

STOCK CODE: 8088

# AID PARTNERS

AID Partners Technology Holdings Limited  
滙友科技控股有限公司\*

**Interim Report 2017**

For the six months ended 30 June

\* 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 TECHNOLOGY HOLDINGS LIMITED

AID Partners Technology Holdings Limited (the “Company” and, together with its subsidiaries, the “Group”) is a strategic investment group listed on GEM (HK GEM 8088).

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

## MANAGEMENT DISCUSSION AND ANALYSIS

During the six months under review, the Group continued to operate its strategic investment and asset management businesses. As part of the strategic investment business, the Group continued to monitor and strive to maximise the value of its strategic investments including, among others, (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 United States of America for the businesses of robotics and pioneering autonomous mobility-as-a-service, a consumer focused website built around user-generated content about popular culture and international advisory and consulting business; (iv) in the People’s Republic of China in the development and operation of electric vehicle charging pile facility; (v) in the media and entertainment business through its shareholding in HMV Digital China Group Limited (Stock code: 8078) (“HMV Digit China”); and (vi) the development and operations of mobile/online games and mobile game distribution and publishing platform through its subsidiaries, Complete Star Limited and its subsidiary and Honestay Global Group Limited (“HGGL”) and its subsidiaries. The Group also continued to operate 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)).

On 15 February 2017, HMV Digit China, the Group’s investment, completed bonus issue (one bonus share for every share), and on 21 March 2017 and 12 June 2017, completed the placings of 490.2 million and 1,925.4 million new shares at a placing price of HK\$0.25 per share with gross proceeds of approximately HK\$123 million and HK\$481 million, respectively. The completion of placings strengthened its financial position and provided working capital to meet its future development and obligations. Together with the issuance of shares pursuant to the conversion of certain of its convertible bonds and an acquisition, the shareholding of the Group in HMV Digit China was diluted to 16.59% (31 December 2016: 20.47%) and an aggregate gain on deemed disposal of interest in the associate amounting to HK\$28.6 million was recognised in the other net income in profit or loss for the six months under review. Also, following the resignation as the directors of HMV Digit China on 28 June 2017, the Group had no significant influence on its financial and operating policies. Accordingly, the interest in an associate was reclassified to the financial assets at fair value through profit or loss, resulting in a loss of HK\$294.2 million recognised in profit or loss upon the reclassification.

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 (“Time Edge”), a wholly-owned subsidiary of the Company which owns the entire issued share capital of Mystery Apex Limited (“Mystery Apex”), for a total consideration of HK\$50 million, 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”). Mystery Apex is principally engaged in the provision of online music streaming service to the public through mobile apps and personal computer. The Disposal of Time Edge was completed on 26 April 2017 and accordingly, the convertible bond was issued by HMV Digit China to the Group. A gain on the Disposal of Time Edge of approximately HK\$30.9 million was recognised in profit or loss for the six months ended 30 June 2017.



On 5 May 2017, the Group entered into a subscription and sale and purchase agreement with independent third parties in relation to the acquisition of up to approximately 73.7% equity interest in GeneSort Ltd. ("GeneSort") for a consideration of up to US\$13,956,422 (equivalent to approximately HK\$108,162,000) to be satisfied by the allotment and issue of an aggregate of up to 1,352,028,381 new ordinary shares of the Company at an issue price of HK\$0.08 per share. GeneSort is a company incorporated in Israel that is principally engaged in advanced personalised molecular diagnostic services for cancer evaluation and cure. The acquisition of approximately 73.7% equity interest in GeneSort was completed on 11 July 2017, and 1,352,028,376 new ordinary shares of the Company were allotted and issued to the vendors accordingly.

## FINANCIAL REVIEW

As a result of the disposal of HMV M&E Limited and its subsidiaries on 3 August 2016 and the change of strategies coupled with the less favourable operating environment in the mobile game businesses of the Group, revenue for the six months under review decreased to HK\$16.1 million from HK\$157.4 million for the corresponding period last year, while total operating expenses (being selling and distribution expenses, administrative expenses and other operating expenses) for the six months under review decreased to HK\$75.2 million from HK\$150.9 million for the corresponding period last year.

Other net income for the six months under review decreased to HK\$37.4 million from HK\$43.9 million for the corresponding period last year, which was mainly due to a gain on re-measurement of contingent consideration payables of HK\$34.2 million was recognised for the corresponding period last year and no such gain was recognised for the six months under review, while a gain on deemed disposal of interest in an associate of HK\$28.6 million (2016: nil) was recognised for the six months under review.

Finance costs for the six months under review decreased to HK\$6.2 million from HK\$9.9 million for the corresponding period of last year, mainly due to the conversion of the convertible bond of the Company with a principal amount of HK\$175 million in April 2016.

