

STOCK CODE: 8088

AID PARTNERS

汇友资本

AID Partners Capital Holdings Limited

滙友資本控股有限公司*

1st Quarterly Report 2016

For the three months ended 31 March

* 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.

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

ABOUT AID PARTNERS CAPITAL HOLDINGS LIMITED

AID Partners Capital Holdings Limited (the “Company” and, together with its subsidiaries, the “Group”) is an independent asset management group listed on GEM (stock code: 8088).

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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). Together with the establishment of AID Japan Company Limited in April 2016 by acquiring EEL21 Co., Ltd., a long established business advisory company in Japan principally engaged in entertainment and investment businesses, the Group further expands its global presence and strengthens its capability in Japan and across the Asia Pacific region.

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, in which (i) the Group has agreed to sell 2,250 existing ordinary shares of HMV M&E Limited (“HMV M&E”), a wholly-owned subsidiary of the Group, 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 “Deemed Disposal”). The Deemed Disposal was completed on 4 March 2016 and as a result, HMV M&E is owned as to approximately 18.37% by Wil and as to approximately 81.63% by the Group. The Deemed Disposal resulted in a gain of approximately HK\$30.4 million, being the difference between the cash consideration received and the net assets attributable to the 18.37% equity interest in HMV M&E disposed of at the date of disposal, recognised in other reserve.



On 14 March 2016, the Group entered into a sale and purchase agreement with China 3D Digital Entertainment Limited (Stock code: 8078) ("China 3D"), 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 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 China 3D (the "Proposed Disposal"). China 3D 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 People's Republic of China (the "PRC"), artists management, money lending activities and acquisitions of corporate, preference shares as well as investment in securities. The Consideration Shares will represent approximately 22.59% of the issued share capital of China 3D as enlarged by the allotment and issue of the Consideration Shares. Upon completion of the Proposed Disposal, China 3D will be treated as an associate in the consolidated financial statements of the Group through the Group's shareholding in China 3D in which, based on publicly available information, the Group will become the single largest shareholder of China 3D. The Proposed Disposal is subject to, among other things, shareholders' approval and is expected to be completed in or before June 2016.

FINANCIAL REVIEW

Revenue in the first quarter of 2016 increased to HK\$89.0 million from HK\$16.8 million in the first quarter of last year. The increase in revenue was driven by (i) the acquisition of 70% equity interest in Honestway Global Group Limited and its subsidiaries (the "HGGL Group"), a mobile-online game developer, distributor and operator in the PRC in April 2015; (ii) 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 (together, the "HMV Business"), on 30 November 2015; and (iii) continuous improvement of the HMV retail store in Central and the opening of HMV flagship store in Causeway Bay in late 2015 which generated more retail sales and food and beverage income in this quarter.

Other net income in the first quarter of 2016 increased to HK\$26.1 million from HK\$1.1m in the first quarter of last year, mainly due to gain on re-measurement of contingent consideration payables.

Total operating expenses (being selling and distribution expenses, administrative expenses and other operating expenses) in the first quarter of 2016 were HK\$70.7 million as compared to HK\$32.4 million in the first quarter of last year and this increase was mainly due to (i) continuous expansion of the existing business and operation of the Group including the selling and distribution expenses incurred by the HGGL Group and the HMV Business; and (ii) amortisation expense of intangible assets relating to the acquisitions of the HGGL Group and the HMV Business. The Group improved from a loss from operations of HK\$21.7 million in the first quarter of 2015 to HK\$5.7 million in the first quarter of 2016.

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

Finance costs in the first quarter of 2016 increased to HK\$7.1 million from HK\$4.4 million in the first quarter of last year, mainly due to the interest on convertible bond issued in July 2015.

As a result, the Group reported a loss attributable to owners of the Company in the first quarter of 2016 of HK\$14.3 million as compared to a loss of HK\$25.3 million in the first quarter of last year.

