiveness in Japan and has further strengthened its capability in Japan and across the Asia Pacific region.

(iii) Acquisition of Mystery Apex Limited

On 31 May 2016, the Group completed the acquisition of the entire issued share capital of Mystery Apex Limited ("Mystery Apex"), which is principally engaged in the provision of online music streaming service to the public through mobile apps and personal computer, at a cash consideration of approximately HK$2.9 million.

(iv) Investment in Zoox, Inc.

On 23 May and 24 June 2016, the Group completed the acquisition of an aggregate of 581,387 series A preferred stocks of Zoox, Inc., a company incorporated in the United States of America (the "US") with limited liability, at an aggregate cash consideration of US$30 million (equivalent to approximately HK$234 million). The company is principally engaged in robotics, pioneering autonomous mobility-as-a-service and is developing a breakthrough, fully automated, electric vehicle fleet and the supporting ecosystem required to bring the service to market at scale.

Management Discussion and Analysis

(v) Acquisition of Rosy Year Investments Limited

On 9 September 2016, the Group completed the acquisition of the entire issued share capital of Rosy Year Investments Limited, which is developing a real-time video streaming app as well as owning 30% equity interest in Honestway Global Group Limited ("HGGL"), at a cash consideration of HK$42 million. HGGL and its subsidiaries (the "HGGL Group") is principally engaged in the development, distribution and operation of mobile games in the People's Republic of China (the "PRC").

(vi) Investment in Shrine Holdings, LLC

On 15 December 2016, the Group invested in Shrine Holdings, LLC ("Shrines Sub"), a consumer focused website built around user-generated content about popular culture, sorted by the "Interest Graph", where subjects are sorted by interests, and not the "social graph" like Facebook, where topics are sorted by friends and social connections. The investment was completed on 30 December 2016. With a cash consideration of US$125,000 (equivalent to approximately HK$975,000) (the "Cash Investment") and the consideration in kind valued at US$175,000 (equivalent to approximately HK$1,365,000) as disclosed in paragraph (ii) under the section headed "(B) Disposal of Investments", the Group will own an aggregate of not less than 6.2% equity interest in Shrines Sub.

(B) Disposal of Investments

(i) Disposal of HMV M&E Limited ("HMV M&E") and its subsidiaries ("HMV M&E Group")

On 1 March 2016, the Group entered into a sale and purchase agreement with WiL Fund I, L.P. ("WiL"), an independent third party, which is one of the largest venture capital funds in Japan, pursuant to which (i) the Group has agreed to sell 2,250 existing ordinary shares of HMV M&E, an indirect wholly-owned subsidiary of the Group, for a cash consideration of US$9 million (equivalent to approximately HK$70.2 million); and (ii) the Group shall apply the consideration received for the subscription of 2,250 new ordinary shares in the capital of HMV M&E (the "HMV Disposal I"). The HMV Disposal I was completed on 4 March 2016 and as a result, HMV M&E was owned as to approximately 18.37% by WiL and as to approximately 81.63% by the Group.

On 14 March 2016, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of HMV Digital China Group Limited (formerly known as China 3D Digital Entertainment Limited) (Stock code: 8078) ("HMV Digit China"), a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM, in which the Group has agreed to sell 10,000 existing ordinary shares, representing approximately 81.63% equity interest, in HMV M&E, for a consideration of approximately HK$408.2 million to be satisfied by the issue and allotment of an aggregate of 1,118,219,178 shares (the "Consideration Shares") of HMV Digit China (the "HMV Disposal II"). HMV Digit China is principally engaged in the entertainment business, with a focus in television program and movie production, distribution, distribution licensing, cinema operation and management in both Hong Kong and the PRC, artists management, money lending activities and acquisitions of corporate bonds, preference shares as well as investment in securities. The HMV Disposal II was completed on 3 August 2016. The Consideration Shares represented approximately 20.47% of the issued share capital of HMV Digit China as at the date of completion and 31 December 2016, which was accounted for as an associate of the Group accordingly.

Management Discussion and Analysis

(ii) Disposal of Vissible Co & Limited

On 15 December 2016, the Group entered into a stock purchase agreement (the "Stock Purchase Agreement") with independent third parties, Shrines, Inc. ("Shrines") and its wholly-owned subsidiary Shrines Sub, pursuant to which (i) the Group has agreed to sell the entire issued share capital of Vissible Co & Limited ("Vissible"); and (ii) Shrines shall convey to the Group a right to certain shares of Shrines Sub with a stated value equal to US$175,000 (equivalent to approximately HK$1,365,000), representing not less than 3.6% equity interest in Shrines Sub, in its next round of equity financing ("Equity Financing"). Together with the Cash Investment, the Group will then own an aggregate of not less than 6.2% equity interest in Shrines Sub. The disposal of Vissible was completed on 30 December 2016.

(iii) Disposal of Time Edge Limited

On 13 December 2016, the Group entered into a sale and purchase agreement with a wholly-owned subsidiary of HMV Digit China (the "Purchaser") and HMV Digit China, pursuant to which the Group has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Time Edge Limited, a wholly-owned subsidiary of the Company and owns the entire issued share capital of Mystery Apex, for a total consideration of HK$50,000,000, which will be satisfied by the Purchaser by the issue of the convertible bond by HMV Digit China at completion. The disposal of Time Edge Limited is expected to be completed in April 2017.

With the completion of the disposal of HMV M&E Group and Vissible during the year ended 31 December 2016, the aggregate net gain on disposal of subsidiaries of approximately HK$946.9 million was recognised in profit or loss for the year.

The Group will continue to engage in the businesses of strategic investment and asset management. As at the date of this report, as part of the strategic investment business of the Company, the Group has made strategic investments (i) in Korea in the Korean pop artist management and production business; (ii) in Japan in the online platform for private lodging in Japan business and the e-commerce service provider specialising in building and managing third party online shopping websites; (iii) in the US for the businesses of robotics, pioneering autonomous mobility-as-a-service and a consumer focused website built around user-generated content about popular culture; (iv) in the entertainment business through its shareholding in HMV Digit China; and (v) the development and operations of mobile/online games and mobile game distribution and publishing platform through its subsidiaries, Complete Star Limited ("CSL") and its subsidiary and HGGL Group. The Group also operates its asset management business through its direct wholly-owned subsidiary, AID Partners Asset Management Limited (a corporation licensed to carry out business in type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)).

The Group will focus our resources to monitor and develop our investments and will continue to seek for potential strategic investment and divestment opportunities with the objective to enhance the return to its shareholders.

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Results

Revenue for the year under review increased approximately 28.3% to HK$206.1 million from HK$160.7 million for last year. The increase in revenue was primarily driven by the acquisition of four (4) additional HMV retail stores in Hong Kong, together with the acquisition of the rights to use the intellectual properties associated with HMV in Hong Kong, the PRC and Singapore, on 30 November 2015, and the opening of HMV flagship store in Causeway Bay in late 2015 which generated more revenue during the year up to the date of HMV Disposal II on 3 August 2016.

The aggregate net gain on the disposal of subsidiaries of approximately HK$946.9 million (31 December 2015: loss on disposal of subsidiaries of approximately HK$0.5 million) as mentioned above was recognised in profit or loss for the year ended 31 December 2016.

Other net income for the year under review increased to HK$41.7 million from net loss of HK$1.4 million for last year, mainly due to the increase in gain on remeasurement of contingent consideration payables and interest income.

Total operating expenses (being selling and distribution expenses, administrative expenses and other operating expenses) for the year under review were HK$278.4 million as compared to HK$237.3 million for last year and this increase was mainly attributable to the increase in the employee benefit expense, including share-based compensation expense in relation to share options granted on 1 April 2016. The finance costs were HK$16.2 million for the year under review compared to HK$22.9 million last year. This decrease was mainly due to the conversion of the 2014 Convertible Bonds in April 2016.

Together with the aggregate net gain on the disposal of subsidiaries of HK$946.9 million and partly offset by impairment of interest in an associate of HK$260.6 million, the Group improved from a loss from operations of HK$214.9 million for the year ended 31 December 2015 to a profit from operations of HK$513.1 million for the year ended 31 December 2016. As a result, the Group reported profit attributable to owners of the Company for the year under review of HK$504.6 million as compared to a loss of HK$233.1 million for last year.

Segment Results

The major reportable operating segments are asset management and strategic investment for the year under review. The segment result from asset management for the year under review was a loss of HK$7.8 million as compared with a loss of HK$3.0 million last year. The segment result from strategic investment for the year under review was a profit of HK$591.4 million as compared to a loss of HK$138.3 million last year, mainly due to the net gain on the disposal of subsidiaries and partly offset by impairment of interest in an associate. An analysis of the results by operating segments is provided in Note 5 to the financial statements.

Financial Position and Resources

Significant Capital Assets and Investments

Other than the significant investments disclosed in the section of "Management Discussion and Analysis — Business Review", the Group acquired property, plant and equipment totalling HK$17.8 million during the year under review which mainly represents the acquisition of a property located in Japan.

Management Discussion and Analysis

Liquidity

As at 31 December 2016, the Group had cash and bank balances (including short-term deposit, pledged bank deposits and cash and cash equivalents) of HK$234.6 million and net current assets of HK$364.4 million, decreased from HK$824.9 million and HK$776.5 million as at 31 December 2015, respectively. The decrease in cash and bank balances was mainly due to the various investments and loans made and payment of operating expenses during the year under review. As at 31 December 2016 and 2015, the Group was in net cash position and hence no gearing ratio was presented. Further details of the Group's current assets and current liabilities, risk management objectives and policies and exposure to liquidity risk are set out in Notes 18 to 22, 24 and 37 to the financial statements.

Gearing

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 the 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 for the operation of the retail store in Central, (ii) approximately HK$5 million for the renovations to the retail store in Central, (iii) approximately HK$3 million for the music license rights fees, (iv) approximately HK$3 million for the operation of the online business, (v) approximately HK$3 million for marketing and public relations, (vi) approximately HK$36.9 million 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 to settle the consideration and capital injection in respect of the acquisition of 70% equity interest in HGGL, (viii) approximately HK$1 million as professional fees in respect of the acquisition of equity interests in CSL and HGGL, and (ix) approximately HK$27.4 million as general working capital of the Group.

The terms and conditions of the 2014 Convertible Bonds are detailed in Note 23(b) to the financial statements. In accordance with the terms and conditions thereof, the prevailing conversion price is HK$0.13 per share which was adjusted upon completion of bonus issue on 27 January 2015, and further adjusted to HK$0.11 per share upon completion of the placing of shares on 11 August 2015.

On 5 April 2016, principal amount of HK$175,000,000 of the 2014 Convertible Bonds was converted into 1,590,909,090 ordinary shares of the Company at the conversion price of HK$0.11 per share.

Management Discussion and Analysis

2015 HK$140 million Convertible Bonds

In July 2015, the Company entered into a subscription agreement with Hong Kong HNA Holding Group Co. Limited ("HNA") pursuant to which HNA agreed to subscribe the convertible bond in principal amount of HK$140,000,000, bearing a compound interest rate of 8% per annum (the "2015 HK$140 million Convertible Bonds"). On 20 July 2015, with the fulfilment of all the conditions required for the 2015 HK$140 million Convertible Bonds, the Company issued the 2015 HK$140 million Convertible Bonds for the investment capital of the strategic investment business of the Company as well as for the expansion of its asset management business and related financial platform and general working capital of the Group. The terms and conditions of the 2015 HK$140 million Convertible Bonds are detailed in Note 23(c) to the financial statements. In accordance with the terms and conditions thereof, the initial conversion price is HK$0.325 per share.

As at 31 December 2016, the Group had no other significant debt.

Details of the Group's financial risk management objectives and policies and exposure to capital risk are set out in Note 37 to the financial statements.

Charges

As at 31 December 2016, there are no significant charges on the Group's investments and assets.

Commitments and Contingent Liabilities

As at 31 December 2016, the Group had no significant commitments, other than those under operating leases for the rental of land and buildings and the capital commitments as set out in Note 30 to the financial statements. The Group had no material contingent liabilities as at 31 December 2016.

Equity Structure

An analysis of the movements in equity during the year under review is set out in the consolidated statement of changes in equity on page 60 of the financial statements.

As at 31 December 2016, the total issued share capital of the Company was 9,257,611,734 ordinary shares, increased from 7,461,740,884 ordinary shares as at 31 December 2015 due to (i) conversion of the 2014 Convertible Bonds, and (ii) consideration shares issued for the acquisition of HGGL during the year under review. Details of the movement in total share capital are set out in Note 26 to the financial statements.

As at 31 December 2015, the total number of redeemable convertible preference shares ("RCPS") issued and outstanding was 7,019,790, which were fully redeemed by the Company upon the maturity during the year under review. Details of the movement in RCPS are set out in Note 22 to the financial statements.

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

As at 31 December 2016, the Company had 19,456,815 share options outstanding under the Company's 2002 Share Option Scheme of which were all exercisable.

Management Discussion and Analysis

As at 31 December 2016, the Company had 339,872,000 share options outstanding under the Company's 2014 Share Option Scheme of which 231,212,000 share options were exercisable. The Company can grant a further 346,319,923 options pursuant to the existing shareholder mandate limit.

EMPLOYEE INFORMATION

As at 31 December 2016, the Group had 87 full-time employees (2015: 351). Employee remuneration (including directors' remuneration) totaled HK$109.9 million (2015: HK$48.3 million). The remuneration packages of the Group's Directors and employees are kept at a competitive level to attract, retain and motivate Directors and employees of the quality required to run the Group successfully. In general, remuneration consists of a combination of a fixed salary paid in cash and a performance linked bonus paid in cash and options. A portion of the bonus may be deferred subject to the achievement of certain pre-determined targets and conditions. The Group's remuneration policies and practices are reviewed annually and benchmarked against sectors of financial and banking institutions.

RETIREMENT BENEFIT SCHEMES

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

FOREIGN CURRENCY EXPOSURE

Details of the Group's financial risk management objectives and policies and exposure to foreign currency risk are set out in Note 37 to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year under review, other than the significant investments and disposals as detailed in Notes 34 to 36 to the financial statements respectively, the Group made no significant acquisition or disposal of subsidiaries or affiliated companies.

CONTRACTUAL ARRANGEMENTS

The Group, through its wholly-owned subsidiary HGGL, indirectly owned a wholly-foreign-owned-enterprise, 深圳八零八八科技有限公司 ("WFOE" or "SZ8088"), which has entered into the corresponding contractual arrangements to control and operate a foreign restricted business, namely 上海威搜游科技有限公司 ("VSOYOU") under the relevant PRC laws and regulations (the "Contractual Arrangements").

PARTICULARS OF VSOYOU AND ITS REGISTERED OWNERS, AND A SUMMARY OF THE MAJOR TERMS OF THE CONTRACTUAL AGREEMENTS

VSOYOU is a company with limited liability established in the PRC, its registered owners are 張永鋒先生 (Mr. Zhang Yong Feng*) and 陳曉萍女士 (Ms. Chen Xiao Ping*). A summary of the major terms of the Contractual Arrangements has been published on the website of the Company.

Management Discussion and Analysis

DESCRIPTION OF VSOYOU'S BUSINESS ACTIVITIES AND THEIR SIGNIFICANCE TO THE GROUP

VSOYOU is primarily engaged in the development and operation of mobile-online games business in the PRC. The net asset value of VSOYOU was approximately HK$52,166,000 and HK$41,596,000 as at 31 December 2016 and 2015, respectively, which represents approximately 3% and 6% of the Group's net assets as at 31 December 2016 and 2015, respectively. The revenue (post-acquisition) of VSOYOU was approximately HK$64,708,000 and HK$65,236,000 for the year ended 31 December 2016 and 2015, respectively, which represents approximately 31% and 41% of the Group's revenue for the year ended 31 December 2016 and 2015, respectively. The net profit (post-acquisition) of VSOYOU was approximately HK$11,301,000 and HK$20,799,000 for the year ended 31 December 2016 and 2015, respectively.

REASON FOR USING THE CONTRACTUAL ARRANGEMENTS

As advised by the PRC legal adviser, VSOYOU is primarily engaged in the development and operation of mobile-online games business and is considered to be engaged in the provision of value-added telecommunication services and internet cultural business. Pursuant to the applicable PRC laws and regulations, the said business of VSOYOU is subject to prohibition on foreign investment. Shareholders of VSOYOU are required to be PRC domestic natural persons, enterprise legal persons or other social organisations and foreign investors are not allowed to directly invest in VSOYOU. As such, the Group cannot acquire the equity interest in VSOYOU at that time. Having regard to such foreign investment restrictions, the Contractual Arrangements were designed to provide WFOE and, thus the Group with effective control over the financial and operational policies of VSOYOU and (to the extent permitted by PRC laws and regulations) the right to acquire the equity interest in VSOYOU.

RISKS ASSOCIATED WITH THE CONTRACTUAL ARRANGEMENTS AND ACTIONS TAKEN BY THE COMPANY TO MITIGATE THE RISKS

WFOE does not have any direct equity ownership in VSOYOU and will have to rely on the Contractual Arrangements to control, operate, and be entitled to the economic benefits and risks arising from the value-added telecommunication services and internet cultural business in the PRC conducted through VSOYOU. However, there are risks involved with the operations of WFOE's business under the Contractual Arrangements, as the case may be.

(i) There is no assurance that the Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Contractual Arrangements do not comply with applicable regulations.

(ii) The Contractual Arrangements may not be as effective in providing control over and entitlement to the economic interests in VSOYOU as direct ownership.

Management Discussion and Analysis

(iii) Potential conflicts of interest among WFOE, VSOYOU and existing shareholder(s) of VSOYOU may exist.

(iv) The Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed.

(v) WFOE's ability to acquire the entire equity interests in or assets of VSOYOU may be subject to various limitations and substantial costs.

(vi) Certain terms of the Contractual Arrangements may not be enforceable under the PRC laws.

In light of the above risks associated with the Contractual Arrangements, the Group has adopted a set of procedures, systems and internal control measures to ensure the sound and effective operation of the Group and the implementation of the Contractual Arrangements. Such procedures, systems and internal control measures include (i) regular discussions of matters relating to compliance and regulatory enquiries from governmental authorities, if any, by the board of directors of the Company at board meetings; and (ii) retaining legal adviser and/or other professional to assist the Group to deal with specific issues arising from the Contractual Arrangements, if so required.

MATERIAL CHANGE OR UNWINDING OF THE CONTRACTUAL ARRANGEMENTS

There was no material change or unwinding of the Contractual Arrangements since the date of the Contractual Arrangements were entered into up to the date of this report.

* For identification purpose only

Profiles of Directors

Mr. Wu King Shiu, Kelvin

Mr. Wu, aged 47, joined the Board in May 2014, and was appointed as the Chief Executive Officer and Executive Director. Mr. Wu was appointed as the Chairman of the Company and was re-designated from Chief Executive Officer to Chief Investment Officer on 16 March 2016. Mr. Wu is a member of the Remuneration Committee and the Nomination Committee of the Board. He also acts as director of certain subsidiaries of the Group. He is a non-executive director of HMV Digital China Group Limited (Stock Code: 8078), a company listed on the Stock Exchange. He has over 18 years of experience in the finance and investment industries. He is the co-founder and the principal partner of AID Partners Capital Limited. He is co-chairman of the board of i-Future Teens International Foundation Limited, a registered charitable organization in Hong Kong. He was formerly the director of board of Shunwei Capital Partners and the chief executive officer of Orange Sky Golden Harvest Entertainment (Holdings) Limited (Stock Code: 1132), a company listed on the Stock Exchange, one of the leading film entertainment companies in Asia, from 2009 to 2011 and the chief executive officer of Legendary East Ltd.. Prior to founding AID Partners Capital Limited, Mr. Wu was the president of Investec Asia Limited from 2005 to 2007, where he managed its direct investment business involving energy, consumer and finance related industries. Mr. Wu also worked for other investment banks, including as managing director of China Everbright Capital Ltd., head of corporate finance for Grand Cathay Securities (Hong Kong) Limited, director of corporate finance department of Core Pacific-Yamaichi Capital Limited and held senior position in BNP Prime Peregrine Capital Limited. Besides, Mr. Wu also served as chief operating officer of Sega.com Asia Networks Limited in year 2000.

Mr. Wu received his bachelor degree majored in business administration from the Chinese University of Hong Kong. He also has a post graduate diploma from Osaka University of Foreign Studies (Renamed Osaka University), Japan.

Mr. Ho Gilbert Chi Hang

Mr. Ho, aged 40, joined the Board in May 2014, and was appointed as the Chief Investment Officer and Executive Director. Mr. Ho was re-designated from Chief Investment Officer to Chief Executive Officer on 16 March 2016. He also acts as director of certain subsidiaries of the Group and he is an executive director of HMV Digital China Group Limited (stock code: 8078), a company listed on the Stock Exchange. He is the managing partner of AID Partners Capital Limited. He has extensive experience in the area of corporate management, investments, corporate finance, merger and acquisition transactions and international brand and retail management. Prior to joining AID Partners Capital Limited, he was the vice president of ITC Corporation Limited (Stock Code: 372), a company listed on the Stock Exchange, the senior investment director of New World Development Company Limited (Stock Code: 17), a company listed on the Stock Exchange, an executive director of New World Strategic Investment Limited and a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP. He is a committee member of the Chinese People's Political Consultative Conference of Shenyang, Liaoning Province (中國人民政治協商會議遼寧省瀋陽市委員會), a Standing Committee Member of the Youth Federation of Inner Mongolia (內蒙古自治區青年聯合會) and the Vice Chairman of Inner Mongolia & Hong Kong Youth Exchange Association (蒙港青年交流促進會). Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales and a solicitor and barrister admitted in the High Court of Australia.

Profiles of Directors

Mr. Ho was a non-executive director of Renhe Commercial Holdings Company Limited (Stock Code: 1387), a non-executive director of Capital Environment Holdings Limited (Stock Code: 3989) and an independent non-executive director of Infinity Development Holdings Company Limited (Stock Code: 640). He is an independent non-executive director of Asia Allied Infrastructure Holdings Limited (Stock Code: 0711), Hailiang International Holdings Limited (Stock Code: 2336) and Kam Hing International Holdings Limited (Stock Code: 2307), all of the above-mentioned companies are listed on the Stock Exchange.

Mr. Chang Tat Joel

Mr. Chang, aged 48, joined the Board in May 2014, and was appointed as an Executive Director. Mr. Chang was re-designated from an Executive Director to a Non-Executive Director on 3 October 2016. He also acts as director of certain subsidiaries of the Group. He has considerable strategic, financial and advisory experience. He is the co-founder of AID Partners Capital Limited and a founder of Genius Link Assets Management Limited, both are private equity investment companies. He is an investment committee member of AID Partners Capital Limited, and is responsible for its strategic investment planning. Prior to founding AID Partners Capital Limited, he was the chief investment officer of Investec Asia Limited, a managing director of China Everbright Capital Limited and an executive director of BNP Prime Peregrine Capital Limited. He is also a member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree in Economics from Monash University in 1990.

Mr. Chang is an executive director and the chief operating officer of Mason Financial Holdings Limited (Stock Code: 273), an independent non-executive director of Dragonite International Limited (Stock Code: 329), and an independent non-executive director of Hailiang International Holdings Limited (Stock Code: 2336), all of the above-mentioned companies are listed on the Stock Exchange. He was formerly an independent non-executive director of Kingsoft Corporation Limited (Stock Code: 3888), a non-executive director of Kong Sun Holdings Ltd. (Stock Code: 295), and was an executive director and chief financial officer of Orange Sky Golden Harvest Entertainment (Holdings) Limited (Stock Code: 1132), all of which are listed on the Stock Exchange. He was an independent director of China Mobile Games and Entertainment Group Limited, a company previously listed on NASDAQ.

Mr. Xu Haohao

Mr. Xu, aged 32, joined the Board in November 2016, and was appointed as a Non-Executive Director. Mr. Xu has extensive management knowledge and working experience in financial and corporate management. He is currently executive director and the executive president of HNA Holding Group Co. Limited ("HNA Holding Group"), which is listed on the Stock Exchange (Stock code: 521). Mr. Xu is a member of each of the executive committee, the remuneration committee and the investment committee of HNA Holding Group. As from February 2016, Mr. Xu is also responsible for the matters relating to HNA Holding Group's external communication, strategy and investment programs, etc. Prior to joining HNA Holding Group, he had served as the general manager of the finance department of Hong Kong Airlines Limited.