With the favourable operating result of HMV Digit China for the six months under review, share of profit of an associate increased to HK\$8.1 million from share of losses of associates of HK\$3.9 million for the corresponding period of last year. As aforementioned, following the resignation as the directors of HMV Digit China, a fair value loss of HK\$294.2 million was recognised in profit or loss for the six months under review upon the reclassification from interest in an associate to the financial assets at fair value through profit or loss, which is non-recurring, non-cash in nature and will not have any cash flow impact of the Group.

As a result, the Group reported a loss attributable to owners of the Company for the six months under review of HK\$281.5 million as compared to HK\$51.3 million for the corresponding period of last year.

The Group will continue to (i) seize good opportunities from the potential fast growing specialised industry of health technology; (ii) monitor and maximise the value of our investments; and (iii) seek for potential strategic investment and divestment opportunities with the objective to enhance the return to its shareholders.

## FINANCIAL POSITION AND RESOURCES

### SIGNIFICANT CAPITAL ASSETS AND INVESTMENTS

Apart from the additions to available-for-sale investments and financial assets at fair value through profit or loss, and the Disposal of Time Edge as detailed in Notes 13 and 19, and 26, respectively, to the unaudited condensed consolidated financial statements, the Group acquired property, plant and equipment totalling HK\$2.3 million during the six months under review, which mainly comprised the additions to leasehold improvements of new office in Central, Hong Kong.

### LIQUIDITY

As at 30 June 2017, the Group had cash and bank balances (including short-term deposit and cash and cash equivalents) of HK\$113.1 million (31 December 2016: HK\$234.6 million). The decrease in cash and bank balances was mainly due to the investments in available-for-sale investments and financial assets at fair value through profit or loss, interest payment on the convertible bonds and cash flows used in operation during the six months under review. As at 30 June 2017, current assets and current liabilities of the Group were HK\$983.0 million (31 December 2016: HK\$419.5 million) and HK\$17.9 million (31 December 2016: HK\$55.1 million), respectively. Accordingly, the Group's current ratio was 54.9 (31 December 2016: 7.6). The Group's gearing ratio was 3.9% as at 30 June 2017, as compared with -5.4% as at 31 December 2016. The gearing ratio is calculated on the basis of net borrowings over the equity attributable to owners of the Company. Net borrowings is arrived at total borrowings less cash and bank balances.

### GEARING

#### *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 conditions required for the 2015 HK\$140 million Convertible Bonds, the Company issued the 2015 HK\$140 million Convertible Bonds.

The terms and conditions of the 2015 HK\$140 million Convertible Bonds are detailed in Note 20 to the unaudited condensed consolidated financial statements. In accordance with the terms and conditions thereof, the initial conversion price is HK\$0.325 per share.

As at 30 June 2017, the Group had no other significant debt.

### CHARGES

As at 30 June 2017, there were no significant charges on the Group's investments and assets (31 December 2016: Nil).

### COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no significant commitments, other than those under operating leases for the rental of its office premises as set out in Note 24 to the unaudited condensed consolidated financial statements and no significant contingent liabilities, including pension obligations.

### EQUITY STRUCTURE

An analysis of the movements in equity during the period is set out in the unaudited consolidated statement of changes in equity on page 16 of the unaudited condensed consolidated financial statements.

As at 30 June 2017, the total number of ordinary shares issued was 9,355,111,734, increased from 9,257,611,734 as at 31 December 2016 and the increase was due to the issuance of remuneration shares as compensation for consultancy services during the six months under review.

Details of the movements in redeemable convertible preference shares and share capital are set out in Note 21 to the unaudited condensed consolidated financial statements.

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

## EMPLOYEE INFORMATION

As at 30 June 2017, the Group had 84 full-time employees (31 December 2016: 87). Employee benefit expense (including directors' remuneration) during the six months under review are provided in Note 7 to the unaudited condensed consolidated financial statements.

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

## FOREIGN CURRENCY EXPOSURE

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

## CORPORATE GOVERNANCE REPORT

### (A) CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 30 June 2017, 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.