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

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2016, together with the comparative unaudited figures of the corresponding period in 2015, as follows:

	Notes	Unaudited Three months ended 31 March	
		2016 HK\$'000	2015 HK\$'000
Revenue	3	88,966	16,837
Cost of sales		(49,090)	(8,830)
Gross profit		39,876	8,007
Gain on financial asset at fair value through profit and loss		24	–
(Loss)/gain on financial liabilities at fair value through profit or loss		(1,001)	1,558
Other net income	3	26,142	1,136
Selling and distribution expenses		(27,902)	(6,736)
Administrative expenses		(42,803)	(22,449)
Other operating expenses		(10)	(3,211)
Loss from operations		(5,674)	(21,695)
Finance costs		(7,063)	(4,358)
Share of losses of associates		(1,551)	–
Loss before taxation		(14,288)	(26,053)
Taxation credit	4	1,296	728
Loss for the period		(12,992)	(25,325)
Attributable to:			
Owners of the Company		(14,288)	(25,257)
Non-controlling interests		1,296	(68)
Loss for the period		(12,992)	(25,325)
Loss per share attributable to owners of the Company for the period	6	HK cents	HK cents (Restated)
Basic		(0.17)	(0.69)
Diluted		N/A	N/A

UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited Three months ended 31 March	
	2016 HK\$'000	2015 HK\$'000
Loss for the period	(12,992)	(25,325)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations of subsidiaries	151	–
Other comprehensive income for the period, net of tax	151	–
Total comprehensive income for the period	(12,841)	(25,325)
Attributable to:		
Owners of the Company	(14,137)	(25,257)
Non-controlling interests	1,296	(68)
Total comprehensive income for the period	(12,841)	(25,325)

NOTES TO THE UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 21 February 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and, its principal place of business is Units 1 & 2, 29/F., The Hennessy, 256 Hennessy Road, Wanchai, Hong Kong. The Company's shares have been listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17 April 2000. The Company and its subsidiaries are together referred to as the Group hereinafter.

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

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

The unaudited consolidated financial information has been prepared under historical cost basis except for certain financial instruments classified as available-for-sale and at fair value through profit or loss, which are measured at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited consolidated financial information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited consolidated financial information, are consistent with those set out in the Company's annual audited consolidated financial statements for the year ended 31 December 2015 ("2015 Annual Report").

This consolidated financial information for the three months ended 31 March 2016 is unaudited but has been reviewed by the Audit Committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

This unaudited consolidated financial information should be read in conjunction with the Company's 2015 Annual Report, which has been prepared in accordance with IFRSs.

The principal accounting policies adopted to prepare this unaudited consolidated financial information are consistent with those adopted to prepare to the Company's 2015 Annual Report.

The Group has not early adopted the new/revised IFRSs which have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new/revised IFRSs and the Directors so far anticipated that the application of these new/revised IFRSs will have no material impact on the Group's unaudited consolidated financial information.

3. REVENUE AND OTHER NET INCOME

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 earned, (iv) game publishing service income and (v) concession stores income.

Other net income mainly comprises interest income, rental income, marketing income and gain from re-measurement of contingent consideration payables.

4. TAXATION CREDIT

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

The Group's major operating subsidiary, 上海威搜游科技有限公司 (Shanghai VSOYOU Technology Co., Ltd.), was established in the PRC and carries on business in the PRC as a software enterprise. This subsidiary has, pursuant to the relevant laws and regulations in the PRC, obtained exemption from PRC Enterprise Income Tax for two years starting from 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 Exemptions period expires, but not beyond 31 December 2019.

Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the three months ended 31 March 2016.

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.