Mr. Xu obtained a bachelor degree in Financial Administration from University of Winnipeg, Canada.

Profiles of Directors

Mr. Guo Qifei

Mr. Guo, aged 34, joined the Board in November 2016, and was appointed as a Non-Executive Director. Mr. Guo is currently the vice president of HNA Holding Group since September 2015, and responsible for managing the operation of assets management and corporate finance as well as business development. He has 10 years of experience in financial investment. Before joining HNA Holding Group, he worked in the merger and acquisition investment department of multinational corporations and financial institutions, mainly engaged in international acquisition business and financial investment.

Mr. Guo obtained a master degree in International Banking and Finance from Lingnan University.

Ms. Fong Janie

Ms. Fong, aged 50, joined the Board in November 2016 and was appointed as a Non-Executive Director. She is Managing Director of East West Bank, a post she has held since 2007. California-based East West Bank is a wholly-owned subsidiary of East West Bancorp, Inc., a publicly owned company in the United States of America. From 2000–2004, Ms. Fong was appointed by the California Governor to represent the State of California in Hong Kong and the PRC. Through her former post as California's Chief Representative, Ms. Fong was responsible for creating new economic, trade, and diplomatic ties between the PRC and the U.S.. Ms. Fong practiced law as a licensed California attorney up until 2000 and worked as an executive of Silicon Valley start-up companies from 1998–2000. Ms. Fong served on the Commission on Strategic Development of Hong Kong from 2005–2007. Ms. Fong is a member of the Harvard Kennedy School of Government's Women's Leadership Board and currently serves as: an Advisor to ChinaSF, the China Office of the City and County of San Francisco; a member of The Chi Tung Association of Hong Kong; a member of the Board of Governors of the Hong Kong-America Center, a member of The Hong Kong Tianjin Friendship Association, a member of the Hong Kong Federation of Women Lawyers; and a member of the Asia Advisory Council of the University of California, Los Angeles (UCLA).

Mr. Chinn Adam David

Mr. Chinn, aged 55, joined the Board in June 2015, and was appointed as an Independent Non-Executive Director. Mr. Chinn is also a member of Audit Committee of the Board. He is the chief operating officer of World Transaction Services of Sotheby's. He was a partner and Chief Operating Officer of Art Agency Partners LLC (''Art Agency''), an art advisory firm in New York advising collectors and foundations on all aspects of their art, from acquisitions and sales to museum involvement and long-term strategy. Art Agency was acquired by Sotheby's in January 2016. Prior to joining Art Agency, Mr. Chinn was a co-founder of Centerview Partners LLC (''Centerview''), a leading independent investment banking and advisory firm in the United States with offices in New York, London, San Francisco and Los Angeles, and was also a partner at the law firm of Wachtell, Lipton, Rosen & Katz in New York before his departure to Centerview in 2007.

Mr. Chinn currently serves as the Chairman of the Board of the Young People's Chorus of New York City and as a member of the Board of the On Course Foundation in the United States.

Mr. Chinn is a graduate of New York University School of Law and Oxford University.

Profiles of Directors

Professor Lee Chack Fan, GBS, SBS, JP

Professor Lee, aged 71, joined the Board in June 2015, and was appointed as an Independent Non-Executive Director. Professor Lee is a member of Audit Committee and Remuneration Committee of the Board. He is also the chairman of Nomination Committee of the Board. He served at the University of Hong Kong for more than two decades, successively as chair professor of geotechnical engineering, pro-vice-chancellor (vice-president) and director of the School of Professional and Continuing Education. He is also an academician of Chinese Academy of Engineering. Professor Lee graduated from The University of Hong Kong in 1968 and subsequently received his master's degree from the University of Hong Kong in 1970 and a Ph.D. from the University of Western Ontario, Canada in 1972. Professor Lee is an internationally renowned expert in geotechnical engineering. He has served as a specialist consultant or an advisor to many international bodies such as the United Nations Development Plan, World Bank, Asian Development Bank, etc. on numerous energy and infrastructure projects in many parts of the world. Professor Lee's eminent achievement in civil engineering has been highly recognized; he was awarded the KY Lo Medal in 2000 by the Engineering Institute of Canada and was elected the academician of the Chinese Academy of Engineering in 2003 in recognition of his contributions to the engineering profession. He has been appointed as Justice of the Peace by the Hong Kong in July 2003, and he has been awarded the Silver Bauhinia Star and Gold Bauhinia Star in Hong Kong in July 2005 and July 2013, respectively.

Professor Lee is currently the Chairman of the Hong Kong Institute for Promotion of Chinese Culture, Chairman of the Jao Tsung-I Academy, Director of the Jao Tsung-I Petite Ecole, University of Hong Kong, President of the Fu Hui Charity Foundation, and a member of the Commission on Strategic Development. He previously served as a member of the board of the West Kowloon Cultural District Authority, and the Cultural and Heritage Commission. He is also an independent non-executive director of The 13 Holdings Limited (''The 13 Holdings'', Stock Code: 577) and Hui Xian Asset Management Limited, which is the manager of Hui Xian Real Estate Investment Trust (''Hui Xian'', Stock Code: 87001), both The 13 Holdings and Hui Xian are listed on the Stock Exchange.

Mr. Yuen Kwok On

Mr. Yuen, aged 51, joined the Board in July 2013, and was appointed as an Independent Non-Executive Director. Mr. Yuen is also the chairman of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee of the Board. He has extensive experience in financial analysis, risk control and mergers and acquisitions. Prior to joining the Company, Mr. Yuen is the chief financial officer and company secretary of Orange Sky Golden Harvest Entertainment (Holdings) Limited ("OSGH"). He joined OSGH in October 1996 and has in-depth knowledge of operations of film distribution and exhibition business. OSGH's shares are listed on the Main Board of the Stock Exchange (1132.HK). He is an independent non-executive director of Mason Financial Holding Limited (Stock code: 273), which is listed on the Stock Exchange.

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

Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the holding company of the Group. The Group is principally engaged in the businesses of strategic investment and asset management. The principal activities of the Company's principal subsidiaries as at 31 December 2016 are set out in Note 38 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 54 to 178.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 27 financial statements.

DISTRIBUTABLE RESERVE

Details of the movements in distributable reserve of the Group and the Company are set out in note 27 to the consolidated financial statements respectively.

CONVERTIBLE BONDS

Details of the movements in convertible bonds of the Company during the year are set out in Note 23 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 13 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 179.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the years ended 31 December 2016 and 31 December 2015. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the years ended 31 December 2016 and 31 December 2015.

SHARE OPTION SCHEMES

Details of the Share Option Schemes are set out in Note 28 to the financial statements.

Directors' Report

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	Eligible participant may be a person or an entity belonging to any of the following classes: (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;

Directors' Report

(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 the date of this report	The Company has refreshed the scheme limit on 3 November 2015. As at the date of this report, the total number of shares available for allotment and issue under 2014 Share Option Scheme and previous share option scheme is 746,174,088, representing 10% of the Company's then total number of issued shares.
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.

Directors' Report

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.

Directors' Report

DONATIONS

During the year, no donation has been made (2015: Nil).

DIRECTORS

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

Executive Directors:

Wu King Shiu, Kelvin (Chairman)	
Ho Gilbert Chi Hang	
Chang Tat Joel	(re-designated as Non-Executive Director on 3 October 2016)

Non-Executive Directors:

Chang Tat Joel	(re-designated from Executive Director on 3 October 2016)
Xu Haohao	(appointed on 15 November 2016)
Guo Qifei	(appointed on 15 November 2016)
Fong Janie	(appointed on 15 November 2016)

Independent Non-Executive Directors:

Chinn Adam David
Professor Lee Chack Fan, *GBS, SBS, JP*
Yuen Kwok On

In accordance with article 86(3) of the Company's Articles of Association, Messrs. Xu Haohao and Guo Qifei, and Ms. Fong Janie will hold office until the forthcoming annual general meeting (the "Annual General Meeting") and will be eligible for re-election.

Besides, Messrs. Wu King Shiu, Kelvin, Ho Gilbert Chi Hang and Yuen Kwok On retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting in accordance with article 87 of the Company's Articles of Association.

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

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year

Directors' Report

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the Company's Directors' remuneration are set out in Note 12(a) to the financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, there were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's or any of its subsidiaries was a party, and in which a Director or its connected entities had a material interest (whether directly or indirectly) subsisting at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(i) Interests in the ordinary shares of the Company (the "Share(s)")

Name of Directors	Personal interest	Corporate interest	Family interest	Aggregate long position in Shares	Approximate percentage of the issued share capital of the Company %
Mr. Wu King Shiu, Kelvin ("Mr. Wu") (Notes 1 and 2)	28,488,000	2,098,797,090	165,600,000	2,292,885,090	24.76
Mr. Ho Gilbert Chi Hang ("Mr. Ho") (Note 1)	264,000	2,098,797,090	–	2,099,061,090	22.67
Mr. Chang Tat Joel ("Mr. Chang") (Note 1)	–	2,098,797,090	–	2,098,797,090	22.67
Mr. Yuen Kwok On ("Mr. Yuen")	1,980,000	–	–	1,980,000	0.02

Directors' Report

Notes:

1. Mr. Wu, Mr. Ho and Mr. Chang owns 28,488,000, 264,000 and nil Shares, respectively. Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited own 507,888,000, 909,090,909 and 681,818,181 Shares, respectively. Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interests in 507,888,000, 909,090,909 and 681,818,181 Shares of which Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited 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 of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P. ("AID Cap II"). AID Cap II is interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited.

2. HMV Asia Limited owns 165,600,000 Shares. 62.50% of the issued share capital of HMV Asia Limited are held by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the Shares held by HMV Asia Limited.

(ii) Interests in the underlying Shares

(a) Outstanding share options

Name of Director	Date of grant (dd/mm/yyyy)	Exercise price HK$	Exercise period (dd/mm/yyyy)	Balance as at 1 January 2016	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2016
Mr. Wu	20/06/2014	0.16	20/06/2014 to 19/06/2024	26,884,000	–	–	–	26,884,000
	01/04/2016	0.247	01/04/2016 to 31/03/2026	–	70,000,000	–	–	70,000,000
				26,884,000	70,000,000	–	–	96,884,000
Mr. Ho	15/05/2014	0.16	15/05/2014 to 14/05/2024	27,342,000	–	–	–	27,342,000
	01/04/2016	0.247	01/04/2016 to 31/03/2026	–	70,000,000	–	–	70,000,000
				27,342,000	70,000,000	–	–	97,342,000
Mr. Chang	15/05/2014	0.16	15/05/2014 to 14/05/2024	27,342,000	–	–	–	27,342,000
	01/04/2016	0.247	01/04/2016 to 31/03/2026	–	5,000,000	–	–	5,000,000
				27,342,000	5,000,000	–	–	32,342,000
Mr. Chinn Adam David	01/04/2016	0.247	01/04/2016 to 31/03/2026	–	3,000,000	–	–	3,000,000
Professor Lee Chack Fan, *GBS,SBS,JP*	01/04/2016	0.247	01/04/2016 to 31/03/2026	–	3,000,000	–	–	3,000,000
Mr. Yuen	01/04/2016	0.247	01/04/2016 to 31/03/2026	–	3,000,000	–	–	3,000,000
Ms. Fong Janie	01/04/2016	0.247	01/04/2016 to 31/03/2026	–	3,000,000	–	–	3,000,000

Note: The closing price of the Shares quoted on the Stock Exchange on 31 March 2016, being the business date immediately before the date on which share options were granted, was HK$0.215.

Directors' Report

(iii) Interests in the ordinary shares of an associated corporation

Name of Directors	Name of associated corporation	Nature of Interest	Beneficial interest in shares	Approximate % of interest
Mr. Wu King Shiu, Kelvin	HMV Digital China Group Limited (Stock Code: 8078)	Corporate interest	259,106,982	4.74
Mr. Chang Tat Joel	HMV Digital China Group Limited (Stock Code: 8078)	Corporate interest	259,106,982	4.74

Note: These shares are beneficially owned by a company in which Mr. Wu King Shiu, Kelvin and Mr. Chang Tat Joel owns 60% and 40% of its issued share capital respectively.

(iv) Short positions

None of the Directors held short positions in the shares and underlying shares of the Company or any Associated Corporation.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

Directors' Report

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2016, 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			
Mr. Wu (Notes 1 and 5)	2,292,885,090	96,884,000	25.81%
Ms. Li Mau (Notes 1 and 5)	2,292,885,090	96,884,000	25.81%
Mr. Ho (Notes 2 and 5)	2,099,061,090	97,342,000	23.72%
Mr. Chang (Notes 3 and 5)	2,098,797,090	32,342,000	23.02%
AID Cap II (Note 5)	2,098,797,090	–	22.67%
AID Partners GP2, Ltd. (Note 5)	2,098,797,090	–	22.67%
Hong Kong HNA Holding Group Co. Limited (Note 4)	1,636,360,000	430,769,230	22.32%
Mr. David Tin	909,088,000	–	9.81%
Billion Power Management Limited (Note 5)	2,098,797,090	–	22.67%
Elite Honour Investments Limited (Note 5)	2,098,797,090	–	22.67%
Genius Link Assets Management Limited (Note 5)	2,098,797,090	–	22.67%
Leader Fortune International Limited (Note 5)	2,098,797,090	–	22.67%
Abundant Star Ventures Limited (Note 5)	909,090,909	–	9.81%
Vantage Edge Limited (Note 5)	681,818,181	–	7.36%
Hero Sign Limited (Note 5)	507,888,000	–	5.48%

Notes:

1. Mr. Wu, the Chairman, the Chief Investment Officer and Executive Director of the Company, owns 28,488,000 Shares and HMV Asia Limited owns 165,600,000 Shares. 62.50% of the shares of HMV Asia Limited are held by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the Shares held by HMV Asia Limited. Mr. Wu is interested in 26,884,000 share options and 70,000,000 share options at an exercise price of HK$0.16 per Share and HK$0.247 per Share, respectively, to subscribe for Shares. Mr. Wu is deemed to have interest in 507,888,000 Shares, 909,090,909 Shares and 681,818,181 Shares as mentioned in note 5 below, respectively. Ms. Li Mau, as the spouse of Mr. Wu, is deemed to be interested in these Shares and underlying Shares for the purpose of the SFO.

Directors' Report

2. Mr. Ho, the Chief Executive Officer and Executive Director of the Company, owns 264,000 Shares and is interested in 27,342,000 share options and 70,000,000 share options at an exercise price of HK$0.16 per Share and HK$0.247 per Share, respectively, to subscribe for Shares. Mr. Ho is also deemed to have interest in 507,888,000 Shares, 909,090,909 Shares and 681,818,181 Shares as mentioned in note 5 below, respectively.

3. Mr. Chang, a Non-Executive Director, is interested in 27,342,000 share options and 5,000,000 share options at an exercise price of HK$0.16 per Share and HK$0.247 per Share, respectively, to subscribe for Shares. Mr. Chang is also deemed to have interest in 507,888,000 Shares, 909,090,909 Shares and 681,818,181 Shares as mentioned in note 5 below, respectively.

4. Hong Kong HNA Holding Group Co. Limited is wholly-owned by HNA Financial Holdings International Co., Ltd. ("HNA Financial"). HNA Financial is wholly-owned by Beijing HNA Financial Holdings Co., Ltd. ("Beijing HNA"). Beijing HNA is wholly-owned by HNA Investment Holding Co., Ltd. ("HNA Investment"). HNA Investment is wholly-owned by HNA Group Holdings Co., Ltd. ("HNA Holdings"). HNA Holdings is wholly-owned by HNA Group Company Limited ("HNA Group"). HNA Group is owned as to approximately 70% by Hainan Traffic Administration Holdings Company Limited ("Hainan Traffic"). Hainan Traffic is owned as to approximately 50% by Sheng Tang Development (Yangpu) Company Limited ("Sheng Tang"). Sheng Tang is owned as to 65% by Hainan Province Cihang Foundation and 35% by Tang Dynasty Development Company Limited ("Tang Dynasty"). Tang Dynasty is owned as to approximately 98% by Pan-American Aviation Holding Company Limited, which is in turn 100% beneficially owned by Jun Guan.

5. Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited own 507,888,000, 909,090,909 and 681,818,181 Shares. Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interest in 507,888,000, 909,090,909 and 681,818,181 Shares of which Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited are deemed to have interests by virtue of the SFO since they indirectly own 56% through Billion Power Management Limited, 23% through Elite Honour Investments Limited and 21% through Genius Link Assets Management Limited, respectively, of the issued share capital of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Cap II. AID Cap II interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited.

(ii) Short positions

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

Save as disclosed above, as at 31 December 2016, the Directors of the Company were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 31 December 2016, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

Directors' Report

COMPETING INTERESTS

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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. We pursue this business approach by managing our business prudently and executing management decisions with due care and attention. We will continue to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to update the requirement of the relevant laws and regulations in various countries, particularly in Hong Kong and the PRC, applicable to the Group to ensure compliance. Substantially a majority of the Group's assets and revenue are located in and derived from Hong Kong and the PRC. During the year under review, the Group complied with the relevant laws and regulations in various countries applicable to it in all material respects.

MAJOR CLIENTS AND SUPPLIERS

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchase were attributable to the Group's five largest customers and five largest supplier, respectively.

CONNECTED TRANSACTIONS

Non-exempted Continuing Connected Transactions up to 31 December 2016

On 9 October 2014, a subsidiary of the Company has entered into a Service Agreement with Outblaze Ventures Holdings Limited ("Outblaze") and an Advertising Service Agreement with Totally Apps Holdings Limited ("Totally Apps"), a wholly-owned subsidiary of Outblaze, pursuant to which (i) Outblaze agreed to arrange and provide at all times personnel to be seconded to Complete Star Limited ("Complete Star") and its subsidiary for an initial 2-year period from 1 October 2014 to 30 September 2016 under the Service Agreement and (ii) Complete Star agreed to appoint Totally Apps to provide advertising services to Complete Star and its subsidiary on a non-exclusive basis for an initial term from 1 October 2014 to 30 September 2016.

Directors' Report

On 30 November 2015, the Group completed the acquisition of the HMV IP Rights and HMV Business from HMV Hong Kong Limited ("HMV HK"). As the tenancy agreements for the two retail stores and an office were not able to be assigned to the Group, the Group will reimburse HMV HK in respect of the rentals, management fees, Government rates, promotional fees and other miscellaneous charges occurring after completion for the premises pursuant to the terms of the respective tenancy agreements.

Parties to the transactions

Service provider	Service recipient	Nature of transactions	Annual cap for the year ended 31 December 2016	Total amount for the year ended 31 December 2016
Outblaze	Complete Star and its subsidiary	Total service fee charged	US$368,000 (equivalent to approximately HK$2,861,200)	US$303,600 (equivalent to approximately HK$2,368,080)
Totally Apps	Complete Star and its subsidiary	Total advertising expense charged	US$3,250,000 (equivalent to approximately HK$25,268,750)	US$547,902 (equivalent to approximately HK$4,273,636)
Totally Apps	Complete Star and its subsidiary	Total commission expense charged	US$795,000 (equivalent to approximately HK$6,181,125)	US$ nil
HMV HK	HMV Marketing	Rental expenses and related charges	HK$8,000,000	HK$7,942,593

During the year, the above continuing connected transactions were carried out within their respective annual caps. The Independent Non-Executive Directors have reviewed and confirmed that during the year, the above continuing connected transactions were conducted and entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing it on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Directors' Report

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 20.56 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Full details of the above connected transactions are set out in the announcements as aforesaid and are available in the Stock Exchange's website and the Company's website at www.aid8088.com.

Details of other related party transactions are set out in Note 29 to the consolidated financial statements.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 31 December 2016, the Group had no advances outstanding which were non-trading in nature and exceeded 8% of the total assets of the Group as at 31 December 2016 which was required to be disclosed under Rule 17.18 of the GEM Listing Rules.

FULL NAME AND QUALIFICATIONS OF COMPANY SECRETARY AND THE COMPLIANCE OFFICER

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

The Compliance Officer of the Company is Ho Gilbert Chi Hang. He holds a Bachelor of Commence degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales and a solicitor and barrister admitted in the High Court of Australia.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained sufficient public float throughout the year ended 31 December 2016.

OTHER MATTERS

Details of events after the reporting date are set out in Note 41 to the financial statements.

Directors' Report

AUDITOR

The financial statements for the year ended 31 December 2016 were audited by BDO Limited who will retire from office and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

For and on behalf of the Board
Wu King Shiu, Kelvin
Chairman
22 March 2017

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2016, the Company has complied with the code provisions ("Code Provisions") as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules, except for the following deviation:

Code Provision A.2.1

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiries of all Directors of the Company, the Company is satisfied that the Directors of the Company have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules, and with the Company's code of conduct regarding Directors' securities transactions.

BOARD OF DIRECTORS

Composition

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

Executive Directors:
Wu King Shiu, Kelvin *(Chairman)*
Ho Gilbert Chi Hang

Non-Executive Directors:
Chang Tat Joel
Xu Haohao
Guo Qifei
Fong Janie

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

Corporate Governance Report

The biographies of the Directors are set out under the "Profiles of Directors" on pages 13 to 16, and are posted on the Company's website (www.aid8088.com).

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

- Approving annual operating and capital expenditure budgets and any material changes to them;
- Approving the remuneration of the Directors (based on the recommendations of the Remuneration Committee);
- Approving the appointment of Directors (based on recommendations of the Nomination Committee);
- Approving the Quarterly, Interim and Annual Reports (based on recommendations of the Audit Committee);
- Approving any decision to cease to operate all or any material part of the business;
- Approving any changes relating to the Group's capital structure, including the reduction of capital, share issues and share buy backs; and
- Approval of dividend policy and declaration of interim and final dividends.

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

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

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

Corporate Governance Report

Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited own 507,888,000, 909,090,909 and 681,818,181 Shares, respectively. Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interests in 507,888,000, 909,090,909 and 681,818,181 Shares of which Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited 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 of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P. ("AID Cap II"). AID Cap II is interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited, Abundant Star Ventures Limited and Vantage Edge Limited.

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

Term of Appointment and Re-election

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

Training and Support for Directors

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

Corporate Governance Report

Board Meetings
There have been 13 meetings of the Board during the year.

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

	No. of board meetings attended
Wu King Shiu, Kelvin	12/13
Ho Gilbert Chi Hang	13/13
Chang Tat Joel	11/13
Xu Haohao (appointed on 15 November 2016)	0/1
Guo Qifei (appointed on 15 November 2016)	1/1
Fong Janie (appointed on 15 November 2016)	1/1
Chinn Adam David	12/13
Professor Lee Chack Fan, *GBS, SBS, JP*	13/13
Yuen Kwok On	13/13

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Up to the date of this report, Mr. Wu King Shiu, Kelvin was appointed as the Chairman and was re-designated from CEO to Chief Investment Officer. Mr. Ho Gilbert Chi Hang was re-designated from Chief Investment Officer to CEO.

REMUNERATION COMMITTEE AND REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 11 August 2005. The Committee meets at least once a year. The terms of reference of the Remuneration Committee are posted on the Company's website (www.aid8088.com). The principal functions of the Remuneration Committee include: recommending to the Board the policy and structure for the remuneration of the Chairman, Executive Director and senior management (as determined by the Board), determining the specific remuneration packages of the Chairman, Executive Directors and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to Chairman, Executive Directors and senior management, ensuring no Director is involved in deciding his or her own remuneration, and approving the service contracts of Directors. The Remuneration Committee also fulfils the role of an Options Committee for the Share Option Scheme and its main duty in this context is to approve the grant of options to relevant eligible participants.

The Remuneration Committee comprised a majority of Independent Non-Executive Directors, is chaired by Mr. Yuen Kwok On, and its membership includes Messrs. Wu King Shiu, Kelvin and Professor Lee Chack Fan, *GBS, SBS, JP* .

There was 4 Remuneration Committee meetings during the year.

Corporate Governance Report

Attendance of individual members at meetings of the Remuneration Committee held during the year was as follows:

	No. of remuneration committee meetings attended
Yuen Kwok On	4/4
Wu King Shiu, Kelvin	3/4
Professor Lee Chack Fan, *GBS, SBS, JP*	4/4

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

NOMINATION COMMITTEE AND NOMINATION OF DIRECTORS

The Company established a Nomination Committee on 11 August 2005. The terms of reference of the Nomination Committee are posted on the Company's website (www.aid8088.com). The principal function of the Nomination Committee is the consideration and nomination of candidates to fill casual vacancies to the Board.