### (B) DIRECTORS' SECURITIES TRANSACTIONS

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

## DISCLOSURE OF INTERESTS

### (A) DIRECTOR'S INTERESTS

As at 30 June 2017, the interests of the Directors or any chief executive of the Company in the ordinary shares of the Company (the "Share") and underlying Shares or any of its associated corporations as recorded in the register were:

#### (i) *Interests in the Shares*

| Name of Director                                   | Personal interest | Corporate interest | Family interest | Aggregate long position in Shares | Approximate percentage of the issued share capital of the Company % |
|--|-------------------|--------------------|-----------------|-----------------------------------|---|
| Wu King Shiu, Kelvin<br>("Mr. Wu") (Notes 1 and 2) | 28,488,000        | 2,098,797,090      | 165,600,000     | 2,292,885,090                     | 24.50   |
| Ho Gilbert Chi Hang<br>("Mr. Ho") (Note 1)         | 264,000           | 2,098,797,090      | –               | 2,099,061,090                     | 22.43   |
| Chang Tat Joel<br>("Mr. Chang") (Note 1)           | –                 | 2,098,797,090      | –               | 2,098,797,090                     | 22.43   |
| Yuen Kwok On<br>("Mr. Yuen")                       | 1,980,000         | –                  | –               | 1,980,000                         | 0.02  |

Notes:

- 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.
- HMV Asia Limited owns 165,600,000 Shares. 65.62% 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***Outstanding options*

| Name of Director                       | Date of grant<br>(dd/mm/yyyy) | Exercise<br>price<br>HK\$ | Exercise period<br>(Notes) | Balance<br>as at<br>1 January<br>2017 | Granted<br>during<br>the period | Exercised<br>during<br>the period | Cancelled/<br>lapsed<br>during<br>the period | Balance<br>as at<br>30 June<br>2017 |
|--|-------------------------------|---------------------------|----------------------------|---------------------------------------|---------------------------------|-----------------------------------|--|-------------------------------------|
| Mr. Wu                                 | 20/06/2014                    | 0.16                      | (2)                        | 26,884,000                            | -                               | -                                 | -  | 26,884,000                          |
|  | 01/04/2016                    | 0.247                     | (3)                        | 70,000,000                            | -                               | -                                 | -  | 70,000,000                          |
|  | 19/05/2017                    | 0.078                     | (4)                        | -                                     | 9,000,000                       | -                                 | -  | 9,000,000                           |
|  |                               |                           |                            | <u>96,884,000</u>                     | <u>9,000,000</u>                | <u>-</u>                          | <u>-</u>                                     | <u>105,884,000</u>                  |
| Mr. Ho                                 | 15/05/2014                    | 0.16                      | (1)                        | 27,342,000                            | -                               | -                                 | -  | 27,342,000                          |
|  | 01/04/2016                    | 0.247                     | (3)                        | 70,000,000                            | -                               | -                                 | -  | 70,000,000                          |
|  | 19/05/2017                    | 0.078                     | (4)                        | -                                     | 9,000,000                       | -                                 | -  | 9,000,000                           |
|  |                               |                           |                            | <u>97,342,000</u>                     | <u>9,000,000</u>                | <u>-</u>                          | <u>-</u>                                     | <u>106,342,000</u>                  |
| Mr. Chang                              | 15/05/2014                    | 0.16                      | (1)                        | 27,342,000                            | -                               | -                                 | -  | 27,342,000                          |
|  | 01/04/2016                    | 0.247                     | (3)                        | 5,000,000                             | -                               | -                                 | -  | 5,000,000                           |
|  | 19/05/2017                    | 0.078                     | (4)                        | -                                     | 9,000,000                       | -                                 | -  | 9,000,000                           |
|  |                               |                           |                            | <u>32,342,000</u>                     | <u>9,000,000</u>                | <u>-</u>                          | <u>-</u>                                     | <u>41,342,000</u>                   |
| Professor Lee Chack Fan,<br>GBS,SBS,JP | 01/04/2016                    | 0.247                     | (3)                        | 3,000,000                             | -                               | -                                 | -  | 3,000,000                           |
|  | 19/05/2017                    | 0.078                     | (4)                        | -                                     | 2,000,000                       | -                                 | -  | 2,000,000                           |
|  |                               |                           |                            | <u>3,000,000</u>                      | <u>2,000,000</u>                | <u>-</u>                          | <u>-</u>                                     | <u>5,000,000</u>                    |
| Mr. Yuen                               | 01/04/2016                    | 0.247                     | (3)                        | 3,000,000                             | -                               | -                                 | -  | 3,000,000                           |
|  | 19/05/2017                    | 0.078                     | (4)                        | -                                     | 2,000,000                       | -                                 | -  | 2,000,000                           |
|  |                               |                           |                            | <u>3,000,000</u>                      | <u>2,000,000</u>                | <u>-</u>                          | <u>-</u>                                     | <u>5,000,000</u>                    |
| Ms. Fong Janie                         | 01/04/2016                    | 0.247                     | (3)                        | 3,000,000                             | -                               | -                                 | -  | 3,000,000                           |
|  | 19/05/2017                    | 0.078                     | (4)                        | -                                     | 5,000,000                       | -                                 | -  | 5,000,000                           |
|  |                               |                           |                            | <u>3,000,000</u>                      | <u>5,000,000</u>                | <u>-</u>                          | <u>-</u>                                     | <u>8,000,000</u>                    |

Note: The closing price of the Shares quoted on the Stock Exchange on 18 May 2017, being the business date immediately before the date on which share options were granted, was HK\$0.060.