5. MOVEMENTS IN RESERVES

	Share premium HK\$'000	Convertible bonds equity reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Foreign exchange reserve HK\$'000	*Other reserve HK\$'000	Statutory surplus reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2016 (Audited)	698,265	9,982	2,112	601	49,063	(1,693)	-	3,331	(616,286)	145,375
Lapse of share options	-	-	-	-	(6,654)	-	-	-	6,654	-
Transactions with owners	-	-	-	-	(6,654)	-	-	-	6,654	-
Loss for the period	-	-	-	-	-	-	-	-	(14,288)	(14,288)
Other comprehensive income: Exchange differences on translating foreign operations of subsidiaries	-	-	-	-	-	151	-	-	-	151
Total comprehensive income for the period	-	-	-	-	-	151	-	-	(14,288)	(14,137)
Disposal of partial interest in a subsidiary without losing control (note 7)	-	-	-	-	-	-	30,355	-	-	30,355
At 31 March 2016 (Unaudited)	698,265	9,982	2,112	601	42,409	(1,542)	30,355	3,331	(623,920)	161,593
At 1 January 2015 (Audited)	280,266	8,061	2,112	601	52,331	-	-	-	(380,092)	(36,721)
Employee share-based compensation	-	-	-	-	626	-	-	-	-	626
Issue of shares upon exercise of share options	1,235	-	-	-	(571)	-	-	-	-	664
Issue of bonus shares	(184,615)	-	-	-	-	-	-	-	-	(184,615)
Issue of shares upon conversion of convertible bonds	13,191	-	-	-	-	-	-	-	-	13,191
Issue of shares upon conversion of redeemable convertible preference shares	8,418	-	-	-	-	-	-	-	-	8,418
Transactions with owners	(161,771)	-	-	-	55	-	-	-	-	(161,716)
Loss for the period	-	-	-	-	-	-	-	-	(25,257)	(25,257)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(25,257)	(25,257)
At 31 March 2015 (Unaudited)	118,495	8,061	2,112	601	52,386	-	-	-	(405,349)	(223,694)

* Other reserve arose from the disposal of partial interest in a subsidiary to a non-controlling third party without losing control.

6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) *Basic loss per share*

Basic loss per share is calculated by dividing consolidated loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the three months ended 31 March 2016.

	Unaudited Three months ended 31 March	
	2016	2015 <i>(Restated)</i>
(HK\$'000)		
Consolidated loss attributable to owners of the Company	(14,288)	(25,257)
(Number)		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	8,189,993,975	3,672,912,940
(HK cents)		
Basic loss per share	(0.17)	(0.69)

The basic loss per share for the three months ended 31 March 2016 have taken into account of the effect of the placing of 4,005,392,000 new shares on 11 August 2015 (the "Placing") at the placing price of HK\$0.22 per share. The total net proceeds from the Placing were approximately HK\$855 million. As the placing price of HK\$0.22 per share was lower than the market price of HK\$0.26 on 11 August 2015, the inherent bonus element was therefore taken into account in the calculation of basic loss per share for the three months ended 31 March 2016. Details of the Placing were set out in the Company's announcements dated 7 June 2015 and 11 August 2015 and the Company's circular dated 27 June 2015.

The comparative figure for the basic loss per share for the three months ended 31 March 2015 are restated to take into effect the inherent bonus element of the Placing as if it had been taken place since the beginning of the respective comparative period.

(b) *Diluted loss per share*

No diluted loss per share for the three months ended 31 March 2016 and 2015 are shown, as the outstanding share options, convertible bonds and redeemable convertible preference shares are anti-dilutive or have no dilutive effect.

7. DEEMED DISPOSAL OF APPROXIMATELY 18.37% EQUITY INTEREST IN HMV M&E

On 1 March 2016, the Group entered into a sale and purchase agreement with an independent third party, in which (i) the Group has agreed to sell 2,250 existing ordinary shares, representing approximately 18.37% equity interest, in HMV M&E, a wholly-owned subsidiary of the Group, 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 "Deemed Disposal"). The Deemed Disposal has completed on 4 March 2016 and resulted in an amount of approximately HK\$30.4 million, being the difference between the cash consideration received and the net assets attributable to the approximately 18.37% equity interest in HMV M&E disposed of at the date of disposal, recognised in other reserve (note 5).