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

The Nomination Committee comprised a majority of Independent Non-Executive Directors, is chaired by Professor Lee Chack Fan, *GBS, SBS, JP* and its membership includes Messrs. Wu King Shiu, Kelvin and Yuen Kwok On.

There was 3 Nomination Committee meetings during the year.

Corporate Governance Report

Attendance of individual members at meetings of the Nomination Committee held during the year was as follows:

	No. of nomination committee meetings attended
Professor Lee Chack Fan, *GBS, SBS, JP*	3/3
Wu King Shiu, Kelvin	3/3
Yuen Kwok On	3/3

AUDIT COMMITTEE

The Company established an Audit Committee on 31 March 2000 with the written terms of reference. The terms of reference are available on the Company's website (www.aid8088.com). The Audit Committee comprises three Independent Non-Executive Directors, Messrs. Yuen Kwok On (Chairman), Chinn Adam David and Professor Lee Chack Fan, *GBS, SBS, JP*. The duties of the Audit Committee include: managing the relationship with the Group's external auditor, reviewing the financial information of the Company, and overseeing the Company's financial reporting process, risk management and internal control systems. The Audit Committee reports its work, findings and recommendations to the Board after each meeting.

The Audit Committee met 4 times during the year ended 31 December 2016.

Attendance of individual members at meetings of the Audit Committee during the year was as follows:

	No. of audit committee meetings attended
Yuen Kwok On	4/4
Chinn Adam David	3/4
Professor Lee Chack Fan, *GBS, SBS, JP*	4/4

The Audit Committee has met with the Auditor and the Financial Controller during the year to review the 2015 Annual Report and the Quarterly Report for the quarters ended 31 March 2016 and 30 September 2016, and the Interim Report for the six months ended 30 June 2016. The Audit Committee has also met to review these annual figures and was satisfied with the outcome of its review.

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

Corporate Governance Report

AUDITOR'S REMUNERATION

Auditor's remuneration in respect of audit and non-audit services provided by external auditor for the year ended 31 December 2016 amounted to HK$1,535,000 (2015: HK$1,015,000) and HK$1,758,000 (2015: HK$1,228,000) respectively. The non-audit services included the review of the Quarterly and Interim Reports and the circulars of the Company during the year.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control system. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defense, business divisions are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the audit committee of the Company, with the professional advices and opinions from the external professional consultant by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defense are effective through constant inspection and monitoring.

In addition to the review of risk management and internal controls undertaken by the external professional consultants, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of the Board to ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' investment and the Group's assets at all times. The Company has adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

During the year, the Group has not set up internal audit department, however, it engaged an external professional consultant to review and assess its risk management and internal control systems and reported to the audit committee. The review covered several parts of the systems including risk management, and operational, financial and compliance controls.

The Board, through the audit committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016 covering all material financial, operational and compliance functions, is of the view that the effectiveness of the risk management and internal control systems of the Group are considered as effective and adequate.

SHARE INTERESTS OF SENIOR MANAGEMENT

The number of shares held by senior management are set out in the Directors' Report on pages 22 to 24.

DIRECTORS' AND OFFICERS' INSURANCE

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

SHAREHOLDERS

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

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an Extraordinary General Meeting ("EGM") to be convened, stating the objects of the meeting, and deposited with our Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The meeting shall be held within two months after the deposit of such requisition.

The procedures for shareholders to put forward proposals at an Annual General Meeting ("AGM") or EGM require that a written notice of those proposals be submitted by the shareholders to the Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong. The detailed procedures vary according to whether the proposal constitutes an ordinary resolution or a special resolution.

Enquiries to be put to the Board should be made in writing and directed to the Company Secretary at 22/F., New World Tower II, 18 Queen's Road Central, Central, Hong Kong.

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no change in the Company's constitutional documents.

The most recent shareholders meeting was as follows:

A extraordinary general meeting held at hmv Flagship Store, 4/F., Pearl City, 22–36 Paterson Street, Causeway Bay, Hong Kong on Monday, 27 June 2016 at 10:30 a.m. for the purpose of change the name of the Company from AID Partners Capital Holdings Limited to AID Partners Technology Holdings Limited.

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

As at 31 December 2016, the public float capitalisation was approximately HK$639,134,717 and the number of issued shares on the public float, represents 57.53% of the outstanding issued share capital of the Company.

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

This is the first Environmental, Social, and Governance (the "ESG") report to be issued by the Group, in which highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 20 of the Listing Rules and Guidance being set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in Hong Kong office from 1 January 2016 to 31 December 2016, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders have been involved to discuss and to review areas of attention which will help the business to meet its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Please give your suggestions or share your views via email at info@8088inc.com.

Environmental, Social and Governance Report

AID PARTNERS' SUSTAINABILITY MISSION AND VISION

Vision on Environment, Social, and Governance

The Group is principally engaged in the business of strategic investment and asset management. We embrace and promote sound governance, invest in our employees and support our communities.

A. Environmental

Type of emissions from the Group during the reporting period was mainly electricity and paper. The business does not involve in production-related air or water pollutions, packaging materials, and hazardous waste which are regulated under national laws and regulations.

Total floor area coverage for the Group was 406 m^2 and the Group accounts for 100% of emissions from its operations in Hong Kong.

1. *Greenhouse Gas Emission*

   There was 62.98 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) being emitted from the Group's operation in the reporting period. The annual emission intensity was 0.16 tCO_2e/m^2. Recycled paper, energy efficient lightings and equipment were used to make an effort to decrease greenhouse gas emission.

2. *Electricity*

   The electricity consumption by the Group was 73,568 kWh, with an energy intensity of 181.20 kWh/m^2, contributing to an emission of 58.12 tonnes of carbon dioxide equivalent greenhouse gases. Energy efficient lightings and equipment have been installed for the office and employees are reminded to switch off air-conditioning, lights and computers before leaving their work.

3. *Water*

   Water usage was maintained by the property management company, and has been included in the management fee, thus the related usage data cannot be obtained.

4. *Non-Hazardous Waste*

   Non-hazardous waste from the Group's operation was mainly paper consumption. A total of 1.01 tonnes of paper has been used, contributing to an emission of 4.86 tonnes of carbon dioxide equivalent greenhouse gases. The Group encourages double-sided printing and the use of recycle paper for internal document. Separate recycling bins have been provided for paper and aluminium cans. Licensed waste recycler was engaged for collection and the relevant data will be quantified in next reporting period.

Environmental, Social and Governance Report

B. Social

1. Employment and Labour Practices

i. Employment

The Group had a total number of 88 employees as of 31 December 2016, in which 47 are working in Hong Kong and most worked as full time employees and there was only one on part time basis.

Employee's Age Distribution

	18–25	26–35	36–45	46–55	56 and above
2016	9%	57%	21%	13%	0%

Annual Turnover Rate

	18–25	26–35	36–45	46–55	56 and above
2016	22%	45%	33%	0%	0%

Employees has participated in midterm and annual review on goal setting, personal expectation and performance appraisal with their managers, covering several specific KPIs such as job knowledge and skills, quality and accuracy of work, time management, working attitude, etc. This review has helped to manage expectations and encourage greater communication between employees, as well as bringing positive impacts on employee's productivity, and the Group's businesses.

Employees are entitled to discretionary performance bonus, mandatory provident fund, life insurance, medical insurance with annual body check-up, office property insurance, dental and travel care coverage, various types of paid leave in addition to annual leave and sick leave, such as marriage, bereavement, birthday, study and examination, compensation, jury service, paternity, maternity, allowance for professional qualification, external training, rental, mobile phone, meal and transportation for overtime work, special allowance for marriage, new born child and bereavement, and employee discount at retail stores. A share option scheme is also offered for eligible employees.

Environmental, Social and Governance Report

The Group regularly reviews Employee Handbook which is available for all employees. This ensures transparent information on employees' responsibilities and rights and all Group's essential policies and procedures.

ii. Employee Health and Safety

The Group regularly encourages employees to participate Labour Department's Occupational Safety and Health Seminars and Talks to increase their awareness of work and healthy lifestyle, office work safety and occupational stress. The Group also maintains active liaison with Labour Department to obtain updated information on activities and events for employees.

Occupational Health and Safety Data

Work related fatality	Nil
Work injury cases >3 days	Nil
Work injury cases <3 days	Nil
Lost days due to work injury	Nil

iii. Development and Training

To better equip our employees for foreign investment projects and to enhance internal employees' communication, languages classes such as Cantonese and Japanese have been given to numerous employees. Language classes are conducted up to 2 lessons per week covering basic conversation for both everyday expression and banking/financial industry related terms. In addition to the language training, professional training allowance was also available for employees as well. Employees welcomed the training arrangement offered by the Group, in which it helped them to be more equipped for their job duties.

The Group also encourages employees to proactively take external skill training courses related to works by providing them subsidy as long as they have achieved at least 80% of attendance and passes all the required tests and/or examinations for the courses.

iv. Employee Benefit and Wellbeing

The Group actively promotes workplace wellness in various aspects. For example, mooncakes, fruits and spirulina supplements, in additional to regular tea, coffee and snacks, were provided in office pantry on an occasional basis; vouchers for flu vaccination; special packages for travel and banking plans were also offered to employees. Nevertheless, an annual dinner was held on 19 May 2016 to recognize and to reward employees' effort and performance, and to provide a mean to strengthen internal communication and bonding.

Environmental, Social and Governance Report

v. Labour Standard

No illegal child nor forced labour in the Group's operations in the reporting period. It is in compliance with the relevant and applicable employment ordinance.

vi. Equal Opportunity

Equal opportunities are given to employees in respect of employment, recruitment, selection, promotion, conditions of employment, remuneration, training and development, and separation. The employees are not discriminated against or deprived of such opportunities on the basis of gender, age, nationality, race, religion, marital status, sexual orientation, disability, pregnancy or political conviction. Details of the policy, grievance and relevance procedures are stated clearly in the Employee Handbook.

2. *Operating Practices*

i. Supply Chain Management

The Group has strict supply chain management procedures to ensure high quality service for our office supplies.

ii. Product Responsibility

Intellectual Property Rights

The Group has stated clearly on every employee's employment contract that all intellectual property rights, including copyright, design, trade and service marks, created as a result from or by anything arising in the course of or in connection with your employment under the contract shall belong absolutely to the Company.

iii. Anti-corruption

The Group has committed to manage all business without undue influence and has regarded honesty, integrity, and fairness as its core values. All directors and employees are required to strictly follow the Group's policy to prevent potential bribery, extortion, fraud and money laundering.

Environmental, Social and Governance Report

3. *Community*

   i. Community Investment

   In 2016, the Group actively involved in charity and volunteering works serving the grassroots families, young people, elderlies and underprivileged communities in Hong Kong.

   Sharing the Warmth of Mid-Autumn Festival

   The Group partnered with Caritas Cheng Shing Fung District Elderly Centre for a voluntary service called "中秋送暖樂在『深』" on 3 September 2016. 23 employees, joined by their friends and families, spent the afternoon visiting and chatting with the elderlies and the underprivileged at various estates in Sham Shui Po, while giving out mooncakes and fruits. Such experience was unforgettable and helped our employees to realize how our time and effort could have an impact on other people's lives, as well as becoming more aware of social hardships and inequalities in Hong Kong.

   Mooncake Collection

   Every year many mooncakes ended up as food waste in landfill. The Group organized a mooncake collection campaign between 19 and 22 September 2016, and collected unopened, non-expired, uncontaminated, locally made mooncakes from the offices. The collected mooncakes were given to Food Angel which is an organization with a focus on redistributing rescued food items to underprivileged communities. Thus the Group has successfully contributed in turning food waste into a gesture of love and care to the communities during the Festival.

   Our Hands Farm

   On 10 December 2016, the Group co-organized an organic farm outing with Evangelical Lutheran Church Social Service — Hong Kong. 30 no. of employees brought 20 underprivileged children with special education needs to Our Hands Farm in Yuen Long. Together we learnt about permaculture, different organic farming skills and the making of micro-globe — promoting the concept of ecosystem's co-existence and self-sustaining mechanism. These activities raised the employees' awareness on sustainability, environmental conservation, as well as better understanding of children with special needs.

Environmental, Social and Governance Report

FUTURE DIRECTIONS FROM THE GROUP

The Group has developed a steady relationship with several non-profit making groups, such as Caritas Hong Kong and The Evangelical Lutheran Church of Hong Kong. The Group is planning to seek further partnership opportunities and make more efforts on caring the society. The Group is continuing to review individual employee's need and tailor make specific training program to assist employees to be more efficient and productive at workplace. More recycling programmes, such as recycling of red pockets, will also be launched so as to reduce waste and carbon emission in the next reporting period.

Independent Auditor's Report

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To the shareholders of AID Partners Technology Holdings Limited
(formerly known as AID Partners Capital Holdings Limited)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of AID Partners Technology Holdings Limited (formerly known as AID Partners Capital Holdings Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 54 to 178, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Interest in an associate

Refer to notes 3(d), 4(i) and 16 to the consolidated financial statements.

The Group's 20.47% equity interest in HMV Digital China Group Limited ("HMV Digit China") is accounted for using equity method. In addition, management has concluded that there was an impairment of HK$260,649,000 for the Group's interest in HMV Digit China as disclosed in note 16(d) to the consolidated financial statements. This conclusion was based on the estimation of the recoverable amount which is the higher of the value-in-use or fair value less costs to sell. As at 31 December 2016, the carrying amount of interest in HMV Digit China amounted to HK$861,029,000.

We have identified the Group's interest in the associate and its impairment assessment as a key audit matter due to the numerical significance of the amounts and that the estimation of value-in-use involves significant judgments and assumptions.

Our response:

Our procedures in relation to the above included:

— Carrying out audit procedures which we considered necessary on the relevant financial information of HMV Digit China accounted for by the Group using equity accounting, including communication with HMV Digit China's auditor and other procedures pertaining to an audit qualification on the financial statements of HMV Digit China as of 30 June 2016 by that auditor;

— Considering the Group's estimates of the recoverable amount of the interest in HMV Digit China, which is the higher of the value-in-use or fair value less costs to sell, used for impairment purpose and carried out testing thereon;

— Assessing the appropriateness of the methodology for determination of the value-in-use amount;

— Considering the reasonableness of key assumptions;

— Testing mathematical accuracy of the calculations; and

— Considering sensitivity of the cash flow projection to changes in key assumptions.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment on available-for-sale investments

Refer to notes 3(h)(i), 4(i) and 14 to the consolidated financial statements.

As at 31 December 2016, the carrying amount of the Group's available-for-sale investments was HK$244,655,000 which included an unlisted investment of Zoox, Inc. ("Zoox") amounting to HK$234,000,000. The investment in Zoox is measured at cost less any identified impairment losses at the end of reporting period.

We consider this as a key audit matter as the investment in Zoox is significant due to the size of the balance and the inherent management judgment involved in determining whether there is any impairment for this investment. Based on management's assessment, there was no indicator of impairment and accordingly, no impairment provision has been provided for.

Our response:

Our procedures in relation to management's impairment assessment included:

— Understanding impairment assessment carried out by the Group's management;

— Assessing management assessment as to there was any indication of impairment for the investment; and

— Considering the appropriateness and reasonableness of market and business information used for the assessment.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of goodwill and intangible asset relating to the acquisition of Complete Star Limited

Refer to notes 3(k), 4(i) and 15 to the consolidated financial statements.

As at 31 December 2016, the Group had goodwill with carrying amount of HK$24,717,000 and intangible asset (intellectual property) with carrying amount of HK$21,541,000 in relation to the acquisition of Complete Star Limited.

Management has concluded that there is an impairment of HK$24,717,000 in respect of the cash-generating unit to which goodwill and intangible asset were allocated. This conclusion was based on a value-in-use calculation.

We consider this as a key audit matter because the estimation of the recoverable amount of the cash-generating unit to which goodwill and intangible asset belong involves significant judgments and assumptions.

Our response:

Our procedures in relation to management's impairment assessment included:

— Assessing the appropriateness of the methodology for determination of the value-in-use amount;

— Considering the reasonableness of key assumptions;

— Assessing the reliability of management's forecast by comparing previous projections to actual results achieved;

— Testing mathematical accuracy of the calculations; and

— Considering the sensitivity of the valuation models to changes in key assumptions.

Independent Auditor's Report

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Hong Kong, 22 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	6	**206,093**	160,660
Cost of sales		**(116,194)**	(87,725)
Gross profit		**89,899**	72,935
Fair value (loss)/gain on financial assets at fair value through profit or loss	24(a)	**(3,390)**	260
Fair value gain/(loss) on financial liabilities at fair value through profit or loss	24(b)	**1,737**	(6,786)
Gain/(loss) on disposal of subsidiaries, net	35	**946,862**	(512)
Other net income/(loss)	7	**41,746**	(1,410)
Selling and distribution expenses		**(62,085)**	(38,481)
Administrative expenses			
Depreciation of property, plant and equipment	13	**(6,229)**	(18,490)
Amortisation of intangible assets	15	**(25,900)**	(47,573)
Other administrative expenses		**(174,453)**	(111,606)
		(206,582)	(177,669)
Impairment of available-for-sale investments	14	**–**	(818)
Impairment of goodwill	15	**(24,717)**	(41,305)
Impairment of interest in an associate	16	**(260,649)**	–
Other operating expenses		**(9,691)**	(21,120)
Profit/(loss) from operations		**513,130**	(214,906)
Finance costs	8	**(16,176)**	(22,890)
Share of losses of associates, net of tax	16	**(4,070)**	(596)
Profit/(loss) before taxation	9	**492,884**	(238,392)
Taxation credit	10	**8,753**	7,978
Profit/(loss) for the year		**501,637**	(230,414)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Attributable to:			
Owners of the Company		**504,551**	(233,146)
Non-controlling interests		**(2,914)**	2,732
Profit/(loss) for the year		**501,637**	(230,414)
Earnings/(loss) per share attributable to owners of the Company for the year	11	**HK cents**	HK cents
Basic		**5.74**	(4.52)
Diluted		**5.60**	N/A

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Profit/(loss) for the year		**501,637**	(230,414)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investment	14	–	(818)
Reclassification adjustment on impairment of available-for-sale investment	14	–	818
Exchange differences on translation of foreign operations		**(4,448)**	(1,693)
Share of other comprehensive income of an associate		**(1,196)**	–
Other comprehensive income for the year, net of tax		**(5,644)**	(1,693)
Total comprehensive income for the year, before and net of tax		**495,993**	(232,107)
Attributable to:			
Owners of the Company		**500,380**	(234,839)
Non-controlling interests		**(4,387)**	2,732
Total comprehensive income for the year, before and net of tax		**495,993**	(232,107)

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**12,022**	53,416
Available-for-sale investments	14	**244,655**	30,000
Intangible assets	15	**126,182**	262,002
Interests in associates	16	**861,029**	3,603
Investment in convertible bond	17	**14,362**	11,622
Financial asset at fair value through profit or loss	24	**7,618**	11,008
Deposits and other receivables	19	**49,542**	30,376
		1,315,410	402,027
Current assets			
Inventories	18	**–**	39,903
Trade and other receivables	19	**181,993**	78,010
Financial assets at fair value through profit or loss	24	**2,340**	–
Tax recoverable		**561**	–
Pledged bank deposits	20	**–**	7,000
Short-term deposit with maturity more than three months		**23,262**	–
Cash and cash equivalents	20	**211,309**	817,867
		419,465	942,780
Current liabilities			
Trade and other payables	21	**55,065**	153,245
Redeemable convertible preference shares	22	**–**	5,455
Financial liabilities at fair value through profit or loss	24	**–**	2,738
Current tax liabilities		**–**	4,847
		55,065	166,285
Net current assets		**364,400**	776,495
Total assets less current liabilities		**1,679,810**	1,178,522

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	**As at 31 December 2016 HK$'000**	As at 31 December 2015 HK$'000
Non-current liabilities			
Other payables	21	**–**	44,812
Convertible bonds	23	**154,743**	318,909
Financial liabilities at fair value through profit or loss	24	**–**	27,835
Deferred tax liabilities	25	**9,150**	31,370
		163,893	422,926
Net assets		**1,515,917**	755,596
EQUITY			
Share capital	26	**722,094**	582,016
Reserves	27	**745,543**	145,375
Equity attributable to owners of the Company		**1,467,637**	727,391
Non-controlling interests		**48,280**	28,205
Total equity		**1,515,917**	755,596

The consolidated financial statements on pages 54 to 178 were approved and authorised for issue by the board of directors on 22 March 2017 and are signed on its behalf by :

Wu King Shiu, Kelvin
Director

Ho Gilbert Chi Hang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Total equity attributable to owners of the Company												Non-controlling interests	Total equity
	Share capital	*Share premium	*Convertible bonds equity reserve	*Capital reserve	*Capital redemption reserve	*Share-based compensation reserve	*Investment revaluation reserve	*Foreign exchange reserve	*Other reserve	*Statutory surplus reserve	*Accumulated losses	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	582,016	698,265	9,982	2,112	601	49,063	–	(1,693)	–	3,331	(616,286)	727,391	28,205	755,596
Profit for the year	–	–	–	–	–	–	–	–	–	–	504,551	504,551	(2,914)	501,637
Other comprehensive income:														
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(2,975)	–	–	–	(2,975)	(1,473)	(4,448)
Share of other comprehensive income of an associate	–	–	–	–	–	–	(962)	(234)	–	–	–	(1,196)	–	(1,196)
Total comprehensive income for the year	–	–	–	–	–	–	(962)	(3,209)	–	–	504,551	500,380	(4,387)	495,993
Share-based compensation	–	–	–	–	–	25,073	–	–	–	–	–	25,073	–	25,073
Issue of shares upon conversion of convertible bonds (Note 26(h))	124,091	76,580	(8,061)	–	–	–	–	–	–	–	–	192,610	–	192,610
Issue of consideration shares for acquisition of subsidiaries (Note 26(i))	15,987	27,815	–	–	–	–	–	–	–	–	–	43,802	–	43,802
Lapse of share options	–	–	–	–	–	(24,781)	–	–	–	–	24,781	–	–	–
Disposals of interests in subsidiaries without loss of control (Notes 34(a), (b) & (c))	–	–	–	–	–	–	–	–	26,712	–	–	26,712	85,090	111,802
Disposal of subsidiaries as a result of loss of control, reclassified to profit or loss (Note 34(a))	–	–	–	–	–	–	–	–	(26,539)	–	–	(26,539)	(38,080)	(64,619)
Change in ownership interests in subsidiaries without change of control (note 34(d))	–	–	–	–	–	–	–	–	(21,792)	–	–	(21,792)	(20,208)	(42,000)
Dividend paid to non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	–	(2,340)	(2,340)
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	1,600	(1,600)	–	–	–
At 31 December 2016	722,094	802,660	1,921	2,112	601	49,355	(962)	(4,902)	(21,619)	4,931	(88,554)	1,467,637	48,280	1,515,917

* As at 31 December 2016, the total of these reserves amounts to a surplus of HK$745,543,000 (31 December 2015: HK$145,375,000).