## 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) Exercisable from 19 May 2017 to 18 May 2027.



**(iii) Short positions**

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

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

**(B) SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS**

As at 30 June 2017, 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 % |
|--|-----------------------------------|--|---|
| <b>Substantial Shareholders</b>                  |                                   |  |   |
| Mr. Wu (Notes 1 and 5)                           | 2,292,885,090                     | 105,884,000                                  | 25.64%  |
| Li Mau (Notes 1 and 5)                           | 2,292,885,090                     | 105,884,000                                  | 25.64%  |
| Mr. Ho (Notes 2 and 5)                           | 2,099,061,090                     | 106,342,000                                  | 23.57%  |
| Mr. Chang (Notes 3 and 5)                        | 2,098,797,090                     | 41,342,000                                   | 22.87%  |
| AID Cap II (Note 5)                              | 2,098,797,090                     | –  | 22.43%  |
| AID Partners GP2, Ltd. (Note 5)                  | 2,098,797,090                     | –  | 22.43%  |
| Hong Kong HNA Holding Group Co. Limited (Note 4) | 1,636,360,000                     | 430,769,230                                  | 22.09%  |
| David Tin  | 909,088,000                       | –  | 9.71%   |
| Billion Power Management Limited (Note 5)        | 2,098,797,090                     | –  | 22.43%  |
| Elite Honour Investments Limited (Note 5)        | 2,098,797,090                     | –  | 22.43%  |
| Genius Link Assets Management Limited (Note 5)   | 2,098,797,090                     | –  | 22.43%  |
| Leader Fortune International Limited (Note 5)    | 2,098,797,090                     | –  | 22.43%  |
| Abundant Star Ventures Limited (Note 5)          | 909,090,909                       | –  | 9.71%   |
| Vantage Edge Limited (Note 5)                    | 681,818,181                       | –  | 7.28%   |
| Hero Sign Limited (Note 5)                       | 507,888,000                       | –  | 5.42%   |
| Wong Kwok Ho ("Mr. Wong") (Notes 6 and 7)        | 452,876,000                       | 480,000,000                                  | 9.97%   |
| Chau Mui (Notes 6 and 7)                         | 452,876,000                       | 480,000,000                                  | 9.97%   |
| Sky March Limited (Note 7)                       | 97,500,000                        | 390,000,000                                  | 5.21%   |

## 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. 65.62% 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, 70,000,000 share options and 9,000,000 share options at an exercise price of HK\$0.16 per Share, HK\$0.247 per Share and HK\$0.078 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.
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, 70,000,000 share options and 9,000,000 share options at an exercise price of HK\$0.16 per Share, HK\$0.247 per Share and HK\$0.078 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, an Executive Director of the Company, is interested in 27,342,000 share options, 5,000,000 share options and 9,000,000 share options at an exercise price of HK\$0.16 per Share, HK\$0.247 per Share and HK\$0.078 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.
6. Mr. Wong owns 326,496,000 Shares and is interested in 90,000,000 share options at an exercises price of HK\$0.078 per Share to subscribe for Shares. Faithful Talent Limited ("Faithful") owns 7,000,000 shares. Mr. Wong is deemed to be interested in these shares through his 100% interests in Faithful. Mr. Wong is deemed to be interested in 97,500,000 Shares and 390,000,000 underlying shares as mentioned in note 7 below. Ms. Chau Mui, as the spouse of Mr. Wong, owns 21,880,000 and is deemed to be interested in all Shares and underlying shares held by Mr. Wong.

7. Sky March Limited (“Sky March”) entered into a consulting service agreement with the Company dated 5 May 2017 (“Consulting Service Agreement”), pursuant to which the Company has issued 97,500,000 Shares to Sky March on 25 May 2017 and 390,000,000 Shares will be issued to Sky March in accordance with the terms and conditions of the Consulting Service Agreement. Mr. Wong is interest in these shares and underlying shares through his 100% interest in Sky March.

**(ii) Short positions**

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

Save as disclosed above, as at 30 June 2017, the Directors of the Company were not aware of any other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 30 June 2017, no other person had interests which were recorded in the register required to be kept under section 336 of the SFO.