8. EVENTS AFTER THE REPORTING PERIOD

- (i) On 14 March 2016, the Group entered into a sale and purchase agreement with an independent third party, 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 consideration shares of China 3D Digital Entertainment Limited (Stock code: 8078) ("China 3D"), a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM (the "Proposed Disposal"). The consideration shares will represent approximately 22.59% of the issued share capital of China 3D as enlarged by the allotment and issue of the consideration shares. Upon completion, the receipt of such consideration shares will be deemed to be an acquisition of equity interest in China 3D by the Group and China 3D will be treated as an associate in the consolidated financial statements of the Group through the Group's shareholding in China 3D in which, based on publicly available information, the Group will become the single largest shareholder of China 3D upon completion. The Proposed Disposal is subject to, among other things, shareholders' approval and is expected to be completed in or before June 2016.
- (ii) On 1 April 2016, the Group completed the acquisition of EEL21 Co., Ltd. ("EEL21") for a cash consideration of JPY60,000,000 (equivalent to approximately HK\$4,164,000). Upon completion, the Group holds approximately 99.69% of total issued shares of EEL21 and the seller acts as a nominee on behalf of the Group to hold the remaining approximately 0.31% of total issued shares of EEL21. EEL21 is a business advisory company in Japan principally engaged in entertainment and investment businesses and its name has been changed to AID Japan Company Limited after completion.
- (iii) On 1 April 2016, the Group granted certain share options to eligible persons of the Group which entitles the grantees to subscribe for an aggregate of 251,368,000 ordinary shares of US\$0.01 each in the share capital of the Company, under the share option scheme adopted by the Company on 15 April 2014. Each option shall entitle the holder thereof to subscribe for one share. The exercise price of options granted is HK\$0.247 per share. 125,684,000 options are exercisable during the period from 1 October 2016 to 31 March 2026 and 125,684,000 options are exercisable during the period from 1 April 2017 to 31 March 2026. Further details were set out in the Company's announcement dated 1 April 2016.
- (iv) On 5 April 2016, the Group's HK\$175 million 5% coupon convertible bonds, issued on 13 June 2014 and due 2017, were fully converted into 1,590,909,090 ordinary shares of the Company at the conversion price of HK\$0.11 per share.
- (v) On 13 April 2016, pursuant to the sale and purchase agreement of the acquisition of 70% equity interest in the HGGL Group, 165,291,588 third instalment consideration shares and 39,670,172 2015 profit bonus shares (representing approximately 1.79% and 0.43%, respectively, of the issued share capital of the Company as enlarged by the third instalment consideration shares and the 2015 profit bonus shares) were allotted and issued to settle the third instalment and the 2015 profit bonus, respectively. Details were set out in the Company's announcement dated 13 April 2016.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

DISCLOSURE OF INTERESTS

(A) DIRECTORS' INTERESTS

As at 31 March 2016, the interests of the Directors or any chief executive of the Company in the ordinary shares of the Company (the "Shares") and underlying Shares or any of its associated corporations as recorded in the register were:

(i) Interests in the Shares

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

Notes:

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

Name of Directors	Date of grant (dd/mm/yyyy)	Exercise price HK\$	Exercise period (dd/mm/yyyy)	Balance as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 31 March 2016
Mr. Wu	20/06/2014	0.16	20/06/2014 to 19/06/2024	26,884,000	-	-	-	26,884,000
Mr. Ho	15/05/2014	0.16	15/05/2014 to 14/05/2024	27,342,000	-	-	-	27,342,000
Mr. Chang	15/05/2014	0.16	15/05/2014 to 14/05/2024	27,342,000	-	-	-	27,342,000

(b) Outstanding convertible bonds

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

Note:

Abundant Star Ventures Limited ("Abundant Star") and Vantage Edge Limited ("Vantage Edge") own 909,090,909 and 681,818,181 underlying Shares, which will be allotted and issued upon full conversion of the outstanding convertible bonds for a principal sum of HK\$100,000,000 and HK\$75,000,000, respectively, at the conversion price of HK\$0.11 per Share (subject to adjustments).

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

(iii) Short positions

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

Save as disclosed above, as at 31 March 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 the Directors.

(B) SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 March 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(i) Interests in the Shares and underlying Shares

Name	Aggregate long position in Shares	Aggregate long position in underlying Shares	Approximate percentage of the issued share capital of the Company %
Mr. Wu (Notes 1, 5 and 6)	634,544,000	1,617,793,090	30.18%
Li Mau (Notes 1, 5 and 6)	634,544,000	1,617,793,090	30.18%
Mr. Ho (Notes 2, 5 and 6)	454,808,000	1,618,251,090	27.78%
Mr. Chang (Notes 3, 5 and 6)	454,544,000	1,618,251,090	27.77%
Hong Kong HNA Holding Group Co. Limited (Note 4)	1,636,360,000	430,769,230	27.70%
AID Partners Capital II, L.P. (Notes 5 and 6)	454,544,000	1,590,909,090	27.41%
AID Partners GP2, Ltd. (Notes 5 and 6)	454,544,000	1,590,909,090	27.41%
Billion Power Management Limited (Notes 5 and 6)	454,544,000	1,590,909,090	27.41%
Elite Honour Investments Limited (Notes 5 and 6)	454,544,000	1,590,909,090	27.41%
Genius Link Assets Management Limited (Note 5 and 6)	454,544,000	1,590,909,090	27.41%
Leader Fortune International Limited (Notes 5 and 6)	454,544,000	1,590,909,090	27.41%
Able Supreme Management Limited (Note 7)	–	1,081,095,600	14.48%