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash used in operations	32	**(164,861)**	(127,755)
Tax paid		**(2,637)**	(141)
Net cash used in operating activities		**(167,498)**	(127,896)
Cash flows from investing activities			
Acquisition of HGGL	36(a)	**(42,000)**	(12,366)
Acquisition of HMV IP Rights and HMV Business	36(b)	**–**	(105,558)
Acquisition of AID Japan, net of cash	36(c)	**10,501**	–
Acquisition of Mystery Apex, net of cash	36(d)	**(2,897)**	–
Bank interest income received		**6,422**	1,005
Investments in available-for-sale investments	14	**(235,560)**	(30,000)
Purchase of property, plant and equipment		**(17,839)**	(41,952)
Purchase of intangible assets		**(6,976)**	–
Proceeds from disposals of property, plant and equipment		**116**	3
Loans to independent third parties		**(93,400)**	–
Loans to HMV M&E Limited ("HMV M&E") and its subsidiary		**(48,400)**	–
Loan repayment from HMV M&E		**23,400**	–
Disposal of subsidiaries, net of cash	35	**(77,528)**	36,668
Acquisition of associates	16	**(36,669)**	(4,199)
Investment in convertible bond	17	**–**	(22,158)
Decrease/(increase) in pledged bank deposits		**7,015**	(7,000)
Payment of contingent consideration payables		**(4,207)**	–
Increase in bank deposits with maturity more than three months		**(23,262)**	–
Net cash used in investing activities		**(541,284)**	(185,557)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from financing activities			
Issue of shares upon exercise of share options		–	5,820
Issue of shares upon conversion of redeemable convertible preference shares, net of expenses		–	41,200
Disposals of interests in subsidiaries without loss of control	34	111,802	–
Proceeds from issue of convertible bonds, net of expenses	23(c)	–	139,500
Proceeds from placing of shares	26(e)	–	854,751
Interest paid on bank loan		–	(80)
Repayment of bank loan		–	(360)
Repayment of other loan		–	(11,600)
Redemption of redeemable convertible preference shares		(5,475)	–
Dividend paid to non-controlling shareholder		(2,340)	–
Net cash generated from financing activities		103,987	1,029,231
Net (decrease)/increase in cash and cash equivalents		(604,795)	715,778
Cash and cash equivalents as at 1 January		817,867	102,067
Effect of exchange rate changes on cash and cash equivalents		(1,763)	22
Cash and cash equivalents as at 31 December	20	211,309	817,867

Notes to the Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 February 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is 22/F., New World Tower II, 18 Queen's Road Central, Central, 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.

Pursuant to a special resolution duly passed at the extraordinary general meeting of the Company held on 27 June 2016, together with the approval of the Registrar of Companies in the Cayman Islands on 28 June 2016 and the approval of Registrar of Companies in Hong Kong on 25 July 2016, the name of the Company has been changed from "AID Partners Capital Holdings Limited (滙友資本控股有限公司)" to "AID Partners Technology Holdings Limited (滙友科技控股有限公司)" with effect from 28 June 2016.

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

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

The financial statements for the year ended 31 December 2016 were approved by the board of directors (the "Directors") on 22 March 2017.

Notes to the Financial Statements

For the year ended 31 December 2016

2. ADOPTION OF NEW OR REVISED IFRSs

In the current year, the Group has applied for the following new standards, amendments and interpretations (the "new IFRSs"), which are relevant to and effective for the consolidated financial statements for the annual period beginning on 1 January 2016.

(a) Adoption of new or revised IFRSs — effective from 1 January 2016

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
IFRSs (Amendments)	Annual Improvements 2012–2014 Cycle

Amendments to IAS 1 — Disclosure Initiative

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

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

The adoption of the amendments has no impact on these financial statements.

Amendments to IAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with IAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

(a) Adoption of new or revised IFRSs — effective from 1 January 2016 (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 — Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by IFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

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

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

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)[2]
IFRS 16	Leases[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017

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

3 Effective for annual periods beginning on or after 1 January 2019

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continued to be permitted.

Notes to the Financial Statements

For the year ended 31 December 2016

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

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

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

Amendments to IAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to IAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to IFRS 2 — Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

IFRS 9 — Financial Instruments

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

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

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

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

IFRS 15 — Revenue from Contracts with Customers

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

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

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

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

Amendments to IFRS 15 — Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

IFRS 16 — Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

Notes to the Financial Statements

For the year ended 31 December 2016

2. ADOPTION OF NEW OR REVISED IFRSs (continued)

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

IFRS 16 — Leases (continued)

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

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

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared under historical cost convention except for certain financial instruments classified as available-for-sale investments and at fair value through profit or loss, which are measured at fair value. The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised IFRSs and the impacts on the financial statements, if any, are disclosed in Note 2 to the financial statements.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and basis of consolidation

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

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

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business combination and basis of consolidation (continued)

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

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

(c) Subsidiaries

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

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

– the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

– substantive potential voting rights held by the Company and other parties who hold voting rights;

– other contractual arrangements; and

– historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profit and loss resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(e) Property, plant and equipment

(i) Measurement bases

Leasehold land and buildings

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

(ii) Depreciation

Depreciation is provided to write off the costs less their estimated residual values over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and buildings	2% or over the terms of the lease, whichever is shorter
Computer hardware and software	33 $^{1}/_{3}$%
Furniture and fixtures	20%
Leasehold improvements	20% or over the terms of the lease, whichever is shorter
Office equipment	33 $^{1}/_{3}$%
Motor vehicle	20%

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

(f) Leases

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

(i) Classification of assets leased to the Group

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

(ii) The Group as lessee

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

(iii) The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line method over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging and operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Foreign currencies

The financial statements are presented in HK$ and all balances are expressed in thousands, which is also the functional currency of the Company.

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments

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

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

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

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

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

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

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

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

Available-for-sale investments

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Available-for-sale investments (continued)

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

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

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

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derivative component in convertible bond

Derivative component in convertible bond is initially recognised at fair value and is classified separately into respective items on initial recognition. This is subsequently remeasured at fair value at the end of the reporting period with resulting gain or loss recognised in profit or loss immediately.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Loans and receivables

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

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

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

– Significant financial difficulty of the debtor;

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity

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

Financial liabilities at fair value through profit or loss

These include embedded derivatives which have been separated from their host contracts and financial liabilities that are designated by the Group to be carried at FVTPL upon initial recognition.

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Convertible bonds

Convertible bonds contain liability and conversion option derivative

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

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

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

Convertible bonds contain liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in convertible bonds equity reserve.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Convertible bonds (continued)

Convertible bonds contain liability and equity components (continued)

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share capital and share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

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

Redeemable convertible preference shares

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Redeemable convertible preference shares (continued)

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

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

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

Other financial liabilities

Other financial liabilities include trade and other payables, accrued charges and advances from a director and are recognised initially at fair value and subsequently measured at amortised cost, using effective interest method.

Equity instruments

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(iii) Derecognition

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

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

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

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined on the actual basis and comprises invoiced value of purchases, freight and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(j) Cash and cash equivalents

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets

(i) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from acquisition is allocated to each of the relevant cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of asset that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 3(l)) and whenever there is an indication that the unit may be impaired.

For goodwill arising from an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Intangible assets (continued)

(ii) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses.

Amortisation is recognised in profit or loss and is provided on straight-line method over their estimated useful lives as follows. Non-compete agreements are amortised on a straight-line basis over the respective terms of agreements. Intangible assets with indefinite useful lives are carried at cost less any impairment losses.

Trademarks	20 years
Trademark licence	5 years
Platform	2 years
Intellectual property	5 years
Mobile games	2 years
Distribution network	3 years
Non-compete agreements	5 years
Mobile game licence	3 years

Club membership with indefinite life is carried at cost less any subsequent accumulated impairment losses.

(iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 3(l)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in profit or loss immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (other non-financial assets)

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

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

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

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU (see Note 3(k)(i)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(m) Income taxes

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income taxes (continued)

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

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

(n) Revenue recognition

Revenue, which is the fair value of consideration received or receivable, is recognised when it is probable that economic benefits will flow to the Group, when the revenue and costs, if applicable, can be measured reliably, on the following bases:

– Revenue from sales of goods is recognised, net of discounts and returns, on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customers.

– Revenue from sales of food and beverage is recognised, net of discounts, in profit or loss at the point of sale to customers.

– Revenue from sales of in-app purchase items is recognised on individual transaction basis upon the successful download of the in-app purchase items.

– Advertising and marketing income are recognised when services are rendered or substantially performed in accordance with the terms of the contract.

– Revenue from game publishing services is recognised as follows:

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 after-sale basic technical support to the paying players. The Group has evaluated and determined it is not the primary obligors 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

– Concession stores income is accrued as earned on the basis of the terms of relevant concession agreements, which is on the basis of a minimum payment and a variable amount based on turnover.

– Subscription fee income is recognised when services are rendered or substantially performed in accordance with terms of the contract, net of discounts.

– Interest income from financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably. Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

(o) Borrowing costs

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

(p) Employee benefits

(i) Employee leave entitlements

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Retirement benefit schemes

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

All eligible employees have participated in the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong. Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. There is no voluntary contribution from the Group nor the employees and there are no other legal or constructive obligations to the Group.

The employees of the Group's subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiary operating in Japan are required to participate in a defined contribution retirement plan to which the contributions are calculated as a percentage of employees' basic salaries. The retirement benefit plan cost charged to profit or loss represents contribution payable by the Group to the fund.

(iii) Share-based compensation

All share-based payment arrangements granted are recognised in the financial statements. The Group operates equity-settled share-based compensation plans to remunerate its employees, consultants and directors.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(iii) Share-based compensation (continued)

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

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

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

(iv) Short term employee benefits

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

(v) Bonus plans

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

(vi) Termination benefits

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

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Provisions and contingent liabilities

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

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

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

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:
   - (i) has control or joint control over the Group;
   - (ii) has significant influence over the Group; or
   - (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:
   - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   - (iii) Both entities are joint ventures of the same third party.
   - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
   - (vi) The entity is controlled or jointly controlled by a person identified in (a).
   - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
   - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Notes to the Financial Statements

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Related parties (continued)

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

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

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

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

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

(s) 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 stakes in companies engaging in among others, entertainment, technology and e-commerce businesses.

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

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

- fair value (loss)/gain on financial asset at fair value through profit or loss;
- fair value gain/(loss) on financial liabilities at fair value through profit or loss;
- depreciation of property, plant and equipment;
- share-based compensation expense;
- finance costs;
- share of losses of associates, net of tax;
- taxation credit; and
- certain other unallocated income and expenses.

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

Segment assets include all assets but exclude certain property, plant and equipment, 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, deferred tax liabilities and corporate liabilities unrelated to the business activities of any operating segment.

Notes to the Financial Statements

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(i) Critical accounting estimates and assumptions

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

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 CGUs to which goodwill and the intangible assets have been allocated. 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. Details of the recoverable amount calculation and impairment loss made for the year are disclosed in Note 15.

Fair values of financial instruments

Financial instruments such as available-for-sale investments, financial assets and liabilities at fair value through profit or loss, and convertible bonds are initially measured at fair value. Certain financial instruments as described in Note 3(h) to the consolidated financial statements are remeasured at fair value at subsequent reporting dates. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group uses the values determined by the internal or external valuation techniques to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities requires varying degrees of judgment by management, which may result in different fair values and results. The assumptions with regard to the fair value of available-for-sale investments, convertible bonds, financial assets and financial liabilities at fair value through profit or loss, detailed in Notes 14, 23 and 24 to the consolidated financial statements respectively, might cause a material adjustments to the carrying amounts of assets and liabilities within the next accounting year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(i) Critical accounting estimates and assumptions (continued)

Valuations of share options granted

The fair value of share options granted was calculated using the Binomial Option Pricing Model which requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors of the Company, the existing model will not always necessarily provide a reliable single measure of the fair value of the share options. Details of the inputs are set out in Note 28 to the consolidated financial statements.

Impairment of assets

The Group conducts impairment reviews of assets when events or changes in circumstances indicate that their carrying amounts may not be recoverable annually in accordance with relevant accounting standards. 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 judgments 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 judgment 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 its debtors 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 19 to the financial statements.

Current taxation and deferred taxation

The Group is subject to income taxes in various jurisdictions. Significant judgment 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.

Notes to the Financial Statements

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

Control over a subsidiary

On 2 April 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 PRC laws and regulations. Accordingly, the wholly foreign-owned enterprise within the Group cannot acquire equity interest in the PRC entity, which holds 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;

Notes to the Financial Statements

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

Control over a subsidiary (continued)

— 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 regarded VSOYOU as its indirect non-wholly owned subsidiary and the Group consolidated the financial position and performance of VSOYOU in the consolidated financial statements since the date of acquisition. On 9 September 2016, the Group further acquired the remaining 30% of the issued share capital of HGGL, through acquiring the entire issued share capital of Rosy Year Investments Limited, at a cash consideration of HK$42,000,000. Since then, VSOYOU is considered to be an indirect wholly-owned subsidiary of the Group. 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 the 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.

Power to exercise significant influence

Management has assessed the level of influence that the Group has on certain investments and determined that the Group has significant influence even though the respective shareholding is below 20% because of the board representation. Consequently, these investments have been classified as associates. During the year ended 31 December 2016, following the resignation as a director of these investments, the Group was not in a position to exercise significant influence over these investments. These investments have been reclassified as available-for-sale investments accordingly.

For certain investments with equity interests over 20%, management has assessed but there is an absence of any control, jointly control nor exercise significant influence over this company as the Group did not participate in the financial and operating decisions of the company during the year. Accordingly the Directors are in the opinion that the investment is not deemed to be an associate and accounted for as an available-for-sale investment.

Notes to the Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION

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

	Asset management		Strategic investment		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**–**	–	**206,093**	160,660	**206,093**	160,660
Total segment profit/(loss) from operations	**(7,798)**	(2,965)	**591,354**	(138,293)	**583,556**	(141,258)
Fair value (loss)/gain on financial assets at fair value through profit or loss					**(3,390)**	260
Fair value gain/(loss) on financial liabilities at fair value through profit or loss					**1,737**	(6,786)
Other net income/(loss) not allocated					**41,746**	(1,410)
Depreciation of property, plant and equipment					**(849)**	(885)
Share-based compensation expense					**(25,073)**	(638)
Unallocated corporate expenses					**(84,597)**	(64,189)
Profit/(loss) from operations					**513,130**	(214,906)
Finance costs					**(16,176)**	(22,890)
Share of losses of associates, net of tax	**–**	–	**(4,070)**	(596)	**(4,070)**	(596)
Profit/(loss) before taxation					**492,884**	(238,392)
Taxation credit					**8,753**	7,978
Profit/(loss) for the year					**501,637**	(230,414)

There were no inter-segment transactions during the years ended 31 December 2016 and 2015.

The segment of strategic investment mainly comprises investments in entertainment, technology and e-commerce businesses.

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

Notes to the Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION (continued)

	Asset management		Strategic investment		Total	
	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	3,697	2,376	531,682	493,761	535,379	496,137
Interests in associates	–	–	861,029	3,603	861,029	3,603
	3,697	2,376	1,392,711	497,364	1,396,408	499,740
Unallocated property, plant and equipment					252	752
Unallocated corporate assets					338,215	844,315
Total assets					1,734,875	1,344,807

All assets are allocated to operating segments other than unallocated assets (mainly comprising certain property, plant and equipment, other receivables and cash and cash equivalents).

	Asset management		Strategic investment		Total	
	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment liabilities	2,176	644	20,516	92,604	22,692	93,248
Financial liabilities at fair value through profit or loss					–	27,835
Convertible bonds					154,743	318,909
Deferred tax liabilities					9,150	31,370
Unallocated corporate liabilities					32,373	117,849
Total liabilities					218,958	589,211

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

Notes to the Financial Statements

For the year ended 31 December 2016

5. SEGMENT INFORMATION (continued)

	Asset management		Strategic investment		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information						
Additions to non-current assets	**–**	–	**1,407,366**	104,316	**1,407,366**	104,316
Impairment of interest in an associate	**–**	–	**(260,649)**	–	**(260,649)**	–
Depreciation of property, plant and equipment	**–**	–	**(5,380)**	(17,605)	**(5,380)**	(17,605)
Income tax credit/(expense)	**–**	–	**2,771**	(490)	**2,771**	(490)

Additions to non-current assets mainly represents additions to property, plant and equipment, interests in associates and available-for-sale investments.

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	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**141,385**	95,424	**1,033,107**	371,225
The PRC	**64,708**	65,236	**4,607**	802
Other Asian countries	**–**	–	**11,061**	–
	206,093	160,660	**1,048,775**	372,027

No one single customer contributed more than 10% of the Group's total revenue during the years ended 31 December 2016 and 2015.

6. REVENUE

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

	2016	2015
	HK$'000	HK$'000
Sales of goods	**112,584**	74,986
Sales of food and beverage	**10,072**	3,785
Sales of in-app purchase items	**9,004**	14,680
Advertising income	**16,196**	8,161
Game publishing service income	**52,741**	58,786
Concession stores income	**834**	262
Subscription fee income	**4,662**	–
	206,093	160,660

Notes to the Financial Statements

For the year ended 31 December 2016

7. OTHER NET INCOME/(LOSS)

	2016 **HK$'000**	2015 HK$'000
Bank interest income	**1,136**	934
Effective interest income on investment in convertible bond (Note 17)	**3,626**	283
Rental income	**–**	646
Foreign exchange gains, net	**4,039**	354
(Loss)/gain on disposal of property, plant and equipment	**(3)**	2
Gain/(loss) on remeasurement of contingent consideration payables, net (Note 36(a)(iii))	**47,922**	(4,735)
Gain on deemed disposal of equity interest in an associate (Note 16(b))	**1,318**	–
Interest income on loans to independent third parties	**3,266**	–
Interest income on loan to a shareholder of an investee company	**626**	51
Interest income on loan to a subsidiary of an associate	**523**	–
Loss on reclassification of investments in associates to available-for-sale investments (Note 16(c))	**(24,484)**	–
Marketing income	**2,692**	790
Others	**1,085**	265
	41,746	(1,410)

8. FINANCE COSTS

	2016 **HK$'000**	2015 HK$'000
Effective interest expense on convertible bonds – wholly repayable within five years (Note 23(d))	**16,133**	21,497
Interest on bank loan – not wholly repayable within five years	**–**	80
Effective interest expense on redeemable convertible preference shares (Note 22)	**20**	87
Effective interest expense on contingent consideration payables – wholly repayable within five years (Note 37(B)(iii)(d))	**23**	1,226
	16,176	22,890

Notes to the Financial Statements

For the year ended 31 December 2016

9. PROFIT/(LOSS) BEFORE TAXATION

	2016 **HK$'000**	2015 HK$'000
Profit/(loss) before taxation is arrived at after charging/(crediting):		
Auditor's remuneration:		
– audit services	**1,535**	1,015
– review services	**329**	282
– other services	**1,429**	946
Impairment of trade receivables (Note 19)	**9,602**	–
Cost of inventories recognised as expense	**72,515**	47,806
Depreciation of property, plant and equipment (Note 13)	**6,229**	18,490
Amortisation of intangible assets (included in administrative expenses) (Note 15)	**25,900**	47,573
Employee benefit expense (including directors' remuneration and share-based compensation expense) (Note 12(d))	**109,938**	48,300
Impairment of inventories (Note 18)	**1,278**	2,199
Operating leases charges in respect of leased premises	**35,854**	25,302
Impairment of deposit paid (Note 19(d))	**–**	5,850
Impairment of interest in an associate (Note 16)	**260,649**	–
Impairment of available-for-sale investments (Note 14)	**–**	818
Impairment of goodwill (Note 15)	**24,717**	41,305
(Gain)/loss on disposal of subsidiaries	**(946,862)**	512
Write-off of property, plant and equipment (Note 13)	**646**	–

Notes to the Financial Statements

For the year ended 31 December 2016

10. TAXATION CREDIT

	2016 HK$'000	2015 HK$'000
Hong Kong		
– Current tax for the year	73	490
– Over-provision in respect of prior year	(15)	–
The PRC		
– Over-provision in respect of prior years	(2,829)	–
Deferred tax credit (Note 25)	(5,982)	(8,468)
Taxation credit	(8,753)	(7,978)

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the years ended 31 December 2016 and 2015.

The Group's subsidiaries operating in the PRC are subject to PRC Enterprise Income Tax at the tax rate of 25%. One of the Group's major operating subsidiaries, VSOYOU, was established in the PRC and carries on business in the PRC as a software enterprise. This subsidiary has, pursuant to the relevant laws and regulations in the PRC, obtained exemption from PRC Enterprise Income Tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years (the "Tax Exemption"). This subsidiary which is currently entitled to the Tax Exemption from 1 January 2015 would continue to enjoy such treatments until the Tax Exemption period expires, but not beyond 31 December 2019. Accordingly, an over-provision of the PRC Enterprise Income Tax amounting to HK$2,829,000 (2015: Nil) in respect of prior year has been recognised during the year ended 31 December 2016 due to the Tax Exemption.

Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions for the years ended 31 December 2016 and 2015.

Notes to the Financial Statements

For the year ended 31 December 2016

10. TAXATION CREDIT (continued)

Reconciliation between taxation credit and accounting profit/(loss) at applicable tax rates is as follows:

	2016	2015
	HK$'000	HK$'000
Profit/(loss) before taxation	**492,884**	(238,392)
Tax at the domestic income tax rates	**81,326**	(39,335)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,029)**	2,161
Tax effect of share of losses of associates	**463**	98
Tax effect of non-taxable income	**(172,078)**	(3,680)
Tax effect of non-deductible expenses	**80,570**	23,176
Tax effect of unrecognised temporary differences	**351**	8,290
Tax effect of unrecognised tax losses	**7,605**	8,292
Tax effect of tax exemption granted to PRC subsidiaries	**(4,946)**	(6,980)
Over-provision in respect of prior year	**(15)**	–
Taxation credit	**(8,753)**	(7,978)

Notes to the Financial Statements

For the year ended 31 December 2016

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) per share is calculated by dividing consolidated profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year and adjusted weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, respectively.

	2016	2015
(HK$'000)		
Consolidated profit/(loss) attributable to owners of the Company	**504,551**	(233,146)
Effect of dilutive potential ordinary shares: Interest expense on convertible bonds (net of tax)	**11,979**	N/A
Earnings for the purpose of diluted earnings per share	**516,530**	N/A
(Number)		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**8,786,430,350**	5,160,031,924
Effect of dilutive potential ordinary shares: Convertible bonds	**430,769,231**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**9,217,199,581**	N/A
(HK cents)		
Basic earnings/(loss) per share	**5.74**	(4.52)
Diluted earnings per share	**5.60**	N/A

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.

Notes to the Financial Statements

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11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

Basic and diluted earnings/(loss) per share (continued)

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

For the year ended 31 December 2015, the diluted loss per share would reduce if the outstanding share options, convertible bonds and redeemable convertible preference shares were taken into account, as those financial instruments had an anti-dilutive effect and were ignored in the calculation of diluted loss per share.

For the year ended 31 December 2016, the share options outstanding had an anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share.

Notes to the Financial Statements

For the year ended 31 December 2016

12. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

	Fees HK$'000	Salaries and allowances HK$'000	Retirement fund contributions HK$'000	Share-based compensation expense* HK$'000	Total HK$'000
2016					
Executive Directors:					
Wu King Shiu, Kelvin	–	7,527	18	8,076	15,621
Ho Gilbert Chi Hang	–	7,333	18	8,076	15,427
Chang Tat Joel (Note (i))	–	1,484	14	438	1,936
Non-Executive Directors:					
Chang Tat Joel (Note (i))	117	–	4	139	260
Xu Haohao (Note (ii))	39	–	–	–	39
Guo Qifei (Note (ii))	39	–	–	–	39
Fong Janie (Note (ii))	39	–	–	43	82
Independent Non-Executive Directors:					
Yuen Kwok On	126	–	–	346	472
Chinn Adam David	480	–	–	346	826
Professor Lee Chack Fan, *GBS, SBS, JP*	480	–	–	346	826
	1,320	16,344	54	17,810	35,528

Notes:

(i) Re-designated from an Executive Director to a Non-Executive Director on 3 October 2016.

(ii) Appointed as Non-Executive Directors on 15 November 2016.

Notes to the Financial Statements

For the year ended 31 December 2016

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

(a) Directors' remuneration (continued)

	Fees HK$'000	Salaries and allowances HK$'000	Retirement fund contributions HK$'000	Share-based compensation expense* HK$'000	Total HK$'000
2015					
Executive Directors:					
Wu King Shiu, Kelvin	–	6,313	18	–	6,331
Ho Gilbert Chi Hang	–	6,313	18	–	6,331
Chang Tat Joel	–	2,067	18	–	2,085
Huang Kenian (resigned on 18 June 2015)	–	168	–	–	168
Wang Dayong (resigned on 18 June 2015)	–	168	–	–	168
Non-Executive Director:					
Stephen Shiu Junior (resigned on 21 August 2015)	64	–	–	–	64
Independent Non-Executive Directors:					
Shi Jinsheng (resigned on 21 August 2015)	65	–	–	–	65
Sin Hendrick (resigned on 21 August 2015)	64	–	–	–	64
Yuen Kwok On	100	–	–	–	100
Balme Didier Raymond Marie (appointed on 30 June 2015 and passed away on 16 December 2015)	241	–	–	–	241
Chinn Adam David (appointed on 30 June 2015)	241	–	–	–	241
Professor Lee Chack Fan, *GBS, SBS, JP* (appointed on 30 June 2015)	241	–	–	–	241
	1,016	15,029	54	–	16,099

* These amounts represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payments as set out in Note 3(p)(iii) to the financial statements. Particulars of share options granted to the Directors under the Company's share option scheme are set out in Note 28 to the financial statements.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2016 and 2015.