**(C) 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.

**(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<br>(dd/mm/yyyy) | Grantees                              | Exercise period<br>(dd/mm/yyyy) | Exercise price<br>per share<br>HK\$ | Number of share options               |                                 |                                   |  | Balance<br>as at<br>30 June<br>2017 |
|-------------------------------|---------------------------------------|---------------------------------|-------------------------------------|---------------------------------------|---------------------------------|-----------------------------------|--|-------------------------------------|
|                               |                                       |                                 |                                     | Balance<br>as at<br>1 January<br>2017 | Granted<br>during<br>the period | Exercised<br>during<br>the period | Cancelled/<br>lapsed<br>during<br>the period |                                     |
| 29/01/2007                    | Former directors and former employees | 29/01/2008 to 28/01/2017        | 4.51                                | 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                           |
| 29/12/2008                    | Former directors and former employees | 29/12/2009 to 28/12/2018        | 0.22                                | 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                           |
| 16/03/2012                    | Former directors and former employees | 16/03/2013 to 15/03/2022        | 0.20                                | 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                           |
|                               |                                       |                                 | Total                               | 19,456,815                            | -                               | -                                 | (809,287)                                    | 18,647,528                          |

No option was granted or exercised under the 2002 Share Option Scheme during the six months ended 30 June 2017.

809,287 options were lapsed under the 2002 Share Option Scheme during the six months ended 30 June 2017.

The weighted average remaining contractual life of the options outstanding under the 2002 Share Option Scheme as at 30 June 2017 was approximately 3.5 years.

No share-based compensation expense was recognised under the 2002 Share Option Scheme during the six months ended 30 June 2017 and 2016.

## 2014 Share Option Scheme

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

| Date of grant<br>(dd/mm/yyyy) | Grantees                       | Exercise<br>period<br>(Notes) | Exercise<br>price<br>per share<br>HK\$ | Number of share options               |                                 |                                   |  | Balance<br>as at<br>30 June<br>2017 |
|-------------------------------|--------------------------------|-------------------------------|--|---------------------------------------|---------------------------------|-----------------------------------|--|-------------------------------------|
|                               |                                |                               |  | Balance<br>as at<br>1 January<br>2017 | Granted<br>during<br>the period | Exercised<br>during<br>the period | Cancelled/<br>Lapsed<br>during<br>the period |                                     |
| 15/05/2014                    | Directors                      | (1)                           | 0.16                                   | 54,684,000                            | -                               | -                                 | -  | 54,684,000                          |
| 20/06/2014                    | Directors and former directors | (2)                           | 0.16                                   | 32,465,250                            | -                               | -                                 | -  | 32,465,250                          |
| 01/04/2016                    | Directors and former directors | (3)                           | 0.247                                  | 157,000,000                           | -                               | -                                 | -  | 157,000,000                         |
| 19/05/2017                    | Directors and former directors | (5)                           | 0.078                                  | -                                     | 38,000,000                      | -                                 | -  | 38,000,000                          |
|                               |                                |                               |  | <u>244,149,250</u>                    | <u>38,000,000</u>               | <u>-</u>                          | <u>-</u>                                     | <u>282,149,250</u>                  |
| 20/06/2014                    | Other eligible participants    | (4)                           | 0.16                                   | 35,402,750                            | -                               | -                                 | -  | 35,402,750                          |
| 01/04/2016                    | Other eligible participants    | (3)                           | 0.247                                  | 60,320,000                            | -                               | -                                 | (6,904,000)                                  | 53,416,000                          |
| 19/05/2017                    | Other eligible participants    | (5)                           | 0.078                                  | -                                     | 308,192,000                     | -                                 | -  | 308,192,000                         |
|                               |                                |                               |  | <u>95,722,750</u>                     | <u>308,192,000</u>              | <u>-</u>                          | <u>(6,904,000)</u>                           | <u>397,010,750</u>                  |
|                               |                                |                               |  | Total                                 | <u>339,872,000</u>              | <u>346,192,000</u>                | <u>(6,904,000)</u>                           | <u>679,160,000</u>                  |

Notes:

- (1) Exercisable from 15 May 2014 to 14 May 2024.
- (2) Exercisable from 20 June 2014 to 19 June 2024.
- (3) Divided into two tranches exercisable from 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) Exercisable from 19 May 2017 to 18 May 2027.

No option was exercised under the 2014 Share Option Scheme during the six months ended 30 June 2017.

During the six months ended 30 June 2017, 6,904,000 options were lapsed upon resignation of other eligible participants.

The weighted average remaining contractual life of the options outstanding under 2014 Share Option Scheme as at 30 June 2017 was approximately 9.0 years.

The closing price of the shares of the Company quoted on the Stock Exchange on 18 May 2017, being the business date immediately before the date on which share options were granted, was HK\$0.060.