Name	Aggregate long position in Shares	Aggregate long position in underlying Shares	Approximate percentage of the issued share capital of the Company %
Billion Pine International Limited (Note 7)	–	1,081,095,600	14.48%
Hu Yin (Note 7)	–	1,081,095,600	14.48%
David Tin	909,088,000	–	12.18%
Abundant Star (Note 5)	–	909,090,909	12.18%
Vantage Edge (Note 5)	–	681,818,181	9.13%
Yeung Wing Yee	528,280,256	–	7.07%
Hero Sign Limited (Note 6)	454,544,000	–	6.09%
Sunfield Holdings Group Limited (Note 8)	454,544,000	–	6.09%
Huang Shiyang (Note 8)	454,544,000	–	6.09%
Huang Tao (Note 8)	454,544,000	–	6.09%

Notes:

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

5. Abundant Star and Vantage Edge own 909,090,909 and 681,818,181 underlying Shares, which will be allotted and issued upon full conversion of the outstanding 5% coupon convertible bonds for a principal sum of HK\$100,000,000 and HK\$75,000,000, respectively.

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

6. Hero Sign Limited owns 454,544,000 Shares. Mr. Wu, Mr. Ho and Mr. Chang are deemed to have interest in 454,544,000 Shares of which Hero Sign Limited is interested by virtue of the SFO since they indirectly own 56% through Billion Power Management Limited, 23% through Elite Honour Investments Limited and 21% through Genius Link Assets Management Limited, respectively, of the issued share capital of AID Partners GP2, Ltd.. AID Partners GP2, Ltd. is the general partner of AID Partners Capital II, L.P.. AID Partners Capital II, L.P. is a private equity fund interested in the entire issued share capital of Leader Fortune International Limited, which is interested in the entire issued share capital of Hero Sign Limited.
7. Able Supreme Management Limited ("Able Supreme") owns 1,081,095,600 underlying Shares which will be allotted and issued upon full conversion of 6,930,100 RCPS at conversion price of HK\$0.10 per Share (reset on 11 August 2015). The entire issued share capital of Able Supreme is held by Billion Pine International Limited, which in turn is beneficially wholly-owned by Mr. Hu Yin. Accordingly, Mr. Hu Yin is interested in these underlying Shares through his 100% indirect interests in Able Supreme.
8. Sunfield Holdings Group Limited ("Sunfield") owns 454,544,000 Shares. Mr. Huang Tao and Mr. Huang Shiyang own 60% and 40% equity interest in Sunfield, respectively. According, Mr. Huang Tao and Mr. Huang Shiyang are interested in these Shares through their interests in Sunfield.

(ii) Short positions

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

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

(C) POTENTIAL COMPETITION FROM HMV HONG KONG LIMITED

HMV Hong Kong Limited ("HMV HK") is indirectly wholly-owned by AID Partners Capital II, L.P.. AID Partners Capital II, L.P. is controlled by AID Partners GP2, Ltd., which is ultimately controlled by Mr. Wu and in which Mr. Ho and Mr. Chang are directors. HMV HK has been granted an exclusive license by Palm Green Capital Limited (Record Shop 3 Limited (formerly named HMV (IP) Limited) was the former licensor), a third party independent of the Group, to use the well-known brand name "HMV" within the territory of the PRC, Hong Kong, the Macau Special Administrative Region of the PRC, Taiwan and Singapore ("HMV IP Rights").

Pursuant to the sale and purchase agreement dated 28 August 2015 in relation to the sale and purchase of the HMV IP Rights and the HMV Business, at completion on 30 November 2015, (i) the HMV IP Rights in respect of the PRC, Hong Kong and Singapore were assigned by HMV HK to HMV Marketing Limited ("HMV Marketing"), an indirect wholly-owned subsidiary of the Company; and (ii) the assets in respect of the retailing business of "HMV" operating through the four (4) physical retail stores located in Hong Kong and operated by HMV HK prior to the completion of the said acquisition were transferred by HMV HK to HMV Marketing (the "HMV Acquisition"). After completion of the HMV Acquisition and as at 31 March 2016, HMV Marketing has the licence to use the HMV IP Rights within the PRC, Hong Kong and Singapore and HMV HK has the licence to use the HMV IP Rights within the Macau Special Administrative Region and Taiwan.