Notes to the Financial Statements

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three Directors (2015: three Directors) whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining two (2015: two) individuals during the year are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,569**	2,408
Contractual and discretionary bonuses	**–**	1,205
Retirement fund contributions	**24**	34
Share-based compensation expense	**–**	108
	2,593	3,755

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$6,000,001 to HK$6,500,000	**–**	2
HK$15,000,001 to HK$15,500,000	**1**	–
HK$15,500,001 to HK$16,000,000	**1**	–

Except as disclosed above, no emoluments were paid by the Group to the Directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2016 and 2015.

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For the year ended 31 December 2016

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

(c) Senior management

Members of senior management during the year were the Directors whose remuneration as set out in Note 12(a) above. The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
Nil to HK$1,000,000	**6**	9
HK$2,000,001 to HK$2,500,000	**1**	1
HK$6,000,001 to HK$6,500,000	**–**	2
HK$15,000,001 to HK$15,500,000	**1**	–
HK$15,500,001 to HK$16,000,000	**1**	–

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

	2016	2015
	HK$'000	HK$'000
Fees	**1,320**	1,016
Salaries, allowances and benefits in kind	**69,256**	34,845
Bonus paid and payable	**12,184**	10,564
Retirement fund contributions*	**2,105**	1,237
Share-based compensation expense (Notes 28 and 32)	**25,073**	638
Total	**109,938**	48,300

* There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31 December 2016 and 2015.

Notes to the Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Computer hardware and software HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
At 1 January 2015							
Cost	77,338	1,310	2,050	11,733	2,080	–	94,511
Accumulated depreciation	(7,841)	(314)	(231)	(3,036)	(412)	–	(11,834)
Carrying amount	69,497	996	1,819	8,697	1,668	–	82,677
Year ended 31 December 2015							
Opening carrying amount	69,497	996	1,819	8,697	1,668	–	82,677
Additions	–	4,007	1,605	40,972	5,574	–	52,158
Acquisition of subsidiaries (Note 36(a))	–	23	170	244	–	–	437
Acquisition of HMV Business (Note 36(b))	–	324	756	4,610	109	–	5,799
Disposals	–	(1)	–	–	–	–	(1)
Disposal of subsidiaries (Note 35(a))	(69,141)	–	–	–	–	–	(69,141)
Depreciation (Note 9)	(356)	(1,045)	(2,227)	(12,771)	(2,091)	–	(18,490)
Exchange alignment	–	(2)	(8)	(13)	–	–	(23)
Closing carrying amount	–	4,302	2,115	41,739	5,260	–	53,416
At 31 December 2015							
Cost	–	5,651	4,572	57,544	7,763	–	75,530
Accumulated depreciation	–	(1,349)	(2,457)	(15,805)	(2,503)	–	(22,114)
Carrying amount	–	4,302	2,115	41,739	5,260	–	53,416
Year ended 31 December 2016							
Opening carrying amount	**–**	**4,302**	**2,115**	**41,739**	**5,260**	**–**	**53,416**
Additions	**10,706**	**321**	**892**	**5,603**	**317**	**–**	**17,839**
Acquisition of AID Japan (Note 36(c))	**–**	**–**	**–**	**–**	**9**	**96**	**105**
Acquisition of Mystery Apex (Note 36(d))	**–**	**47**	**–**	**–**	**26**	**–**	**73**
Disposals	**–**	**(12)**	**–**	**–**	**(15)**	**(92)**	**(119)**
Disposal of HMV M&E Group (Note 35(b))	**–**	**(3,143)**	**(1,949)**	**(42,753)**	**(4,497)**	**–**	**(52,342)**
Depreciation (Note 9)	**(55)**	**(903)**	**(418)**	**(3,901)**	**(944)**	**(8)**	**(6,229)**
Exchange alignment	**–**	**(23)**	**(37)**	**(11)**	**(8)**	**4**	**(75)**
Writen off (Note 9)	**–**	**(38)**	**(114)**	**(462)**	**(32)**	**–**	**(646)**
Closing carrying amount	**10,651**	**551**	**489**	**215**	**116**	**–**	**12,022**
At 31 December 2016							
Cost	**10,706**	**1,104**	**653**	**1,762**	**170**	**–**	**14,395**
Accumulated depreciation	**(55)**	**(553)**	**(164)**	**(1,547)**	**(54)**	**–**	**(2,373)**
Carrying amount	**10,651**	**551**	**489**	**215**	**116**	**–**	**12,022**

Notes to the Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

On 17 February 2015, the Group disposed of the leasehold land and buildings, which were situated in Hong Kong and held under long-term lease, 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 35(a)).

14. AVAILABLE-FOR-SALE INVESTMENTS

	2016 **HK$'000**	2015 HK$'000
Unlisted investments, at cost		
Equity securities	**245,473**	30,818
Less: impairment losses	**(818)**	(818)
Total	**244,655**	30,000

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

	Notes	**2016** **HK$'000**	2015 HK$'000
At 1 January		**30,000**	818
Additions	(a), (b)	**235,560**	30,000
Reclassification from interests in associates (Note 16(c))	(a)	**9,095**	–
Disposal (Note 35(c))	(b)	**(30,000)**	–
Less: Change in fair value recognised directly in other comprehensive income (Note 9)	(c)	**–**	(818)
At 31 December		**244,655**	30,000

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14. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

(a) The Group acquired certain unlisted investments at a cash consideration of HK$235,560,000 and reclassified from interests in associates at aggregate amount of HK$9,095,000 (Note 16(c)) during the year ended 31 December 2016.

At 31 December 2016, the available-for-sale investments mainly represented an aggregate of 581,387 series A preferred stocks of Zoox, Inc. ("Zoox"), a company incorporated in the United States of America with limited liability, acquired by the Group at an aggregate cash consideration of US$30,000,000 (equivalent to approximately HK$234,000,000). Zoox is principally engaged in robotics, pioneering autonomous mobility-as-a-service.

(b) At 31 December 2015, the available-for-sale investment represented 40% equity interest in Glory Kingdom Group Limited ("Glory Kingdom"), a company incorporated in the British Virgin Islands with limited liability and has a subsidiary whose activity is to engage in movie related business, at a cash consideration of HK$30,000,000.

During the year ended 31 December 2015 and up to the disposal date of 30 December 2016, the Group had no intention to and did not control, jointly control nor exercise significant influence over this company as the Group did not participate in the financial and operating decisions of the company. Accordingly, the interest in Glory Kingdom was accounted for as an available-for-sale investment. On 30 December 2016, the interest in Glory Kingdom was disposed of together with its parent company, Vissible Co & Limited ("Vissible"), as detailed in Note 35(c).

(c) For the year ended 31 December 2016, the Directors consider no impairment is necessary.

During the year ended 31 December 2015, a fair value loss of HK$818,000 in respect of an investment brought forward from the year ended 31 December 2014 was fully recognised in the investment revaluation reserve in equity. Due to the significant decline in anticipated future cash flows of such investment, the same amount of fair value loss recognised in equity was transferred out of the investment revaluation reserve and recognised in profit or loss as an impairment loss for the year ended 31 December 2015 (Note 9).

(d) The fair values of unlisted investments were not disclosed as there was no open market on the unlisted investments and the fair values cannot be measured reliably.

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15. INTANGIBLE ASSETS

	Goodwill HK$'000 (Note (a))	Trademarks HK$'000 (Note (b))	Trademark licence HK$'000 (Note (c))	Platform HK$'000 (Note (c))	Intellectual property HK$'000 (Note (d))	Mobile games HK$'000 (Note (e))	Distribution network HK$'000 (Note (e))	Non-compete agreements HK$'000 (Note (e))	Others HK$'000 (Note (f))	Total HK$'000
Carrying amount at 31 December 2014 and 1 January 2015	87,173	–	12,000	15,983	37,069	–	–	–	–	152,225
Acquisition of subsidiaries (Note 36(a))	61,539	–	–	–	–	14,850	7,766	26,610	–	110,765
Acquisition of HMV IP Rights and HMV Business (Note 36(b))	10,256	77,634	–	–	–	–	–	–	–	87,890
Amortisation (Note 9)	–	(323)	(12,000)	(15,983)	(7,764)	(5,569)	(1,942)	(3,992)	–	(47,573)
Impairment (Note 9)	(41,305)	–	–	–	–	–	–	–	–	(41,305)
Carrying amount at 31 December 2015 and 1 January 2016	**117,663**	**77,311**	**–**	**–**	**29,305**	**9,281**	**5,824**	**22,618**	**–**	**262,002**
Acquisition of subsidiaries (Notes 36(c) and (d))	**14,249**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,249**
Addition	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,976**	**6,976**
Disposal of HMV M&E Group (Note 35(b))	**(31,407)**	**(75,046)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(106,453)**
Amortisation (Note 9)	**–**	**(2,265)**	**–**	**–**	**(7,764)**	**(7,425)**	**(2,589)**	**(5,322)**	**(535)**	**(25,900)**
Impairment (Note 9)	**(24,717)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(24,717)**
Exchange alignment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25**	**25**
Carrying amount at 31 December 2016	**75,788**	**–**	**–**	**–**	**21,541**	**1,856**	**3,235**	**17,296**	**6,466**	**126,182**

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15. INTANGIBLE ASSETS (continued)

Notes:

(a) Goodwill acquired through acquisition of subsidiaries is allocated to the Group's CGU. A summary of goodwill allocation is presented below:

	2016 HK$'000	2015 HK$'000
HMV	–	31,407
CSL	–	24,717
HGGL	61,539	61,539
AID Japan Co., Ltd. ("AID Japan") (formerly known as EEL 21 Co., Ltd.) (Note 36(c))	1,940	–
Mystery Apex Limited ("Mystery Apex") (Note 36(d))	12,309	–
	75,788	117,663

The recoverable amount of CSL and HGGL to which the goodwill relates has been determined based on a value in use calculation. The calculation is based on financial budgets covering a five-year period approved by management and followed by an extrapolation of expected cash flows with 3% growth rate for HGGL and 0% for CSL. Key assumptions are based on past performance, management estimation on market development and general inflation based on the growth rates which did not exceed the long-term average growth rates for the business in which the CGU operates. The discount rate used for value in use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

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

	HGGL		CSL	
	2016	2015	2016	2015
Terminal growth rate	3%	3%	0%	0%
Discount rate	30.8%	32.1%	27.8%	26.7%

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

During the year ended 31 December 2016, the Group recognised in profit or loss an impairment of HK$24,717,000 (2015: HK$41,305,000) in relation to goodwill arising from the acquisition of CSL due to unfavourable change in market condition of mobile game business subsequent to acquisition. The Directors determined that other CGUs containing goodwill does not suffer any impairment.

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

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15. INTANGIBLE ASSETS (continued)

Notes: (continued)

(b) Trademarks arose from the acquisition of HMV IP Rights and HMV Business on 30 November 2015. Trademarks represent the rights to use the name "HMV", the various HMV trade marks and trade mark applications, and the HMV domain names for the purposes of conducting the retail business of "HMV" operating through the four (4) retail stores selling music, movies and television series related contents and products located in Hong Kong and any other business to be conducted in the PRC, Hong Kong and Singapore. HMV M&E Group was disposed of on 3 August 2016 as detailed in Note 35(b).

(c) Trademark licence and platform arose from further acquisition of 53.18% equity interest in HMV Ideal Limited ("HMV Ideal"), which increased the Group's ownership to 64.54%, on 24 February 2014. 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. On 30 November 2015, the Group completed the acquisition of HMV IP Rights and HMV Business and accordingly, the Trademark licence arose from the acquisition of HMV Ideal in 2014 was written off and its net carrying amount of HK$9,360,000 as at 30 November 2015 was fully amortised in December 2015.

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.

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

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

(e) Mobile games, distribution network and non-compete agreements arose from acquisition of 70% equity interest in HGGL, in April 2015 (Note 36(a)). Mobile games represent self-developed games 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.

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

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

(f) At 31 December 2016, others represented a mobile game licence with net carrying amount of HK$3,166,000 (2015: Nil) and a club membership with net carrying amount of HK$3,300,000 (2015: Nil).

For the impairment testing on club membership, the recoverable amount has been determined based on fair value less costs to sell which represents the market price less cost of disposal as at 31 December 2016 (level 3 fair value measurements).

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For the year ended 31 December 2016

16. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Interests in associates		
Hong Kong listed shares	**861,029**	–
Unlisted shares	**–**	3,603
	861,029	3,603
Market value of listed shares	**861,029**	N/A

Movements in interests in associates during the year are as follows:

	Notes	2016 HK$'000	2015 HK$'000
At 1 January		**3,603**	–
Additions	(a)	**1,154,888**	4,199
Gain on deemed disposal of Brave Entertainment Co., Ltd ("Brave Entertainment") (Note 7)	(b)	**1,318**	–
Share of losses, net of tax		**(4,070)**	(596)
Share of other comprehensive income of associates		**(482)**	–
Fair value loss recognised in profit or loss upon reclassification to available-for-sale investments	(c)	**(24,484)**	–
Reclassification to available-for-sale investments (Note 14)	(c)	**(9,095)**	–
Impairment loss (Note 9)	(d)	**(260,649)**	–
At 31 December		**861,029**	3,603

Notes:

(a) During the year ended 31 December 2016, the Group acquired certain interests in the following associates, at aggregate consideration of HK$1,154,888,000:

(i) On 29 January 2016, the Group acquired approximately 14.74% equity interest in Kabushiki Kaisha Hyakusen Renma ("Hyakusen Renma") at a cash consideration of JPY490,000,000 (equivalent to approximately HK$32,683,000). Although the Group's ownership interest in Hyakusen Renma is below 20%, the Group appointed one out of five directors of the board of Hyakusen Renma in accordance with the shareholders' agreement. In the opinion of the Directors, the Group was able to exercise significant influence on its financial and operating policies and accordingly, the interest in Hyakusen Renma was accounted for as an associate. Hyakusen Renma owns and operates a legitimate platform in Japan named STAYJAPAN.com (https://stayjapan.com/) for licensed property owners to list vacant rooms for private lodging and for guests to book vacation rentals.

(ii) On 9 September 2016, the Group acquired approximately 33.33% equity interest in StylesBank Inc. ("StylesBank") at a cash consideration of JPY60,000,000 (equivalent to approximately HK$3,986,000). StylesBank is principally engaged in e-commerce business.

(iii) On 3 August 2016, consideration shares of HMV Digital China Group Limited (formerly known as China 3D Digital Entertainment Limited)("HMV Digit China") with fair value of HK$1,118,219,000 were received for the disposal of HMV M&E Group, representing approximately 20.47% of the issued share capital of HMV Digit China (Note 35(b)).

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For the year ended 31 December 2016

16. INTERESTS IN ASSOCIATES (continued)

Notes: (Continued)

(b) During the year ended 31 December 2016, Brave Entertainment issued new shares to an independent third party and this resulted in a dilution of the Group's equity interest from 17.12% to 16.27% and accordingly, the Group recognised a gain on deemed disposal of HK$1,318,000 in profit or loss (Note 7).

(c) During the year ended 31 December 2016, following the resignation as the director(s) of the investee companies, Brave Entertainment, Hyakusen Renma and StylesBank, and the waiver of the rights to appoint directorship in these investee companies by the Group, the Group had no significant influence on their financial and operating policies. Accordingly, these investments with aggregate net carrying amounts of HK$9,095,000 were reclassified to available-for-sale investments, including a fair value loss of HK$24,484,000 which has been recognised in profit or loss (Note 7) due to the re-measurement upon the reclassification of these investments from interests in associates to available-for-sale investments.

(d) During the year ended 31 December 2016, the Group has assessed the recoverable amount of its interest in the associate listed in Hong Kong as the carrying amount of interest in this associate is higher than its market value and accordingly, an impairment provision of HK$260,649,000 (2015: Nil) has been recognised in profit or loss for the year.

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

(e) The Group's 2016 result includes the Group's share of the results of HMV Digit China and its subsidiaries for the period from 3 August 2016 (date of acquisition) to 31 December 2016. HMV Digit China has an accounting year end of 30 June 2016 and the Group applies equity accounting of its interest in HMV Digit China using its management accounts as of the acquisition date and published accounts as of 31 December 2016. The annual accounts of HMV Digit China as of 30 June 2016 were qualified by its auditor.

(f) Particulars of the associates as at 31 December 2016 and 2015 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid share capital ('000)	Percentage of ownership interests 2016	Percentage of ownership interests 2015	Principal activities
HMV Digit China	Bermuda/ Hong Kong	HK$54,617	**20.47%**	N/A	Investment holding
Brave Entertainment	South Korea	KRW3,380,220 (2015: KRW3,213,560)	**N/A**	17.12%*	Production and distribution of music contents, scouting and promotion of artists

* Although the Group's ownership interest in Brave Entertainment as at 31 December 2015 was below 20%, the shareholders' agreement of Brave Entertainment allowed the Group to appoint two out of five directors of the company. In the opinion of the Directors, the Group was able to exercise significant influence on its financial and operating policies and accordingly, the interest in Brave Entertainment was accounted for as an associate. Interest in Brave Entertainment was reclassified to available-for-sale investment during the year ended 31 December 2016 which the details were set out in Note 16(c).

There are no significant restrictions on the ability of associates to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group.

There are no material contingent liabilities relating to the Group's interest in the associates.

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16. INTERESTS IN ASSOCIATES (continued)

Notes: (Continued)

(g) Summarised financial information in respect of the Group's material associates is set out below. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information represents amounts shown in the financial statements of the associates, after fair value adjustments, prepared in accordance with IFRSs:

	HMV Digit China		Brave Entertainment	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current assets	**1,994,039**	–	**–**	7,439
Current assets	**332,236**	–	**–**	25,905
Current liabilities	**(339,543)**	–	**–**	(36,615)
Non-current liabilities	**(45,647)**	–	**–**	–
Net assets/(liabilities)	**1,941,085**	–	**–**	(3,271)
Less: attributable to non-controlling interests	**(3,034)**	–	**–**	–
Net assets/(liabilities) attributable to the owners of the associates	**1,938,051**	–	**–**	(3,271)
Reconciliation to the Group's interest in the associate:				
Proportion of the Group's ownership	**20.47%**	–	**–**	17.12%
Group's share of net assets/(liabilities) of associate, excluding goodwill	**396,792**	–	**–**	(560)
Goodwill on acquisition	**724,886**	–	**–**	4,163
Less: impairment	**(260,649)**	–	**–**	–
Carrying amount of the investment	**861,029**	–	**–**	3,603

	For the period from 3 August 2016 (date of acquisition) to 31 December 2016	For the year ended 31 December 2015	**For the period from 1 January 2016 to 30 December 2016 (date of reclassification to available-for-sale investment)**	For the period from 1 December 2015 (date of acquisition) to 31 December 2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue	**321,331**	–	**7,507**	211
Profit/(loss) for the period	**24,435**	–	**(18,485)**	(3,484)
Other comprehensive income	**(5,841)**	–	**(980)**	–
Total comprehensive income for the period	**18,594**	–	**(19,465)**	(3,484)
Less: attributable to non-controlling interests	**(1,699)**	–	**–**	–
Total comprehensive income attributable to the owners of the associates	**16,895**	–	**(19,465)**	(3,484)

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For the year ended 31 December 2016

17. INVESTMENT IN CONVERTIBLE BOND

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

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

The embedded derivatives (i.e. the early redemption and conversion option) of the convertible bond are separated from the host contract because its economic characteristics and risk are not closely related to those of the host contract and is accounted for as financial asset at fair value through profit or loss as set out in note 24(a).

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

	2016 **HK$'000**	2015 HK$'000
At 1 January	**11,622**	–
Subscription of the convertible bond	**–**	11,410
Effective interest income (Note 7)	**3,626**	283
Interest received	**(886)**	(71)
At 31 December (included in non-current assets)	**14,362**	11,622

Notes to the Financial Statements

For the year ended 31 December 2016

17. INVESTMENT IN CONVERTIBLE BOND (continued)

Valuation of receivable component

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

Interest income of the debt component for the years ended 31 December 2016 and 2015 is calculated using effective interest method by applying an effective interest rate of 31.9% (2015: 31.9%) per annum to the receivable component.

At 31 December 2016 and 2015, the convertible bond is neither past due nor impaired. The Directors are of the opinion that no impairment is necessary in respect of the balance as there has not been a significant change in credit quality and the balance is considered to be fully recoverable. The Group does not hold any collateral or other credit enhancements over the convertible bond.

18. INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Finished goods for resale	–	39,903

During the year ended 31 December 2016, the Group wrote down the carrying values of inventories of HK$1,278,000 (2015: HK$2,199,000) (Note 9).

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For the year ended 31 December 2016

19. TRADE AND OTHER RECEIVABLES

	Notes	2016 HK$'000	2015 HK$'000
Trade receivables	(a)	**41,179**	42,188
Less: impairment loss recognised	(b)	**(9,102)**	–
Trade receivables, net		**32,077**	42,188
Other receivables	(c)	**141,288**	28,958
Deposits and prepayments	(d)	**58,170**	37,240
Total		**231,535**	108,386
Categorised as:			
Current portion		**181,993**	78,010
Non-current portion		**49,542**	30,376
		231,535	108,386

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

Notes:

(a) At 31 December 2016 and 2015, ageing analysis of trade receivables based on invoice date and net of impairment losses is as follows:

	2016 HK$'000	2015 HK$'000
0–30 days	**26,047**	39,462
31–60 days	**3,106**	2,099
61–90 days	**2,524**	2
Over 90 days	**400**	625
	32,077	42,188

Game publishing service income is receivables from mobile network operators and channel owners and is aged within 30 to 60 days (31 December 2015: 30 to 60 days).

Subscription fee income is receivables from telecommunication operators and is settled within 30 days (31 December 2015: N/A).

As at 31 December 2015, sales of goods and food and beverage by HMV M&E Group were normally made on a cash basis. Credit card receivables from financial institutions in respect of those sales were aged within 45 days.

19. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(a) (continued)

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

	2016 HK$'000	2015 HK$'000
Less than 60 days past due	**2,236**	2,248
Over 60 days past due	**214**	627
	2,450	2,875

At 31 December 2016, trade receivables of HK$2,450,000 (2015: HK$2,875,000) that were past due but not impaired relate to certain customers for whom had a good track record of credit with the Group. Based on the past credit history, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

(b) Movements in impairment loss recognised in respect of trade receivables are as follows:

	2016 HK$'000	2015 HK$'000
At the beginning of the year	**–**	–
Provision for impairment for the year (Note 9)	**9,602**	–
Exchange alignment	**(500)**	–
At the end of the year	**9,102**	–

Included in the impairment of trade receivables recognised are individually impaired trade receivables with an aggregate balance of approximately HK$9,102,000 (2015: Nil). The individually impaired receivables mainly relate to customers that were in poor past settlement history and only a portion of the receivables is expected to be recovered.

(c) All other receivables under current portion at 31 December 2016 and 2015 were aged less than 30 days past due, based on the due date.

At 31 December 2016, other receivables included (i) a loan with principal amount of HK$12,519,000 under current portion (31 December 2015: HK$12,519,000 under non-current portion) to a shareholder of the Group's investee company (31 December 2015: associate), which is secured, interest bearing at 5% per annum and repayable within one year from the end of reporting period; (ii) loans to independent third parties in aggregate principal amounts of HK$70,000,000 (31 December 2015: Nil), which are secured, interest bearing at 5% per annum and repayable within six months from the end of reporting period; (iii) a loan with a principal amount of HK$25,000,000 (31 December 2015: Nil) to a wholly-owned subsidiary of HMV M&E, which was disposed of on 3 August 2016 and become a subsidiary of the Group's associate as detailed in Note 35(b), which is unsecured, interest bearing at 5% per annum and repayable after one year from the end of reporting period; and (iv) a loan to an independent third party with a principal amount of US$3,000,000 (equivalent to approximately HK$23,400,000) (31 December 2015: Nil), which is secured, interest bearing at 5% per annum and repayable within one year from the end of reporting period.

(d) At 31 December 2016, included in deposits and prepayments were deposits of HK$23,400,000 (under non-current portion) for the acquisition of a machinery for leasing arrangement and HK$11,233,000 (under current portion) for development on a real-time video streaming app and the related marketing service fee.