346,192,000 options were granted under the 2014 Share Option Scheme during the six months ended 30 June 2017. The fair value of the options granted during the six months ended 30 June 2017, measured at the date of grant, totalled approximately HK\$12,510,000.

The following significant assumptions were used to derive the fair value of the share options granted during the six months ended 30 June 2017, using the Trinomial Option Pricing Model:

- (i) an expected volatility is 100%;
- (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\$15,759,000 (six months ended 30 June 2016: HK\$12,324,000) was recognised under the 2014 Share Option Scheme in the unaudited consolidated statement of profit or loss for the six months ended 30 June 2017.

## RESULTS

The board (the "Board") of directors (the "Director(s)") of the Company announces the unaudited consolidated results of the Group for the six months and three months ended 30 June 2017, together with the comparative unaudited figures of the corresponding periods in 2016, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months and three months ended 30 June 2017

|   | Notes | Unaudited<br>Six months<br>ended 30 June |                  | Unaudited<br>Three months<br>ended 30 June |                  |
|---|-------|--|------------------|--|------------------|
|   |       | 2017<br>HK\$'000                         | 2016<br>HK\$'000 | 2017<br>HK\$'000                           | 2016<br>HK\$'000 |
| <b>Revenue</b>  | 5     | <b>16,137</b>                            | 157,386          | <b>9,463</b>                               | 68,420           |
| Cost of sales   |       | <b>(10,505)</b>                          | (87,131)         | <b>(6,695)</b>                             | (38,041)         |
| <b>Gross profit</b>   |       | <b>5,632</b>                             | 70,255           | <b>2,768</b>                               | 30,379           |
| Fair value gain/(loss) on financial assets<br>at fair value through profit or<br>loss                               | 19(a) | <b>19,776</b>                            | (2,859)          | <b>19,500</b>                              | (2,883)          |
| Fair value gain on financial liabilities<br>at fair value through profit or loss                                    | 19(b) | –  | 54               | –  | 1,055            |
| Gain on disposal of subsidiaries  | 26    | <b>30,934</b>                            | –                | <b>30,934</b>                              | –                |
| Loss on reclassification of interest<br>in an associate to financial assets<br>at fair value through profit or loss | 15    | <b>(294,220)</b>                         | –                | <b>(294,220)</b>                           | –                |
| Other net income  | 6     | <b>37,417</b>                            | 43,894           | <b>24,988</b>                              | 17,752           |
| Selling and distribution expenses   |       | <b>(2,290)</b>                           | (51,874)         | <b>(1,115)</b>                             | (23,972)         |
| Administrative expenses   |       | <b>(72,885)</b>                          | (99,022)         | <b>(44,553)</b>                            | (56,219)         |
| Impairment of intangible assets   |       | <b>(17,658)</b>                          | –                | <b>(17,658)</b>                            | –                |
| Other operating expenses  |       | –  | (10)             | –  | –                |
| <b>Loss from operations</b>   |       | <b>(293,294)</b>                         | (39,562)         | <b>(279,356)</b>                           | (33,888)         |
| Finance costs   | 8     | <b>(6,206)</b>                           | (9,945)          | <b>(3,120)</b>                             | (2,882)          |
| Share of results of associates, net of tax  |       | <b>8,052</b>                             | (3,935)          | <b>2,668</b>                               | (2,384)          |
| <b>Loss before taxation</b>   | 9     | <b>(291,448)</b>                         | (53,442)         | <b>(279,808)</b>                           | (39,154)         |
| Taxation credit   | 10    | <b>4,644</b>                             | 2,409            | <b>3,561</b>                               | 1,113            |
| <b>Loss for the period</b>  |       | <b>(286,804)</b>                         | (51,033)         | <b>(276,247)</b>                           | (38,041)         |
| <b>Attributable to:</b>   |       |  |                  |  |                  |
| Owners of the Company   |       | <b>(281,483)</b>                         | (51,313)         | <b>(271,407)</b>                           | (37,025)         |
| Non-controlling interests   |       | <b>(5,321)</b>                           | 280              | <b>(4,840)</b>                             | (1,016)          |
| <b>Loss for the period</b>  |       | <b>(286,804)</b>                         | (51,033)         | <b>(276,247)</b>                           | (38,041)         |
| <b>Loss per share attributable to<br/>owners of the Company for<br/>the period</b>                                  | 11    | <b>HK cents</b>                          | HK cents         | <b>HK cents</b>                            | HK cents         |
| Basic   |       | <b>(3.03)</b>                            | (0.62)           | <b>(2.92)</b>                              | (0.40)           |
| Diluted   |       | <b>N/A</b>                               | N/A              | <b>N/A</b>                                 | N/A              |