HMV Marketing and HMV HK each have the rights to use the HMV IP Rights in different territories as set out above. Given that there is no overlap of territories in the use of the HMV IP Rights by HMV Marketing and HMV HK, the Directors do not consider that there is any material competition between the business of the Group and that of HMV HK.

As at 31 March 2016, save as disclosed above and so far as the Directors were aware, none of the other Directors or their respective associates were interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

(D) SHARE OPTION SCHEMES

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

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

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

2002 Share Option Scheme

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

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

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

Date of grant (dd/mm/yyyy)	Exercise price HK\$	Exercise period (dd/mm/yyyy)	Number of share options				
			Balance as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 31 March 2016
24/03/2006	9.51	24/03/2007 to 23/03/2016	1,619,325	-	-	(1,619,325)	-
26/04/2006	9.51	26/04/2007 to 25/04/2016	4,858,025	-	-	-	4,858,025
29/01/2007	4.51	29/01/2008 to 28/01/2017	809,287	-	-	-	809,287
11/02/2008	2.22	11/02/2009 to 10/02/2018	4,256,683	-	-	-	4,256,683
29/12/2008	0.22	29/12/2009 to 28/12/2018	818,336	-	-	-	818,336
07/10/2010	0.20	07/10/2011 to 06/10/2020	2,370,561	-	-	-	2,370,561
16/03/2012	0.20	16/03/2013 to 15/03/2022	5,342,580	-	-	-	5,342,580
14/05/2012	0.19	14/05/2013 to 13/05/2022	5,859,368	-	-	-	5,859,368
			<u>25,934,165</u>	<u>-</u>	<u>-</u>	<u>(1,619,325)</u>	<u>24,314,840</u>

No option was granted under the 2002 Share Option Scheme during the three months ended 31 March 2016.

1,619,325 options were lapsed under the 2002 Share Option Scheme during the three months ended 31 March 2016.

The weighted average closing price of the shares immediately before the dates on which share options under the 2002 Share Option Scheme were exercised was HK\$0.40.

The weighted average remaining contractual life of the options outstanding under the 2002 Share Option Scheme as at 31 March 2016 was approximately 3.68 years.

2014 Share Option Scheme

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

Date of grant (dd/mm/yyyy)	Grantees	Exercise period (Notes)	Number of share options				Balance as at 31 March 2016	Exercise price per share HK\$
			Balance as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period		
15/05/2014	Directors	(1)	54,684,000	-	-	-	54,684,000	0.16
20/06/2014	Director and former directors	(2)	32,465,250	-	-	-	32,465,250	0.16
			<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
			87,149,250	-	-	-	87,149,250	
20/06/2014	Other eligible participants	(3)	35,402,750	-	-	-	35,402,750	0.16
			<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
			35,402,750	-	-	-	35,402,750	
			<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
			122,552,000	-	-	-	122,552,000	

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 20 June 2014 and 20 June 2015, respectively to 19 June 2024.

No option was granted under the 2014 Share Option Scheme during the three months ended 31 March 2016.

No option was lapsed under the 2014 Share Option Scheme during the three months ended 31 March 2016.

The weighted average closing price of the shares immediately before the date on which share options under the 2014 Share Option Scheme were exercised was HK\$0.40.

The weighted average remaining contractual life of the options outstanding under the 2014 Share Option Scheme as at 31 March 2016 was approximately 8.18 years.

No share-based compensation expense was recognised in the consolidated statement of profit or loss for the three months ended 31 March 2016 (three months ended 31 March 2015: HK\$626,000).

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 meets at least quarterly with the most recent meeting held on 9 May 2016. The unaudited consolidated financial information of the Company for the three months ended 31 March 2016 has been reviewed by the Audit Committee.

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

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

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

Hong Kong, 9 May 2016

As at the date of this report, the Directors are:

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

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