As at 31 December 2015, included in deposits and prepayments was (i) a deposit of HK$5,850,000 for an investment in the production of a popular American television series in the PRC. The investment was subject to various conditions precedent, which, up to 14 August 2015, had not been satisfied. According to the agreement, the Group was entitled to recover the full amount of the deposit and the Group was in the legal process of doing so. However, the Group considered that the chance of such deposit's recoverability was remote as at 31 December 2015 and, accordingly, an impairment of HK$5,850,000 was provided for and included in other operating expenses for the year. The Group disposed of HMV M&E Group together with this deposit on 3 August 2016 and the details are set out in Note 35(b); (ii) deposits of HK$16,810,000 for certain HMV stores' rental and renovation deposits; and (iii) a deposit of HK$1,047,000 for the purchase of a property located in Japan for own use at a consideration of HK$10,787,000. The purchase was completed and the remaining balance was fully settled in January 2016 (Note 30(b)).

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20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

(a) Cash and cash equivalents

	2016 HK$'000	2015 HK$'000
Cash and cash equivalents	**211,309**	817,867

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

At 31 December 2016, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$28,963,000 (2015: HK$14,990,000). RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks which are authorised to conduct foreign exchange business.

(b) Pledged bank deposits

	2016 HK$'000	2015 HK$'000
Pledged bank deposits	**–**	7,000

As 31 December 2015, the Group had pledged bank deposits of HK$7,000,000 to a bank to secure banking facilities granted to a subsidiary of HMV M&E Group, which was disposed of on 3 August 2016, in relation to performance bonds in respect of tenancy agreements of certain retail stores and supplier payments. The Group had no pledged bank deposits as at 31 December 2016.

21. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	**13,932**	48,253
Other payables (Note (a))	**27,682**	110,512
Accrued charges (Note (b))	**13,451**	39,292
	55,065	198,057
Categorised as:		
Current portion	**55,065**	153,245
Non-current portion	**–**	44,812
	55,065	198,057

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21. TRADE AND OTHER PAYABLES (continued)

At 31 December 2016 and 2015, the ageing analysis of trade payables based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
0–30 days	**11,712**	22,616
31–60 days	**1,288**	14,820
61–90 days	**–**	6,808
Over 90 days	**932**	4,009
	13,932	48,253

Notes:

(a) At 31 December 2015, the balance included the aggregate contingent consideration payable by the Group of HK$95,908,000 for (i) the acquisition of 70% equity interest in CSL of HK$4,184,000 payable during the year ended 31 December 2016 and (ii) the acquisition of 70% equity interest in HGGL of HK$55,462,000 payable during the year ended 31 December 2016 and HK$36,262,000 payable during the year ending 31 December 2017) (Note 36(a)). At 31 December 2016, there was no contingent consideration payable by the Group. Details of the movements in the contingent consideration payable was set out in Note 37(B)(iii)(d).

(b) At 31 December 2015, the balance included the provision for store reinstatement costs of HK$10,206,000 which the Group was obligated to make under non-cancellable operating lease contracts. At 31 December 2016, there was no such provision was included in the Group's trade and other payables.

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

	2016 HK$'000	2015 HK$'000
At 1 January	**10,206**	700
Addition	**265**	9,506
Utilisation	**(1,852)**	–
Less: disposal together with HMV M&E Group (Note 35(b))	**(8,619)**	-
At 31 December	**–**	10,206
Categorised as:		
Current portion	**–**	1,654
Non-current portion	**–**	8,552
	–	10,206

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22. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 14 September 2011 ("issue date"), the Company issued 10,019,790 redeemable convertible preference shares ("RCPS") of par value of US$0.10 each (before the capital reduction with effect from 31 May 2012) at subscription price of US$2.00 per RCPS, of which US$0.10 per RCPS was paid on subscription and the remaining balance of US$1.90 per RCPS will be paid immediately prior to the conversion of the RCPS into ordinary shares of the Company.

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

In accordance with the terms and conditions thereof, the conversion price was reset on 14 March 2012, 14 March 2013, 14 September 2013, 14 March 2014, 27 January 2015, 20 July 2015 and 11 August 2015, the prevailing conversion price is HK$0.10 per share as reset upon the completion of the Placing as set out in Note 26(e) on 11 August 2015.

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

At 31 December 2015, the outstanding number of the RCPS issued was 7,019,790, which were fully redeemed by the Company upon the maturity during the year ended 31 December 2016 (Note 26).

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22. REDEEMABLE CONVERTIBLE PREFERENCE SHARES (continued)

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

	2016	2015
	HK$'000	HK$'000
Net carrying amount at 1 January	**5,455**	7,502
Exercise of RCPS	**–**	(2,134)
Effective interest expense for the year (Note 8)	**20**	87
Redemption of RCPS	**(5,475)**	–
Net carrying amount at 31 December	**–**	5,455

Interest expense on the RCPS is calculated using effective interest method by applying the effective interest rate of 1.14% (2015: 1.14%) per annum.

23. CONVERTIBLE BONDS

(a) Tranche 1 and Tranche 2 Convertible Bonds

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

Tranche 1 and Tranche 2 Convertible Bonds were denominated in Hong Kong dollars and were convertible at the option of the bondholder(s) at any time after the date of issuance up to and including the date which was seven days prior to the maturity date of 4 October 2015, into new shares of the Company at a price of HK$0.18 per share initially, subject to the conversion price reset where at the end to 6-month period from the date of issuance and at the end of every 6-month period thereafter, the conversion price shall be adjusted to 110% of the one-month volume weighted average price with a floor of HK$0.78 per share and provided that the conversion price shall not in any event be higher than the lower of HK$1.80 per share and the previous adjusted conversion price reset. Tranche 1 and Tranche 2 Convertible Bonds were 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 was at least 150% of the conversion price for 30 consecutive trading days. The bondholder(s) of Tranche 1 and Tranche 2 Convertible Bonds may request the Company to redeem at the aforesaid early redemption amount on or after the third anniversary of 4 October 2010.

Notes to the Financial Statements

For the year ended 31 December 2016

23. CONVERTIBLE BONDS (continued)

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

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

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

(b) 2014 Convertible Bonds

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

The 2014 Convertible Bonds were convertible at the option of the bondholders at any business day during the period commencing from the date of issue of the convertible bonds up to and including the date falling seven days prior to the third anniversary of the date of issue of the 2014 Convertible Bonds (the "Maturity Date") at a price of HK$0.80 per share initially. The prevailing conversion price was HK$0.13 per share which was adjusted upon the completion of bonus issue on 27 January 2015 and further adjusted to HK$0.11 per share upon completion of the Placing of shares on 11 August 2015. The 2014 Convertible Bonds were only transferable with prior notification to the Company and may be transferred in integral multiples of HK$1,000,000. The Company may, having given not less than thirty days' notice to the bondholders, redeem the 2014 Convertible Bonds then outstanding, at a premium of 10% above the outstanding principal amount of the 2014 Convertible Bonds, in integral multiples of HK$1,000,000 at any time prior to the Maturity Date and subject to bondholder's agreement. The bondholders may also by written notice to the Maturity Date elect to extend the term of the 2014 Convertible Bonds then outstanding, in whole or in part, for a term of one year and thereafter for a further one year.

The 2014 Convertible Bonds were fully converted on 5 April 2016.

Notes to the Financial Statements

For the year ended 31 December 2016

23. CONVERTIBLE BONDS (continued)

(c) 2015 HK$140 million Convertible Bonds

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

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

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

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

	2015 HK$140 million Convertible Bonds HK$'000
Face value of the 2015 HK$140 million Convertible Bonds issued	140,000
Transaction costs	(500)
Net proceeds	139,500
Equity component (Note 27(b))	(1,921)
Liability component on initial recognition upon issuance of the 2015 HK$140 million Convertible Bonds	137,579

Notes to the Financial Statements

For the year ended 31 December 2016

23. CONVERTIBLE BONDS (continued)

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

	2016 HK$'000	2015 HK$'000
Net carrying amounts at 1 January	**318,909**	183,331
Effective interest expense for the year (Note 8)	**16,133**	21,497
Conversion of Tranche 1 Convertible Bonds	**–**	(23,498)
Conversion of the 2014 Convertible Bonds	**(180,299)**	–
Issue of the 2015 HK$140 million Convertible Bonds	**–**	137,579
Net carrying amounts at 31 December (included in non-current liabilities)	**154,743**	318,909

During the year ended 31 December 2016, principal amount of HK$175,000,000 of the 2014 Convertible Bonds (2015: HK$21,000,000 of Tranche 1 Convertible Bonds) was converted into 1,590,909,090 (2015: 175,000,000) ordinary shares of the Company (Note 26) at the conversion price of HK$0.11 (2015: HK$0.12) per share, with the carrying value of the liability component of the convertible bonds of HK$180,299,000 (2015: HK$23,498,000) at the date of conversion.

Interest expenses of the 2014 Convertible Bonds and the 2015 HK$140 million Convertible Bonds for the year ended 31 December 2016 are calculated using effective interest method by applying effective interest rates of 10.08% (2015: 10.08%) and 8.3% (2015: 8.3%) per annum to the liability components, respectively.

Notes to the Financial Statements

For the year ended 31 December 2016

24. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2016 HK$'000	2015 HK$'000
Derivative financial instrument (Note (i))	**2,340**	–
Derivatives embedded in the convertible bond subscribed (Note (ii))		
Balance at 1 January	**11,008**	–
Subscription of convertible bond	**–**	10,748
Fair value (loss)/gain for the year	**(3,390)**	260
Balance at 31 December	**7,618**	11,008
Total	**9,958**	11,008
Categorised as:		
Current assets	**2,340**	–
Non-current assets	**7,618**	11,008
Total	**9,958**	11,008
Total net (losses)/gain recognised in profit or loss relating to financial instruments held by the Group at the reporting date	**(3,390)**	260

Notes:

(i) At 31 December 2016, derivative financial instrument represented the rights to certain shares of an investee company's capital stocks pursuant to the Simple Agreements for Future Equity (Note 35(c)).

(ii) Derivative component of the convertible bond issued by Brave Entertainment is measured at fair value by a firm of independent professional valuers, Grant Sherman, using the Binomial Option Pricing model, at initial recognition and at the end of the reporting period. The inputs into the model as at date of subscription and at 31 December 2016 and 2015, was as follows:

	31 December 2016	31 December 2015	3 December 2015 (date of subscription)
Expected volatility	**48.4%**	44.6%	45.3%
Expected life	**1.92 years**	2.92 years	3 years
Risk-free rate	**1.703%**	1.187%	1.163%
Credit spread	**12.0%**	29.4%	26.0%
Expected dividend yield	**0%**	0%	0%

Notes to the Financial Statements

For the year ended 31 December 2016

24. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

	2016	2015
	HK$'000	HK$'000
Derivatives embedded in the RCPS issued:		
At 1 January	**2,738**	3,821
Conversion of RCPS	**–**	(1,055)
Fair value gain for the year	**(2,738)**	(28)
Balance at 31 December	**–**	2,738
Derivatives embedded in the convertible bonds issued (Note (i)):		
At 1 January	**27,835**	24,364
Conversion of convertible bonds	**(28,836)**	(3,343)
Fair value loss for the year	**1,001**	6,814
Balance at 31 December	**–**	27,835
Total	**–**	30,573
Categorised as:		
Current liabilities	**–**	2,738
Non-current liabilities	**–**	27,835
Total	**–**	30,573
Total net (gains)/losses recognised in profit or loss relating to financial instruments held by the Group at reporting date	**(1,737)**	6,786

Note:

(i) During the year ended 31 December 2016, principal amount of HK$175,000,000 of the 2014 Convertible Bonds (2015: HK$21,000,000 of Tranche 1 Convertible Bonds) was converted into 1,590,909,090 (2015: 175,000,000) ordinary shares of the Company (Note 26) at the conversion price of HK$0.11 (2015: HK$0.12) per share, with fair value of derivatives embedded therein of HK$28,836,000 (2015: HK$3,343,000) at the dates of conversion, as calculated using the Binomial Option Pricing Model.

Notes to the Financial Statements

For the year ended 31 December 2016

24. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

The fair values at 31 December 2015 were calculated using the Binomial Option Pricing Model for the derivatives embedded in the RCPS and the 2014 Convertible Bonds issued. The inputs into the model were as follows:

	Derivative embedded in the RCPS		Derivative embedded in the 2014 Convertible Bonds	
	2016	2015	**2016**	2015
Expected volatility	**N/A**	112.94%	**N/A**	84.52%
Expected life	**N/A**	0.7 year	**N/A**	1.45 years
Risk-free rate	**N/A**	0.10%	**N/A**	0.84%
Spot price of the Company	**N/A**	HK$0.305	**N/A**	HK$0.305
Expected dividend yield	**N/A**	0%	**N/A**	0%

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

25. DEFERRED TAX LIABILITIES

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

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

	Fair value adjustments arising from the acquisition of subsidiaries and business	
	2016	2015
	HK$'000	HK$'000
At 1 January	**31,370**	10,734
Acquisition of subsidiaries (Note 36(a))	**–**	12,306
Acquisition of HMV IP Rights and HMV Business (Note 36(b))	**–**	16,798
Credited to profit or loss (Note 10)	**(5,982)**	(8,468)
Disposal of subsidiaries (Note 35(b))	**(16,238)**	–
At 31 December	**9,150**	31,370

Deferred tax credit arising from deferred tax liabilities recognised

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

Notes to the Financial Statements

For the year ended 31 December 2016

25. DEFERRED TAX LIABILITIES (continued)

Deferred tax assets/(liabilities) not recognised

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

	Unutilised tax losses* HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 31 December 2016	**20,293**	**(17)**	**20,276**
At 31 December 2015	86,808	(17,202)	69,606

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

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

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

At 31 December 2016 and 2015, no deferred tax liability has been recognised on temporary difference in relation to the undistributed earnings of approximately HK$2,230,000 (2015: HK$1,209,000) of subsidiaries in the PRC because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not reverse in foreseeable future.

Notes to the Financial Statements

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26. SHARE CAPITAL

	Number of ordinary shares	Number of redeemable convertible preference shares	Nominal value US$'000	Equivalent nominal value HK$'000
Authorised				
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016 (par value of US$0.01 each)	19,000,000,000	1,000,000,000	200,000	1,560,000
Issued and fully paid				
At 1 January 2015 (par value of US$0.01 each)	473,173,057	9,799,790	4,732	36,907
Consideration shares issued for the acquisition of CSL (Note (a))	71,404,338	–	714	5,570
Consideration shares issued for the acquisition of HGGL (Note (b))	5,903,271	–	59	460
Issued bonus shares (Note (c))	2,366,865,285	–	23,668	184,615
Conversion of convertible bonds (Note (d))	175,000,000	–	1,750	13,650
Placing of shares (Note (e))	4,005,392,000	–	40,054	312,421
Conversion of RCPS (Note (f))	333,600,000	(2,780,000)	3,336	26,021
Exercise of share options (Note (g))	30,402,933	–	304	2,372
At 31 December 2015 and 1 January 2016 (par value of US$0.01 each)	**7,461,740,884**	**7,019,790**	**74,617**	**582,016**
Conversion of the 2014 Convertible Bonds (Note (h))	**1,590,909,090**	**–**	**15,909**	**124,091**
Consideration shares issued for the acquisition of HGGL (Note (i))	**204,961,760**	**–**	**2,050**	**15,987**
Redemption of RCPS (Note 22)	**–**	**(7,019,790)**	**–**	**–**
At 31 December 2016 (par value of US$0.01 each)	**9,257,611,734**	**–**	**92,576**	**722,094**

Notes to the Financial Statements

For the year ended 31 December 2016

26. SHARE CAPITAL (continued)

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 24 August 2015, 5,903,271 shares were issued to vendor of HGGL in respect of the second instalment of consideration for the acquisition of 70% equity interest in HGGL.

(c) 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.

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

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

(f) On 5 February 2015, 152,700,000 ordinary shares were allotted and issued upon exercise of RCPS for total amount of approximately HK$19,851,000 at the exercise price of HK$0.13 per share.

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

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

On 6 July 2015, 107,508,000 ordinary shares were allotted and issued upon exercise of RCPS for total amount of approximately HK$13,976,000 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.

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

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

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

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

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

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

(h) On 5 April 2016, principal amount of HK$175,000,000 of the 2014 Convertible Bonds were fully converted into 1,590,909,090 ordinary shares at the conversion price of HK$0.11 per share (Notes 23 and 24).

(i) On 14 April 2016, (i) 165,291,588 ordinary shares were issued to the vendor of HGGL at an issue price of HK$0.214 per share in respect of the third instalment of consideration for the acquisition of 70% equity interest in HGGL and (ii) 39,670,172 ordinary shares were also issued to the vendor of HGGL at an issue price of HK$0.2081 per share to settle the profit bonus payment.

Notes to the Financial Statements

For the year ended 31 December 2016

27. RESERVES

Group

	Notes	**2016 HK$'000**	2015 HK$'000
Share premium	(a)	**802,660**	698,265
Convertible bonds equity reserve	(b)	**1,921**	9,982
Capital reserve	(c)	**2,112**	2,112
Capital redemption reserve	(d)	**601**	601
Share-based compensation reserve	(e)	**49,355**	49,063
Investment revaluation reserve	(f)	**(962)**	–
Foreign exchange reserve	(g)	**(4,902)**	(1,693)
Other reserve	(h)	**(21,619)**	–
Statutory surplus reserve	(i)	**4,931**	3,331
Accumulated losses		**(88,554)**	(616,286)
		745,543	145,375

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on pages 59 to 60. Nature and purpose of the reserves is as follows:

(a) Share premium

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

(b) Convertible bonds equity reserve

This represents the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 3(h)(ii).

(c) Capital reserve

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

Notes to the Financial Statements

For the year ended 31 December 2016

27. RESERVES (continued)

Group (continued)

(d) Capital redemption reserve

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

(e) Share-based compensation reserve

This relates to share options granted to employees, consultants and directors under the Company's Share Option Scheme. Further information about share-based payments to directors, consultants and employees is set out in Note 28.

(f) Investment revaluation reserve

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

(g) Foreign exchange reserve

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

(h) Other reserve

Other reserve represented the difference between the consideration received and the carrying amount of net assets attributable to the reduction of equity interest in HMV Brave Co., Ltd. disposed of to non-controlling shareholders (Note 34(b)); and difference between the consideration paid and carrying amount of net assets attributable to the acquisition of the remaining 30% of the issued share capital of HGGL (Note 34(d)).

(i) Statutory surplus reserve

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

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27. RESERVES (continued)

Company

	Share premium HK$'000	Convertible bonds equity reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2014 and at 1 January 2015	280,266	8,061	2,112	601	52,855	(384,741)	(40,846)
Loss and total comprehensive income for the year	–	–	–	–	–	(31,079)	(31,079)
Share-based compensation	–	–	–	–	638	–	638
Issue of convertible bonds	–	1,921	–	–	–	–	1,921
Issue of consideration shares for acquisition of subsidiaries	21,653	–	–	–	–	–	21,653
Issue of shares upon conversion of RCPS	18,369	–	–	–	–	–	18,369
Issue of shares upon exercise of share options	7,071	–	–	–	(3,623)	–	3,448
Issue of bonus shares	(184,615)	–	–	–	–	–	(184,615)
Placing of shares	542,330	–	–	–	–	–	542,330
Issue of shares upon conversion of convertible bonds	13,191	–	–	–	–	–	13,191
Lapse of share options	–	–	–	–	(283)	283	–
At 31 December 2015 and at 1 January 2016	**698,265**	**9,982**	**2,112**	**601**	**49,587**	**(415,537)**	**345,010**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(54,775)**	**(54,775)**
Share-based compensation	**–**	**–**	**–**	**–**	**25,073**	**–**	**25,073**
Issue of shares upon conversion of convertible bonds	**76,580**	**(8,061)**	**–**	**–**	**–**	**–**	**68,519**
Issue of consideration shares for acquisition of subsidiaries	**27,815**	**–**	**–**	**–**	**–**	**–**	**27,815**
Lapse of share options	**–**	**–**	**–**	**–**	**(25,305)**	**25,305**	**–**
At 31 December 2016	**802,660**	**1,921**	**2,112**	**601**	**49,355**	**(445,007)**	**411,642**

Notes to the Financial Statements

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28. SHARE OPTION SCHEME

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

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

The Company operates both the 2002 Share Option Scheme and the 2014 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Pursuant to the 2014 Share Option Scheme, the Directors 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.

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For the year ended 31 December 2016

28. SHARE OPTION SCHEME (continued)

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 discloses movements in the outstanding options granted by the Company under the 2002 Share Option Scheme during the years ended 31 December 2016 and 2015:

					Number of share options					
Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period	Adjusted exercise price per share (Note 1) HK$	Balance as at 1 January 2016	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2016	Options exercisable as at 31 December 2016
2016	24/03/2006	Former directors and former employees	24/03/2007 to 23/03/2016	9.51	1,619,325	–	–	(1,619,325)	–	–
	26/04/2006	Former directors and former employees	26/04/2007 to 25/04/2016	9.51	4,858,025	–	–	(4,858,025)	–	–
	29/01/2007	Former directors and former employees	29/01/2008 to 28/01/2017	4.51	809,287	–	–	–	809,287	809,287
	11/02/2008	Former directors and former employees	11/02/2009 to 10/02/2018	2.22	4,256,683	–	–	–	4,256,683	4,256,683
	29/12/2008	Former directors and former employees	29/12/2009 to 28/12/2018	0.22	818,336	–	–	–	818,336	818,336
	07/10/2010	Former directors and former employees	07/10/2011 to 06/10/2020	0.20	2,370,561	–	–	–	2,370,561	2,370,561
	16/03/2012	Former directors and former employees	16/03/2013 to 15/03/2022	0.20	5,342,580	–	–	–	5,342,580	5,342,580
	14/05/2012	Former directors and former employees	14/05/2013 to 13/05/2022	0.19	5,859,368	–	–	–	5,859,368	5,859,368
				Total	25,934,165	–	–	(6,477,350)	19,456,815	19,456,815
			Weighted average exercise price (HK$)		2.99	–	–	9.51	0.82	

Notes to the Financial Statements

For the year ended 31 December 2016

28. SHARE OPTION SCHEME (continued)

2002 Share Option Scheme (continued)

					Number of share options					
Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period	Adjusted exercise price per share (Note 1) HK$	Balance as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Adjusted upon the bonus issue (Note 2)	Balance as at 31 December 2015
2015	24/03/2006	Former directors and former employees	24/03/2007 to 23/03/2016	9.51	269,916	–	–	–	1,349,409	1,619,325
	26/04/2006	Former directors and former employees	26/04/2007 to 25/04/2016	9.51	809,756	–	–	–	4,048,269	4,858,025
	29/01/2007	Former directors and former employees	29/01/2008 to 28/01/2017	4.51	134,956	–	–	–	674,331	809,287
	11/02/2008	Former directors and former employees	11/02/2009 to 10/02/2018	2.22	708,543	–	–	–	3,548,140	4,256,683
	29/12/2008	Former directors and former employees	29/12/2009 to 28/12/2018	0.22	269,916	–	(818,336)	–	1,366,756	818,336
	07/10/2010	Former directors and former employees	07/10/2011 to 06/10/2020	0.20	985,203	–	(3,397,802)	–	4,783,160	2,370,561
	16/03/2012	Former directors and former employees	16/03/2013 to 15/03/2022	0.20	3,400,000	–	(15,159,420)	–	17,102,000	5,342,580
	14/05/2012	Former directors and former employees	14/05/2013 to 13/05/2022	0.19	980,000	–	–	–	4,879,368	5,859,368
				Total	7,558,290	–	(19,375,558)	–	37,751,433	25,934,165
				Weighted average exercise price (HK$)	1.8	–	0.20	–		2.99

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 or exercised under the 2002 Share Option Scheme during the year ended 31 December 2016 (2015: exercise of 19,375,558 options).

6,477,350 (2015: Nil) options were lapsed under the 2002 Share Option Scheme upon expiry of the life of the options during the year ended 31 December 2016.

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28. SHARE OPTION SCHEME (continued)

2002 Share Option Scheme (continued)

The weighted average closing price of the shares immediately before the date on which share options under the 2002 Share Option Scheme were exercised during the year ended 31 December 2015 was HK$0.37.