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months and three months ended 30 June 2017

|  | Unaudited<br>Six months<br>ended 30 June<br>2017 |                  | Unaudited<br>Three months<br>ended 30 June<br>2017 |                  |
|--|--|------------------|--|------------------|
|  | HK\$'000   | 2016<br>HK\$'000 | HK\$'000   | 2016<br>HK\$'000 |
| <b>Loss for the period</b>   | <b>(286,804)</b>                                 | (51,033)         | <b>(276,247)</b>                                   | (38,041)         |
| <b>Other comprehensive income:</b>   |  |                  |  |                  |
| Items that may be reclassified<br>subsequently to profit or loss:                  |  |                  |  |                  |
| Exchange differences on translation of foreign<br>operations                       | <b>1,864</b>                                     | 362              | <b>892</b>   | 211              |
| Share of other comprehensive income of<br>an associate                             | <b>356</b>                                       | –                | <b>103</b>   | –                |
| Reclassification to profit or loss on<br>derecognition of interest in an associate | <b>840</b>                                       | –                | <b>840</b>   | –                |
| Other comprehensive income for the period,<br>net of tax                           | <b>3,060</b>                                     | 362              | <b>1,835</b>                                       | 211              |
| <b>Total comprehensive income for<br/>the period, before and net of tax</b>        | <b>(283,744)</b>                                 | (50,671)         | <b>(274,412)</b>                                   | (37,830)         |
| <b>Attributable to:</b>  |  |                  |  |                  |
| Owners of the Company  | <b>(278,430)</b>                                 | (49,504)         | <b>(269,571)</b>                                   | (35,367)         |
| Non-controlling interests  | <b>(5,314)</b>                                   | (1,167)          | <b>(4,841)</b>                                     | (2,463)          |
| <b>Total comprehensive income for<br/>the period, before and net of tax</b>        | <b>(283,744)</b>                                 | (50,671)         | <b>(274,412)</b>                                   | (37,830)         |



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

|   | Notes | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|---|-------|--|--|
| <b>ASSETS AND LIABILITIES</b>                           |       |  |  |
| <b>Non-current assets</b>                               |       |  |  |
| Property, plant and equipment                           | 12    | 13,655                                   | 12,022                                     |
| Available-for-sale investments                          | 13    | 258,231                                  | 244,655                                    |
| Intangible assets                                       | 14    | 85,997                                   | 126,182                                    |
| Interest in an associate                                | 15    | –  | 861,029                                    |
| Investments in convertible bonds                        | 16    | 55,547                                   | 14,362                                     |
| Financial assets at fair value through profit or loss   | 19    | 27,514                                   | 7,618                                      |
| Deposits and other receivables                          | 17    | 14,973                                   | 49,542                                     |
|   |       | <b>455,917</b>                           | <b>1,315,410</b>                           |
| <b>Current assets</b>                                   |       |  |  |
| Trade and other receivables                             | 17    | 217,093                                  | 181,993                                    |
| Financial assets at fair value through profit or loss   | 19    | 651,940                                  | 2,340                                      |
| Tax recoverable   |       | 787                                      | 561  |
| Short-term deposit with maturity more than three months |       | –  | 23,262                                     |
| Cash and cash equivalents                               |       | 113,135                                  | 211,309                                    |
|   |       | <b>982,955</b>                           | <b>419,465</b>                             |
| <b>Current liabilities</b>                              |       |  |  |
| Trade and other payables                                | 18    | 17,945                                   | 55,065                                     |
| <b>Net current assets</b>                               |       |  |  |
|   |       | <b>965,010</b>                           | <b>364,400</b>                             |
| <b>Total assets less current liabilities</b>            |       |  |  |
|   |       | <b>1,420,927</b>                         | <b>1,679,810</b>                           |

|   | Notes | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|---|-------|--|--|
| <b>Non-current liabilities</b>                      |       |  |  |
| Convertible bonds                                   | 20    | <b>160,949</b>                           | 154,743                                    |
| Deferred tax liabilities                            |       | <b>4,143</b>                             | 9,150                                      |
|   |       | <b>165,092</b>                           | 163,893                                    |
| <b>Net assets</b>                                   |       |  |  |
|   |       | <b>1,255,835</b>                         | 1,515,917                                  |
| <b>EQUITY</b>                                       |       |  |  |
| Share capital                                       | 21    | <b>729,699</b>                           | 722,094                                    |
| Reserves  | 22    | <b>483,170</b>                           | 745,543                                    |
| <b>Equity attributable to owners of the Company</b> |       |  |  |
| <b>Non-controlling interests</b>                    |       | <b>42,966</b>                            | 48,280                                     |
| <b>Total equity</b>                                 |       |  |  |
|   |       | <b>1,255,835</b>                         | 1,515,917                                  |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