The weighted average remaining contractual life of the options outstanding under the 2002 Share Option Scheme as at 31 December 2016 was approximately 3.83 years (2015: 3.70 years).

No share-based compensation expense was recognised under the 2002 Share Option Scheme during the year ended 31 December 2016 and 2015.

The total number of share available for issue under the 2002 Share Option Scheme is 19,456,815 representing approximately 0.21% of the Company's total number of issued shares at the date of this report.

2014 Share Option Scheme

The following table discloses movements in the outstanding option granted by the Company under the 2014 Share Option Scheme during the years ended 31 December 2016 and 2015:

					Number of share options					
Year	Date of grant (dd/mm/yyyy)	Grantees	Exercise period (Notes)	Adjusted exercise price per share (Note 5) HK$	Balance as at 1 January 2016	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 31 December 2016	Options exercisable as at 31 December 2016
2016	15/05/2014	Directors	(1)	0.16	54,684,000	–	–	–	54,684,000	54,684,000
	20/06/2014	Directors and former directors	(2)	0.16	32,465,250	–	–	–	32,465,250	32,465,250
	01/04/2016	Directors	(3), (7)	0.247	–	157,000,000	–	–	157,000,000	78,500,000
					87,149,250	157,000,000	–	–	244,149,250	165,649,250
	20/06/2014	Other eligible participants	(4)	0.16	35,402,750	–	–	–	35,402,750	35,402,750
	01/04/2016	Other eligible participants	(3), (7)	0.247	–	94,368,000	–	(34,048,000)	60,320,000	30,160,000
					35,402,750	94,368,000	–	(34,048,000)	95,722,750	65,562,750
				Total	122,552,000	251,368,000	–	(34,048,000)	339,872,000	231,212,000
				Weighted average exercise price (HK$)	0.16	0.247	–	0.247	0.216	

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For the year ended 31 December 2016

28. SHARE OPTION SCHEME (continued)

2014 Share Option Scheme (continued)

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

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 1 October 2016 and 1 April 2017, respectively to 31 March 2026.

(4) Divided into two tranches exercisable from 20 June 2014 and 20 June 2015, respectively to 19 June 2024.

(5) The exercise prices of the share options granted were adjusted for the bonus issue of shares made by the Company on 27 January 2015.

(6) The aggregate number of shares that can be subscribed for were adjusted for the bonus issue of shares made by the Company on 27 January 2015.

(7) Ms. Fong Janie was appointed as a non-executive director of the Company on 15 November 2016, such share options were transferred from "Other eligible participants" to "Directors".

No option was exercised under the 2014 Share Option Scheme during the year ended 31 December 2016 (2015: exercise of 11,027,375 options).

Notes to the Financial Statements

For the year ended 31 December 2016

28. SHARE OPTION SCHEME (continued)

2014 Share Option Scheme (continued)

During the year ended 31 December 2016, 34,048,000 (2015: 3,362,125) options were lapsed upon resignation of other eligible participants.

11,027,375 options were exercised under the 2014 share Option Scheme during the year ended 31 December 2015. The weighted average closing price of the shares immediately before the dates on which share options under the 2014 Share Option Scheme were exercised during the year ended 31 December 2015 was HK$0.4.

The weighted average remaining contractual life of the options outstanding under 2014 Share Option Scheme as at 31 December 2016 was approximately 8.59 years (2015: 8.85 years).

The closing price of the shares of the Company quoted on the Stock Exchange on 31 March 2016, being the business date immediately before the date on which share options were granted, was HK$0.215.

251,368,000 (2015: Nil) options were granted under the 2014 Share Option Scheme during the year ended 31 December 2016. The fair value of the options granted during the year ended 31 December 2016, measured at the date of grant, totalled approximately HK$33,307,000.

The following significant assumptions were used to derive the fair value of the share options granted during the year ended 31 December 2016, using the Binomial Option Pricing Model:

(i) an expected volatility is 84%;

(ii) no dividend yield;

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

(iv) the risk free rates are based on the yield of 10 years of government bonds of Hong Kong Monetary Authority.

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

Share-based compensation expense of HK$25,073,000 (2015: HK$638,000) was recognised under the 2014 Share Option Scheme in the consolidated statement of profit or loss for the year ended 31 December 2016 (Note 12).

The total number of share available for issue under the 2014 Share Option Scheme is 231,212,000 representing approximately 2.50% of the Company's total number of issued shares at the date of this report.

Notes to the Financial Statements

For the year ended 31 December 2016

29. MATERIAL RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these financial statements, details of other significant transactions between the Group and other related parties during the years ended 31 December 2016 and 2015 are as follows:

(a) Remuneration for key management personnel of the Group, including amounts paid to the Directors and the highest paid employees other than the Directors is as follows:

	2016 HK$'000	2015 HK$'000
Fees	**1,320**	1,016
Salaries, allowances and benefits in kind	**16,344**	15,029
Retirement fund contributions	**54**	54
Share-based compensation expense	**17,810**	–
	35,528	16,099

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

	Note	**2016 HK$'000**	2015 HK$'000
Advertising expenses paid to a related company, Totally Apps Holdings Limited ("Totally Apps")	(i)	**4,274**	4,404
Rental expenses and related charges paid to a related company, HMV Hong Kong Limited ("HMV HK")	(i)	**7,943**	2,588
Service fee paid and payable to the non-controlling shareholders, Outblaze	(i)	**2,368**	2,368
Interest income on a loan to a shareholder of an investee company	(i)	**626**	51
Interest income on a loan to a subsidiary of an associate	(i)	**523**	–

Note:

(i) The amounts were charged based on terms mutually agreed between the relevant parties.

Save as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

Notes to the Financial Statements

For the year ended 31 December 2016

29. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) At 31 December 2016 and 2015, the balances due from/(to) related parties were:

	2016	2015
	HK$'000	HK$'000
Amount due from HMV HK	**–**	151
Amount due from HMV Kafe Limited	**–**	155
Amount due from Totally Apps	**–**	11,527
Amount due to Outblaze	**(2,098)**	(2,063)
Loan to a shareholder of an investee company (Note 19(c))	**12,519**	12,519
Loan to a subsidiary of an associate (Note 19(c))	**25,000**	–

30. COMMITMENTS

(a) Operating leases

At 31 December 2016 and 2015, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings are payable as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**4,521**	24,951
In the second to fifth years	**15,419**	65,893
After five years	**3,820**	–
	23,760	90,844

The Group leased certain properties under operating leases in Hong Kong and the PRC. The leases run for an initial period of 6 months to 6 years (2015: 3 to 5 years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors and do not include any terms of contingent rentals.

Notes to the Financial Statements

For the year ended 31 December 2016

30. COMMITMENTS (continued)

(b) Capital commitments

At 31 December 2016, the Group had contractual commitment for the acquisition of property, plant and equipment for office renovation and a non-exclusive licence to film titles amounting to HK$835,000 and HK$4,490,000 respectively.

In December 2015, the Group entered into a sale and purchase agreement to purchase a property located in Japan for its own use at a cash consideration of HK$10,787,000. At 31 December 2015, the Group paid a deposit of HK$1,047,000, representing 10% of purchase consideration of the property. The remaining balance of HK$9,740,000 was fully settled in January 2016. At 31 December 2015, the Group had capital commitment of HK$2,117,000 for office renovation work, which was fully settled in January 2016.

Other than the above, the Group had no material capital commitments as at 31 December 2016 and 2015.

31. CONTINGENCIES

At 31 December 2016 and 2015, the Group had no material contingent liabilities.

Notes to the Financial Statements

For the year ended 31 December 2016

32. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH OUTFLOW FROM OPERATIONS

	Notes	**2016 HK$'000**	2015 HK$'000
Cash flows from operating activities			
Profit/(loss) before taxation		**492,884**	(238,392)
Adjustments for:			
Amortisation of intangible assets	15	**25,900**	47,573
Depreciation of property, plant and equipment	13	**6,229**	18,490
Finance costs	8	**16,176**	22,890
Share-based compensation expense	12(d)	**25,073**	638
Fair value loss/(gain) on financial asset at fair value through profit or loss	24(a)	**3,390**	(260)
Fair value (gain)/loss on financial liabilities at fair value through profit or loss	24(b)	**(1,737)**	6,786
(Gain)/loss on remeasurement of contingent consideration payables, net	7	**(47,922)**	4,735
Gain on deemed disposal of equity interest in an associate	7	**(1,318)**	–
Interest income		**(9,177)**	(1,217)
Impairment of inventories	18	**1,278**	2,199
Loss/(gain) on disposal of property, plant and equipment		**3**	(2)
(Gain)/loss on disposal of subsidiaries, net	35	**(946,862)**	512
Foreign exchange gains, net		**(4,039)**	(354)
Loss on reclassification of investments in associates to available-for-sale investments	16(c)	**24,484**	–
Share of losses of associates, net of tax		**4,070**	596
Impairment of goodwill	15	**24,717**	41,305
Impairment of interest in an associate	16	**260,649**	–
Impairment of available-for-sale investments		**–**	818
Impairment of deposit paid	19(d)	**–**	5,850
Impairment of trade receivables	19(b)	**9,602**	–
Write-off of property, plant and equipment	13	**646**	–
Operating loss before working capital changes		**(115,954)**	(87,833)
Decrease/(increase) in inventories		**4,957**	(19,434)
Increase in trade and other receivables		**(55,386)**	(51,156)
Increase in trade and other payables		**1,522**	30,668
Cash used in operations		**(164,861)**	(127,755)

Notes to the Financial Statements

For the year ended 31 December 2016

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, the Group had the following major non-cash transactions:

(i) On 5 April 2016, the 2014 Convertible Bonds with aggregate principal amount of HK$175,000,000 at the conversion price of HK$0.11 per share whereby a respective total number of 1,590,909,090 ordinary shares were issued. As a result of the conversion, share capital and share premium accounts of the Company have increased by approximately HK$124,091,000 and HK$76,580,000 respectively and aggregate of which represents proportional amounts of the derivative component and the liability component at the time of conversion (Note 26(h)).

(ii) On 14 April 2016, 165,291,588 ordinary shares were issued to the vendor of HGGL in respect of the third instalment of consideration for the acquisition of 70% equity interest in HGGL. As the 2015 profit bonus has been achieved, 39,670,172 ordinary shares were issued to the vendor of HGGL to settle the profit bonus payment (Note 26(i)).

During the year ended 31 December 2015, the Group had 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 (Note 26(d)).

(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 (Note 26(a)).

(iii) On 27 January 2015, the Company completed the issue of bonus shares of HK$184,615,000 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 and a total of 2,366,865,285 new shares of the Company were allotted and issued under the Bonus Issue (Note 26(c)).

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For the year ended 31 December 2016

34. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Deemed disposal of approximately 18.37% equity interest in HMV M&E Limited ("HMV M&E") without loss of control

On 1 March 2016, the Group entered into a sale and purchase agreement with an independent third party pursuant to which (i) the Group has agreed to sell 2,250 existing ordinary shares, representing approximately 18.37% equity interest, in HMV M&E for a cash consideration of US$9,000,000 (equivalent to approximately HK$70,200,000); and (ii) the Group shall apply the consideration received for the subscription of 2,250 new ordinary shares in the capital of HMV M&E (the "HMV Disposal I"). The HMV Disposal I was completed on 4 March 2016. It was accounted for as an equity transaction with the non-controlling interests and an increase in equity attributable to owners of the Company, as included in other reserve, was summarised as follows:

	2016 **HK$'000**
Consideration received from non-controlling interests	**70,200**
Less: net assets of 18.37% equity interest in the HMV M&E Group	**(43,661)**
Gain on the HMV Disposal I within equity	**26,539**

The gain on the HMV Disposal I recognised in other reserve was reclassified to profit or loss when the Group lost control of HMV M&E on 3 August 2016 as detailed in Note 35(b).

(b) Partial disposal of equity interest in HMV Brave Co., Ltd. without loss of control

On 4 May 2016, the Group entered into a sale and purchase agreement with Brave Entertainment and a shareholder of Brave Entertainment, pursuant to which the Group disposed of 20% and 20% equity interests in HMV Brave Co., Ltd. ("HMV Brave"), an indirect wholly-owned subsidiary of the Group, respectively at an aggregate cash consideration of HK$262,000 ("Brave Disposal"). As the Group held approximately 17.12% equity interest in Brave Entertainment, the effective non-controlling interests in HMV Brave were approximately 36.58%*. Brave Disposal was completed on 20 and 23 May 2016, respectively. It was accounted for as an equity transaction with non-controlling interests and an increase in equity attributable to owners of the Company, as included in other reserve, was summarised as follows:

	2016 **HK$'000**
Consideration received from non-controlling interests	**262**
Less: net assets of 36.58% equity interest in HMV Brave	**(89)**
Gain on Brave Disposal within equity	**173**

* Subsequently, the Group's equity interest in Brave Entertainment was diluted from 17.12% to 16.27% as detailed in Note 16(b), and hence the effective non-controlling interests in HMV Brave became 36.75%.

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34. TRANSACTIONS WITH NON-CONTROLLING INTERESTS (continued)

(c) Partial disposal of equity interest in AID Partners Autonomous, LP without loss of control

On 16 August 2016, the Group entered into a subscription agreement with independent third parties, pursuant to which the Group disposed of 17.7% equity interests in AID Partners Autonomous, LP, an indirect wholly-owned subsidiary of the Group, at an aggregate cash consideration of HK$41,340,000. The disposal was completed on 16 August 2016. It was accounted for as an equity transaction with non-controlling interests and summarised as follows:

	2016 **HK$'000**
Consideration received from non-controlling interests	**41,340**
Less: net assets of 17.7% equity interest in AID Partners Autonomous, LP	**(41,340)**
Gain on disposal within equity	**–**

(d) Acquisition of the remaining 30% of the issued share capital of HGGL

On 9 September 2016, the Group further acquired the remaining 30% of the issued share capital of HGGL, through acquiring the entire issued share capital of Rosy Year Investments Limited, at a cash consideration of HK$42,000,000 (Note 36(a)). The transaction was accounted for as equity transaction with the non-controlling interests as follows:

	2016 **HK$'000**
Consideration paid to non-controlling interests	**(42,000)**
Net assets of 30% equity interest in HGGL Group	**20,208**
Decrease in equity attributable to owners of the Company (included in other reserve)	**(21,792)**

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35. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Crosby Capital (Holdings) Limited

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

	2015 HK$'000
Net assets of subsidiaries disposal of:	
Property, plant and equipment (Note 13)	69,141
Other receivables	734
Cash and cash equivalents	332
Accruals and other payables	(105)
Bank borrowings	(32,590)
	37,512
Total consideration	37,000
Loss on disposal of subsidiaries included in profit or loss for the year	512
Satisfied by:	
Cash	37,000
Net cash inflow arising on disposal:	
Cash consideration	37,000
Cash and bank balances disposed of	(332)
	36,668

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35. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of HMV M&E Group

On 14 March 2016, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of HMV Digit China, in which the Group has agreed to sell 10,000 existing ordinary shares, representing approximately 81.63% equity interest, in HMV M&E for a consideration of HK$408,150,000 to be satisfied by the issue and allotment of an aggregate of 1,118,219,178 shares (the "Consideration Shares") of HMV Digit China (the "HMV Disposal II"). The HMV Disposal II was completed on 3 August 2016 and the Consideration Shares represented approximately 20.47% of the issued share capital of HMV Digit China as at the date of completion and 31 December 2016, which was accounted for as an associate of the Group accordingly. The directors of the Company considered that the HMV Disposal II does not constitute a discontinued operation as it does not represent the disposal of a separate major line of business or geographic area of operation. The HMV M&E Group was included within the strategic investment segment (Note 5). The net assets of HMV M&E Group at the date of the HMV Disposal II were as follows:

	2016 HK$'000
Net assets of HMV M&E Group disposed of:	
Property, plant and equipment (Note 13)	**52,342**
Intangible assets (Note 15)	**75,046**
Goodwill (Note 15)	**31,407**
Deposits, trade and other receivables	**48,043**
Inventories	**33,668**
Amount due from a related company	**984**
Pledged bank deposits	**7,015**
Cash and cash equivalents	**69,519**
Trade and other payables	**(46,064)**
Loans from the Group	**(48,400)**
Deferred tax liabilities (Note 25)	**(16,238)**
	207,322
Less: non-controlling interests	**(38,080)**
	169,242
Consideration	**1,118,219**
Gain on the HMV Disposal II included in the profit or loss for the year	**948,977**
Satisfied by:	
Consideration Shares, at fair value (Note 16(a)(iii))	**1,118,219**
Net cash outflow arising on disposal:	
Cash consideration	**–**
Cash and bank balances disposed of	**(76,534)**
	(76,534)

As a result, the aggregate gain on the HMV Disposal I as detailed in Note 34(a) and the HMV Disposal II of approximately HK$975,516,000 was recognised in profit or loss for the year ended 31 December 2016.

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35. DISPOSAL OF SUBSIDIARIES (continued)

(c) Disposal of Vissible Co & Limited

On 15 December 2016, the Group entered into a stock purchase agreement (the "Stock Purchase Agreement") with independent third parties, Shrines, Inc. ("Shrines") and its wholly-owned subsidiary Shrine Holdings, LLC ("Shrines Sub"), which (i) the Group has agreed to sell the entire issued share capital of Vissible; and (ii) Shrines shall convey to the Group a right to certain shares of Shrines Sub ("Shares of Shrines Sub") with a stated value equal to US$175,000 (equivalent to approximately HK$1,365,000) pursuant to the Simple Agreement for Future Equity ("SAFE Agreement"), representing not less than 3.6% equity interest in Shrines Sub, in its next round of equity financing ("Equity Financing"). In addition, as a material inducement for Shrines to enter into transaction under the Stock Purchase Agreement, the Group paid a cash consideration of US$125,000 (equivalent to approximately HK$975,000) for a further right to certain Shares of Shrines Sub pursuant to another SAFE Agreement, representing not less than 2.6% equity interest in Shrines Sub, to be issued in its Equity Financing. The Group will then own an aggregate of not less than 6.2% equity interest in Shrines Sub. The disposal of Vissible was completed on 30 December 2016. The net assets of Vissible and its subsidiaries at the date of disposal were as follows:

	2016 HK$'000
Net assets of subsidiaries disposal of:	
Available-for-sale investment (Note 14)	30,000
Cash and cash equivalents	19
	30,019
Add: Cash paid for a further right to certain Shares of Shrines Sub at not less than 2.6% equity interest	975
	30,994
Deemed consideration	2,340
Loss on disposal of subsidiaries included in profit or loss for the year	28,654
Satisfied by:	
Rights to acquire certain Shares of Shrines Sub included in financial assets at fair value through profit or loss in the consolidated statement of financial position (Note 24(a))	2,340
Net cash outflow arising on disposal:	
Cash paid for a further right to certain Shares of Shrines Sub at not less than 2.6% equity interest	(975)
Cash and bank balances disposed of	(19)
	(994)

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36. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of HGGL

On 2 April 2015, the Group completed the acquisition of 70% issued share capital of HGGL at a consideration of RMB84,000,000 (equivalent to approximately HK$106,117,200), in which RMB14,000,000 (equivalent to approximately HK$17,686,200) was paid at completion and the remaining consideration of RMB70,000,000 (equivalent to approximately HK$88,431,000) is to be paid by instalments, subject to adjustment. The acquisition was in line with the Group's strategy and could add value to existing investments of the Group, namely the mobile game franchise "Star Girl" operated by the CSL Group.

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

	Notes	2015 HK$'000
Net assets acquired:		
Property, plant and equipment (Note 13)		437
Trade and other receivables, deposits and prepayments		27,863
Cash and cash equivalents		5,320
Intangible assets (Note 15)		49,226
Trade and other payables		(22,452)
Provision for taxation		(3,019)
Deferred tax liabilities recognised upon fair value adjustments (Note 25)		(12,306)
The fair value of net assets acquired		45,069
Less: non-controlling interests		(13,520)
		31,549
Total consideration at fair value		93,088
Goodwill arising on acquisition (Note 15)	(ii)	61,539
Consideration satisfied by:		
Cash		17,686
Contingent consideration payable, at fair value	(iii)	75,402
		93,088
Net cash outflow for acquisition:		
Cash consideration paid at acquisition		(17,686)
Cash and bank balances acquired		5,320
		(12,366)

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36. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of HGGL (continued)

After acquisition and up to 31 December 2016, the second and third instalments and the profit bonus payment were paid and settled by cash of HK$7,579,800 and 210,865,031 ordinary shares of the Company with aggregate fair value of HK$45,065,000.

On 9 September 2016, the Group further acquired the remaining 30% of the issued share capital of HGGL, through acquiring the entire issued capital of Rosy Year Investments Limited, at a cash consideration of HK$42,000,000 as detailed in Note 34(d) and HGGL became an indirect wholly-owned subsidiary of the Group.

Notes:

(i) The fair value of trade and other receivables amounted to HK$25,945,000. The gross amount of these receivables is HK$25,945,000. None of these receivables had been impaired and it was expected that the full contractual amount could be collected.

(ii) Goodwill of HK$61,539,000 arose on this acquisition, which is not deductible for tax purposes, comprised the acquired workforce and the expected synergies arising from the combination of the existing operations of the Group.

(iii) The contingent consideration represented the second, third and fourth instalments of the consideration and included a performance-based adjustment, which principally based on the shortfall between the unaudited consolidated net profit of SZ8088 and VSOYOU for the period ended 30 June 2015, the audited consolidated net profit of SZ8088 and VSOYOU for the years ended 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 ended 31 December 2015; and

— Assuming the second instalment is payable, an amount equivalent to the second instalment shall be deducted from the third instalment and RMB28,000,000 (equivalent to approximately HK$35,372,400) to be settled by the issue and allotment of consideration shares and to be settled within 15 business days from the date of issue of the annual report for the year ended 31 December 2015.

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For the year ended 31 December 2016

36. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of HGGL (continued)

Notes: (continued)

(iii) (continued)

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 ended 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 instalments.

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

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

(a) in respect of the 30% of the shares issued at anytime pursuant to the third instalment, for a three (3)-month period commencing on the date of issuance of the third instalment consideration shares;

(b) in respect of the remaining 70% of the shares issued at anytime pursuant to the third instalment, for a six (6)-month period commencing on the date of issuance of the third instalment consideration shares;

(c) in respect of the 50% of the fourth instalment consideration shares issued at anytime pursuant to the fourth instalment, for a six (6)-month period commencing on the date of issuance of the fourth instalment consideration shares;

(d) in respect of the remaining 50% of the fourth instalment consideration shares issued at anytime pursuant to the fourth instalment, for a twelve (12)-month period commencing on the date of issuance of the fourth instalment consideration shares;

36. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of HGGL (continued)

Notes: (continued)

(iii) (continued)

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

(a) where such disposal is made in the acceptance of an offer made in accordance with the Takeovers Code by any third party; or

(b) where such disposal is made pursuant to an offer by the Company to purchase its own shares which is made by the Company under the Hong Kong Code on Share Repurchases.

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

The potential undiscounted amount of the contingent consideration adjustment that the Group could be required to make such arrangement is between RMBNil to RMB70,000,000 (equivalent to approximately HK$88,431,000). At the acquisition date, the fair value of the contingent consideration payable of HK$75,402,000 was estimated by applying Monte Carlo simulation by a firm of independent professional valuers, Grant Sherman. As of 31 December 2015, the fair value of the contingent consideration payable was remeasured at HK$91,724,000 by Grant Sherman and hence a loss on fair value of HK$4,735,000 was recorded under "Other net income/(loss)" in profit or loss for the year ended 31 December 2015. The 2016 net profit does not exceed the 2016 profit target, and hence the contingent consideration payable was derecognised and a gain on fair value of HK$47,922,000 was recorded under "Other net income/(loss)" in profit or loss for the year ended 31 December 2016 (Note 7).

(iv) The acquisition-related costs of HK$1,750,000 were expensed and were included in administrative expenses for the year ended 31 December 2015.

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

Had the acquisition occurred on 1 January 2015, the Group's revenue and loss after tax would have been approximately HK$180,989,000 and HK$224,065,000 respectively for the year ended 31 December 2015.

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

(vi) The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interest's proportionate share of the recognised amount of the net assets of these companies and amounted to HK$13,520,000.

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For the year ended 31 December 2016

36. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of HMV IP Rights and HMV Business

On 30 November 2015, the Group completed the acquisition of HMV IP Rights and HMV Business at a final consideration of HK$105,737,000 in cash. The HMV IP Rights represented all the rights to use the name "HMV", the various HMV trade marks and trademark applications and the HMV domain names for the purposes of conducting the retail business of "HMV" operating through the four (4) retail stores selling music, movies and television series related contents and products located in Hong Kong (the "HMV Business") and any other business to be conducted in the PRC, Hong Kong and Singapore.

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

	Note	2015 HK$'000
Net assets acquired:		
Intangible assets (Note 15)		77,634
Property, plant and equipment (Note 13)		5,799
Inventories		16,019
Trade and other receivables		12,648
Cash and cash equivalents		179
Deferred tax liabilities recognised upon fair value adjustments (Note 25)		(16,798)
Provisional fair value of net assets acquired		95,481
Total consideration		105,737
Goodwill arising on acquisition (Note 15)	(ii)	10,256
Consideration satisfied by:		
Cash		105,737
Net cash outflow for acquisition:		
Cash consideration		(105,737)
Cash and cash equivalents acquired		179
		(105,558)

36. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of HMV IP Rights and HMV Business (continued)

Notes:

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

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

(iii) The acquisition-related costs of HK$2,264,000 were expensed and were included in the administrative expenses for the year ended 31 December 2015.

(iv) The acquired business contributed revenue of approximately HK$12,712,000 and a loss after tax of approximately HK$283,000 to the Group for the period from 1 December 2015 to 31 December 2015.

Had the acquisition occurred on 1 January 2015, the Group's revenue and loss after tax would have been approximately HK$269,207,000 and approximately HK$240,859,000 respectively for the year ended 31 December 2015.

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

(v) On 4 March and 3 August 2016, the Group disposed of approximately 18.37% and 81.63% equity interest in HMV M&E as detailed in notes 34(a) and 35(b), respectively, and resulted in an aggregate gain of approximately HK$975,516,000 recognised in profit or loss for the year ended 31 December 2016.

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For the year ended 31 December 2016

36. ACQUISITION OF SUBSIDIARIES (continued)

(c) Acquisition of AID Japan

On 1 April 2016, the Group completed the acquisition of the entire issued share capital of AID Japan, which is a long established business advisory company in Japan and is principally focusing in entertainment and investment, at a cash consideration of JPY60,000,000 (equivalent to approximately HK$4,164,000), which was paid at completion date. The acquisition was made to further expand the Group's global presence and strengthen its capability in Japan and across the Asian Pacific region.

The fair value of identifiable assets and liabilities of AID Japan as at the date of acquisition were:

	Note	2016 HK$'000
Net assets acquired:		
Property, plant and equipment (Note 13)		105
Trade and other receivables, deposits and prepayments		5,177
Cash and cash equivalents		14,665
Trade and other payables		(17,723)
The fair value of net assets acquired		2,224
Total consideration		4,164
Goodwill arising on acquisition (Note 15)	(ii)	1,940
Consideration satisfied by:		
Cash		4,164
Net cash inflow arising on acquisition:		
Cash consideration		(4,164)
Cash and bank balances acquired		14,665
		10,501

36. ACQUISITION OF SUBSIDIARIES (continued)

(c) Acquisition of AID Japan (continued)

Notes:

(i) The fair value of trade and other receivables amounted to HK$4,803,000. The gross amount of these receivables is HK$4,803,000. None of these receivables have been impaired and it is expected that the full contractual amount can be collected.

(ii) Goodwill of HK$1,940,000 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 acquisition-related costs of HK$27,000 have been expensed and are included in administrative expenses for the year ended 31 December 2016.

(iv) No revenue was contributed from the acquired business to the Group and a loss after tax of approximately HK$5,239,000 was incurred for the period from 1 April 2016 to 31 December 2016.

Had the acquisition occurred on 1 January 2016, the Group's revenue and profit after tax would have been approximately HK$206,093,000 and HK$501,608,000 respectively for the year ended 31 December 2016.

This pro forma information is for illustrative purpose and is not necessarily an indication of revenue and the results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

Notes to the Financial Statements

For the year ended 31 December 2016

36. ACQUISITION OF SUBSIDIARIES (continued)

(d) Acquisition of Mystery Apex

On 31 May 2016, the Group completed the acquisition of the entire issued share capital of Mystery Apex, which is principally engaged in the provision of online music streaming service to public through mobile apps, at a cash consideration of approximately HK$2,928,000. The acquisition was made to enable the Group to establish a presence in the digital music market, complementing the Group's existing operations while providing a new stream of revenue to the Group.

The fair value of identifiable assets and liabilities of Mystery Apex and its subsidiaries as at the date of acquisition were:

	Note	2016 HK$'000
Net liabilities acquired:		
Property, plant and equipment (Note 13)		73
Trade and other receivables, deposits and prepayments		4,038
Cash and cash equivalents		31
Trade and other payables		(13,523)
Shareholder's loan		(72,153)
		(81,534)
Add: assignment of the shareholder's loan		72,153
The fair value of net liabilities acquired		(9,381)
Total consideration		2,928
Goodwill arising on acquisition (Note 15)	(ii)	12,309
Consideration satisfied by:		
Cash		2,928
Net cash outflow arising on acquisition:		
Cash consideration		(2,928)
Cash and bank balances acquired		31
		(2,897)

On 13 December 2016, the Group entered into a sale and purchase agreement with a wholly-owned subsidiary of HMV Digit China (the "Purchaser") and HMV Digit China, pursuant to which the Group has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Time Edge Limited, a wholly-owned subsidiary of the Company and owns the entire issued share capital of Mystery Apex, for a total consideration of HK$50,000,000, which will be satisfied by the Purchaser by the issue of the convertible bond by HMV Digit China at completion (the "Disposal of Time Edge"). The Disposal of Time Edge is expected to be completed in April 2017.

Details of the Disposal of Time Edge are set out in the Company's announcement dated 13 December 2016.

36. ACQUISITION OF SUBSIDIARIES (continued)

(d) Acquisition of Mystery Apex (continued)

Notes:

(i) The fair value of trade and other receivables amounted to HK$2,583,000. The gross amount of these receivables is HK$2,583,000. None of these receivables have been impaired and it is expected that the full contractual amount can be collected.

(ii) Goodwill of HK$12,309,000 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 acquisition-related costs of HK$233,000 have been expensed and are included in administrative expenses for the year ended 31 December 2016.

(iv) The acquired business contributed revenue of approximately HK$4,662,000 and loss after tax of approximately HK$989,000 to the Group for the period from 31 May 2016 to 31 December 2016.

Had the acquisition occurred on 1 January 2016, the Group's revenue and profit after tax would have been approximately HK$210,676,000 and HK$499,388,000 respectively for the year ended 31 December 2016.

This pro forma information is for illustrative purpose and is not necessarily an indication of revenue and the results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(A) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables arising from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the statement of financial position. The Group trades only with recognised and creditworthy third parties on specific terms mutually agreed prior to any business transaction.

Management of the Group closely monitors the credit worthiness of the counterparties to ensure full recovery, including scrutinising their financial position. In this regard, the Directors consider that the Group's credit risk is minimal.

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

Notes to the Financial Statements

For the year ended 31 December 2016

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk

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

(i) Foreign currency risk management

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

Certain subsidiaries of the Group have foreign currency revenue and costs, which expose the Group to foreign currency risk. The Group manages this risk by reserving sufficient revenue to settle the costs in the relevant foreign currency, subject to other operating requirements.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are subject to foreign exchange risk, at 31 December 2016 and 2015 are summarised as follows:

	2016					
	HK$ denominated HK$'000	US$ denominated equivalent HK$'000	RMB denominated equivalent HK$'000	YEN denominated equivalent HK$'000	Other currencies equivalent HK$'000	Total HK$'000
ASSETS						
Financial assets at fair value through profit and loss	7,618	2,340	–	–	–	9,958
Investment in convertible bond	14,362	–	–	–	–	14,362
Available-for-sale investments	–	235,560	–	7,341	1,754	244,655
Trade and other receivables*	135,967	5,579	31,782	37	–	173,365
Short-term deposit with maturity more than three months	23,262	–	–	–	–	23,262
Cash and cash equivalents	10,702	168,355	28,963	3,216	73	211,309
	191,911	411,834	60,745	10,594	1,827	676,911
LIABILITIES						
Trade and other payables	(36,842)	(4,079)	(13,507)	(604)	(33)	(55,065)
Convertible bonds	(154,743)	–	–	–	–	(154,743)
	(191,585)	(4,079)	(13,507)	(604)	(33)	(209,808)
NET TOTAL	326	407,755	47,238	9,990	1,794	467,103

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

	2015					
	HK$ denominated HK$'000	US$ denominated equivalent HK$'000	RMB denominated equivalent HK$'000	YEN denominated equivalent HK$'000	Other currencies equivalent HK$'000	Total HK$'000
ASSETS						
Financial asset at fair value through profit and loss	11,008	–	–	–	–	11,008
Investment in convertible bond	11,622	–	–	–	–	11,622
Available-for-sale investments	30,000	–	–	–	–	30,000
Trade and other receivables*	40,196	14,588	42,167	1,047	–	97,998
Pledged bank deposits	7,000	–	–	–	–	7,000
Cash and cash equivalents	262,171	540,706	14,990	–	–	817,867
	361,997	555,294	57,157	1,047	–	975,495
LIABILITIES						
Trade and other payables	(174,865)	(6,000)	(15,646)	(243)	(1,303)	(198,057)
Financial liabilities at fair value through profit or loss	(30,573)	–	–	–	–	(30,573)
RCPS	(5,455)	–	–	–	–	(5,455)
Convertible bonds	(318,909)	–	–	–	–	(318,909)
	(529,802)	(6,000)	(15,646)	(243)	(1,303)	(552,994)
NET TOTAL	(167,805)	549,294	41,511	804	(1,303)	422,501

* Excluded from the trade and other receivables of HK$173,365,000 (2015: HK$97,998,000) is an amount of HK$58,170,000 (2015: HK$10,388,000) representing prepayments which are not subject to foreign exchange risk.

Notes to the Financial Statements

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(i) Foreign currency risk management (continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in YEN and RMB (2015: YEN and RMB). Other currencies mainly represented HK$ and US$. Since HK$ is pegged to US$, the Group does not expect any significant movements in US$/HK$ exchange rate. The following table details the Group's sensitivity to a 20% (2015: 20%) increase and decrease in the HK$ against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 20% change in foreign currency rates. A positive number below indicates an increase in profit/reduce in loss and increase in other equity where HK$ weaken 20% against the relevant currency. For a 20% strengthening of HK$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

2016

Foreign Currency	**At 31 December HK$'000**	**Increase in exchange rate %**	**Effect on profit for the year and equity HK$'000**	**Decrease in exchange rate %**	**Effect on profit for the year and equity HK$'000**
YEN	**9,990**	**20**	**(1,998)**	**20**	**1,998**
RMB	**47,238**	**20**	**(9,448)**	**20**	**9,448**
TOTAL	**57,228**		**(11,446)**		**11,446**

2015

Foreign Currency	At 31 December HK$'000	Increase in exchange rate %	Effect on loss for the year and equity HK$'000	Decrease in exchange rate %	Effect on loss for the year and equity HK$'000
YEN	804	20	(161)	20	161
RMB	41,511	20	(8,302)	20	8,302
TOTAL	42,315		(8,463)		8,463

Notes to the Financial Statements

For the year ended 31 December 2016

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

(ii) Interest rate risk management

The Group has no long-term borrowings which bear floating interest rates. The Group's exposure to interest rate risk related primarily to cash balances with banks.

(iii) Fair value measurements recognised in the consolidated statement of financial position

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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities 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 are grouped into the fair value hierarchy as follows:

	2016			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Financial assets at fair value through profit or loss	–	–	9,958	9,958

Notes to the Financial Statements

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

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

	2015			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Financial asset at fair value through profit or loss	–	–	11,008	11,008
Financial liabilities:				
Financial liabilities at fair value through profit or loss	–	–	(30,573)	(30,573)
Contingent consideration payables	–	–	(95,908)	(95,908)
	–	–	(126,481)	(126,481)

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

As the share volatility was derived from the historical prices which typically do not represent current market participant's expectations about future volatility and the fair values of the embedded derivatives in convertible bonds are categorised within level 3 of the fair value hierarchy. The fair values of the financial assets and financial liabilities at fair value through profit or loss and the contingent consideration payables are Level 3 fair value measurement and are estimated by using the Binomial Option Pricing Model and Monte Carlo Simulation as disclosed in Notes 24 and 36(a) respectively to the consolidated financial statements.

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

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

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

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

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:

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

(a) Unlisted securities

	Available-for-sale investments	
	2016	2015
	HK$'000	HK$'000
At 1 January	**–**	818
Less: change in fair value recognised directly in other comprehensive income	**–**	(818)
At 31 December	**–**	–

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

	2016	2015
	HK$'000	HK$'000
At 1 January	**11,008**	–
Subscription of convertible bond	**–**	10,748
Rights to acquire certain Shares of Shines Sub (Note 35(c))	**2,340**	–
Fair value (loss)/gain for the year	**(3,390)**	260
At 31 December	**9,958**	11,008

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

	2016	2015
	HK$'000	HK$'000
At 1 January	**30,573**	28,185
Conversion of convertible bonds	**(28,836)**	(3,343)
Fair value (gain)/loss for the year	**(1,737)**	6,786
Exercise of RCPS	**–**	(1,055)
At 31 December	**–**	30,573

Notes to the Financial Statements

For the year ended 31 December 2016

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(B) Market risk (continued)

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

(d) 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 profit or loss. Deferred consideration is subsequently measured at amortised cost.

	2016 **HK$'000**	2015 HK$'000
At 1 January	**95,908**	64,198
Arising from acquisition of subsidiaries	**–**	75,402
Settlement of contingent consideration	**(48,009)**	(49,653)
Total gains or losses:		
— effective interest expense in profit or loss (included in finance costs) (Note 8)	**23**	1,226
— (gain)/loss on remeasurement of contingent consideration payables in profit or loss (included in other net income/(loss)) (Note 7)	**(47,922)**	4,735
At 31 December	**–**	95,908
Total net (gains)/losses recognised in profit or loss relating to financial instruments held by the Group at the reporting date	**(47,899)**	5,961

The details of methods and valuation techniques used for the purpose of measuring the fair value of contingent consideration payables are disclosed in Note 36(a)(iii) to the consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(C) Liquidity risk

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

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. Cash management of all operating entities is centralised, including raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in short and long terms.

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

At 31 December 2016

	Less than 1 month or on demand HK$'000	1–3 months HK$'000	3 months–1 year HK$'000	1–5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount as at 31 December HK$'000
Non-derivatives:						
Trade and other payables*	**(20,737)**	**(29,966)**	**(1,945)**	**(1,170)**	**(53,818)**	**(53,818)**
Convertible bonds	**–**	**(2,800)**	**(8,400)**	**(168,614)**	**(179,814)**	**(154,743)**
TOTAL	**(20,737)**	**(32,766)**	**(10,345)**	**(169,784)**	**(233,632)**	**(208,561)**

At 31 December 2015

	Less than 1 month or on demand HK$'000	1–3 months HK$'000	3 months–1 year HK$'000	1–5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount as at 31 December HK$'000
Non-derivatives:						
Trade and other payables*	(30,298)	(116,559)	(6,199)	(34,606)	(187,662)	(187,662)
RCPS	(5,475)	–	–	–	(5,475)	(5,455)
Convertible bonds	–	(4,988)	(14,963)	(358,771)	(378,722)	(318,909)
TOTAL	(35,773)	(121,547)	(21,162)	(393,377)	(571,859)	(512,026)

* Excluded from trade and other payables of HK$55,065,000 (2015: HK$198,057,000) is an amount of HK$1,247,000 (2015: HK$189,000) representing provision for payments for long service and unconsumed leave, the settlement which will depend upon either the termination of services of the relevant staff and management discretion respectively and provision for store reinstatement costs of HK$Nil (2015: HK$10,206,000), and therefore the liquidity terms cannot be reasonably ascertained.

Notes to the Financial Statements

For the year ended 31 December 2016

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(D) Capital risk management

The Group's objectives when managing capital are:

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

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

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

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

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

The Directors review the capital structure annually. As part of this review, the Directors assess the annual budget prepared by management of the Company and consider the cost of capital and the risks associated with each class of capital.

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

For capital management purpose, the Directors regard the total equity presented in the face of consolidated statement of financial position as capital. The amount of capital attributable to owners of the Company as at 31 December 2016 was HK$1,467,637,000 (2015: HK$727,391,000).

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2016 are as follows:

Name	Place/Country of incorporation/ establishment	Principal place of operation	Issued share capital	Percentage of attributable interest held by the Group		Principal activities
				2016	2015	
Action Key Investments Limited	Samoa	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
AID Partners Asset Management Limited	Hong Kong	Hong Kong	ordinary HK$46,263,000	**100%**	100%	Provision of investment advisory and fund management services
Honour Best Holdings Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2016

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place/Country of incorporation/ establishment	Principal place of operation	Issued share capital	Percentage of attributable interest held by the Group 2016	2015	Principal activities
Silver Alpine Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
8088 Management Limited	Hong Kong	Hong Kong	ordinary HK$1	**100%**	100%	Provision of corporate services
Complete Star (HK) Limited	Hong Kong	Hong Kong	ordinary HK$10,000	**70%**	70%	Development and operation of mobile games
Valliant Investments Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**100%**	100%	Investment holding
Honestway Global Group Limited	British Virgin Islands	N/A	100 ordinary shares at US$1 each	**100%**	70%	Investment holding
深圳八零八八科技有限公司	The PRC	Shenzhen, the PRC	ordinary HK$12,633,000	**100%**	70%	Investment holding
上海威搜游科技有限公司*	The PRC	Shenzhen, the PRC	ordinary RMB10,000,000	**100%**	70%	Provision of mobile games business in PRC
AID Partners Autonomous, LP	Cayman Islands	N/A	N/A	**82.3%**	N/A	Investment holding
Green Admiral Limited	British Virgin Islands	N/A	1 ordinary share at US$1 each	**82.3%**	N/A	Investment holding
Solition (HK) Limited 立子(香港)有限公司	Hong Kong	Hong Kong	ordinary HK$1	**100%**	N/A	Provision of online music service

All of the above principal subsidiaries are limited liability companies and are indirectly held by the Company except for AID Partners Asset Management Limited, Silver Alpine Limited and Honour Best Holdings Limited.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the principal subsidiaries which materially affect the results or the assets of the Group.

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

* 上海威搜游科技有限公司 is accounted for as a subsidiary through certain Contractual Arrangements (Note 4(ii)).

Notes to the Financial Statements

For the year ended 31 December 2016

39. NON-CONTROLLING INTERESTS

At 31 December 2016 and 2015, the Group's material non-controlling interests ("NCI") are as follows:

(a) Complete Star Limited ("CSL") is a 70% indirectly owned subsidiary of the Company. Summarised financial information in relation to the post-acquisition NCI of CSL, before inter-group eliminations, is presented below:

	2016 **HK$'000**	2015 HK$'000
For the year ended 31 December		
Revenue	**13,232**	16,391
Profit and total comprehensive income for the year, before amortisation (net of tax)	**345**	3,605
Loss and total comprehensive income for the year, after amortisation (net of tax)	**(6,138)**	(2,878)
Loss allocated to NCI	**(1,842)**	(863)
Dividend paid to NCI	**2,340**	–
For the year ended 31 December		
Cash (outflow)/inflow from operating activities	**(618)**	2,767
Cash inflow from investing activities	**–**	–
Cash inflow from financing activities	**–**	–
Net cash (outflow)/inflow	**(618)**	2,767
At 31 December		
Current assets	**9,136**	18,224
Non-current assets	**21,541**	29,304
Current liabilities	**(4,079)**	(5,711)
Non-current liabilities	**(3,571)**	(4,852)
Net assets	**23,027**	36,965
Accumulated non-controlling interests	**6,908**	11,090

39. NON-CONTROLLING INTERESTS (continued)

(b) At 31 December 2015, HGGL is a 70% indirectly owned subsidiary of the Company. Summarised financial information in relation to the post-acquisition NCI of HGGL, before inter-group eliminations, is presented below:

	2015 HK$'000
For the year ended 31 December	
Revenue	65,236
Profit and total comprehensive income for the year, before amortisation (net of tax)	20,608
Profit and total comprehensive income for the year, after amortisation (net of tax)	11,983
Profit allocated to NCI	3,595
Dividend paid to NCI	–
For the year ended 31 December	
Cash inflow from operating activities	3,310
Cash inflow from investing activities	–
Cash inflow from financing activities	–
Net cash inflow	3,310
At 31 December	
Current assets	74,730
Non-current assets	16,335
Current liabilities	(28,561)
Non-current liabilities	(5,451)
Net assets	57,053
Accumulated non-controlling interests	17,115

On 9 September 2016, the Group further acquired the remaining 30% of the issued share capital of HGGL, through acquiring the entire issued share capital of Rosy Year Investments Limited, at a cash consideration of HK$42,000,000 as detailed in Note 34(d) and HGGL became an indirect wholly-owned subsidiary of the Group.

Notes to the Financial Statements

For the year ended 31 December 2016

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**125**	631
Interests in subsidiaries	**1,121,991**	667,233
Loan to a subsidiary of an associate	**26,142**	–
	1,148,258	667,864
Current assets		
Other receivables	**786**	736
Cash and cash equivalents	**165,063**	702,362
	165,849	703,098
Current liabilities		
Other payables	**25,628**	52,739
Redeemable convertible preference shares	**–**	5,455
Financial liabilities at fair value through profit or loss	**–**	2,738
	25,628	60,932
Net current assets	**140,221**	642,166
Total assets less current liabilities	**1,288,479**	1,310,030

Notes to the Financial Statements

For the year ended 31 December 2016

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	As at 31 December 2016 HK$'000	As at 31 December 2015 HK$'000
Non-current liabilities		
Other payables	**–**	36,260
Convertible bonds	**154,743**	318,909
Financial liabilities at fair value through profit or loss	**–**	27,835
	154,743	383,004
Net assets	**1,133,736**	927,026
EQUITY		
Share capital (Note 26)	**722,094**	582,016
Reserves (Note 27)	**411,642**	345,010
Total equity	**1,133,736**	927,026

Wu King Shiu, Kelvin
Director

Ho Gilbert Chi Hang
Director

Notes to the Financial Statements

For the year ended 31 December 2016

41. EVENTS AFTER THE REPORTING PERIOD

Disposal of the entire issued share capital of Time Edge Limited and subscription of the convertible bond of HMV Digit China

As detailed in Note 36(d) to the consolidated financial statements, the disposal of Time Edge is expected to be completed in April 2017 which would be satisfied by a convertible bond by HMV Digit China.

Appendix I

FIVE-YEAR FINANCIAL SUMMARY

The financial information relating to the year ended 31 December 2016 included in this five year summary does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial results					
Profit/(Loss) attributable to owners of the Company	**504,551**	(233,146)	(89,666)	(84,452)	(38,220)
Assets and liabilities					
Total assets	**1,734,875**	1,344,807	369,361	106,534	172,323
Total liabilities	**(218,958)**	(589,211)	(357,222)	(99,331)	(309,140)
Total equity/(capital deficiency)	**1,515,917**	755,596	12,139	7,203	(136,817)

Appendix II

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Wu King Shiu, Kelvin *Chairman*
Ho Gilbert Chi Hang

Non-Executive Directors:

Chang Tat Joel
Xu Haohao
Guo Qifei
Fong Janie

Independent Non-Executive Directors:

Chinn Adam David
Professor Lee Chack Fan, *GBS, SBS, JP*
Yuen Kwok On

Audit Committee

Yuen Kwok On *Chairman*
Chinn Adam David
Professor Lee Chack Fan, *GBS, SBS, JP*

Remuneration Committee

Yuen Kwok On *Chairman*
Wu King Shiu, Kelvin
Professor Lee Chack Fan, *GBS, SBS, JP*

Nomination Committee

Professor Lee Chack Fan, *GBS, SBS, JP* *Chairman*
Wu King Shiu, Kelvin
Yuen Kwok On

Company Secretary

Chan Suet Ngan

Compliance Officer

Ho Gilbert Chi Hang

Principal Bankers

East West Bank
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited

Auditor

BDO Limited

Solicitors

Troutman Sanders

Registered Office

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

Share Registrars and Transfer Office

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

Stock Code

GEM 8088