|   | Total equity attributable to owners of the Company |                           |                                  |                             |  |  |  |  |                                      |                           |                                       |                                | Non-controlling interests | Total equity  |                   |
|---|--|---------------------------|----------------------------------|-----------------------------|--|--|--|--|--------------------------------------|---------------------------|---------------------------------------|--------------------------------|---------------------------|---------------|-------------------|
|   | Share capital<br>HK\$'000                          | Share premium<br>HK\$'000 | Convertible                      | Capital reserve<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Share-based compensation reserve<br>HK\$'000 | Remuneration share reserve<br>HK\$'000 | Investment revaluation reserve<br>HK\$'000 | Foreign exchange reserve<br>HK\$'000 | Other reserve<br>HK\$'000 | Statutory surplus reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 |                           |               | Total<br>HK\$'000 |
|   |  |                           | bonds equity reserve<br>HK\$'000 |                             |  |  |  |  |                                      |                           |                                       |                                |                           |               |                   |
| At 1 January 2017 (Audited)   | 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         |
| Loss for the period   | -  | -                         | -                                | -                           | -                                      | -  | -                                      | -  | -                                    | -                         | -                                     | (281,483)                      | (281,483)                 | (5,321)       | (286,804)         |
| Other comprehensive income:   |  |                           |                                  |                             |  |  |  |  |                                      |                           |                                       |                                |                           |               |                   |
| Exchange differences on translation of foreign operations                       | -  | -                         | -                                | -                           | -                                      | -  | -                                      | -  | 1,857                                | -                         | -                                     | -                              | 1,857                     | 7             | 1,864             |
| Share of other comprehensive income of an associate                             | -  | -                         | -                                | -                           | -                                      | -  | -                                      | 76   | 280                                  | -                         | -                                     | -                              | 356                       | -             | 356               |
| Reclassification to profit or loss on derecognition of interest in an associate | -  | -                         | -                                | -                           | -                                      | -  | -                                      | 886  | (46)                                 | -                         | -                                     | -                              | 840                       | -             | 840               |
| Total comprehensive income for the period                                       | -  | -                         | -                                | -                           | -                                      | -  | -                                      | 962  | 2,091                                | -                         | -                                     | (281,483)                      | (278,430)                 | (5,314)       | (283,744)         |
| Share-based compensation issue of shares for consulting service (Note 21(a))    | 7,605  | (1,657)                   | -                                | -                           | -                                      | 15,759                                       | 1,955                                  | -  | -                                    | -                         | -                                     | -                              | 17,714                    | -             | 17,714            |
| Lapse of share options  | -  | -                         | -                                | -                           | -                                      | (2,147)                                      | -                                      | -  | -                                    | -                         | -                                     | -                              | 5,948                     | -             | 5,948             |
|   | -  | -                         | -                                | -                           | -                                      | -  | -                                      | -  | -                                    | -                         | -                                     | 2,147                          | -                         | -             | -                 |
| <b>At 30 June 2017 (Unaudited)</b>  | <b>729,699</b>                                     | <b>801,003</b>            | <b>1,921</b>                     | <b>2,112</b>                | <b>601</b>                             | <b>62,967</b>                                | <b>1,955</b>                           | <b>-</b>                                   | <b>(2,811)</b>                       | <b>(21,619)</b>           | <b>4,931</b>                          | <b>(367,890)</b>               | <b>1,212,869</b>          | <b>42,966</b> | <b>1,255,835</b>  |
| At 1 January 2016 (Audited)   | 582,016  | 698,265                   | 9,982                            | 2,112                       | 601                                    | 49,063                                       | -                                      | -  | (1,693)                              | -                         | 3,331                                 | (616,286)                      | 727,391                   | 28,205        | 755,596           |
| Loss for the period   | -  | -                         | -                                | -                           | -                                      | -  | -                                      | -  | -                                    | -                         | -                                     | (51,313)                       | (51,313)                  | 280           | (51,033)          |
| Other comprehensive income:   |  |                           |                                  |                             |  |  |  |  |                                      |                           |                                       |                                |                           |               |                   |
| Exchange differences on translation of foreign operations                       | -  | -                         | -                                | -                           | -                                      | -  | -                                      | -  | 1,809                                | -                         | -                                     | -                              | 1,809                     | (1,447)       | 362               |
| Total comprehensive income for the period                                       | -  | -                         | -                                | -                           | -                                      | -  | -                                      | -  | 1,809                                | -                         | -                                     | (51,313)                       | (49,504)                  | (1,167)       | (50,671)          |
| Share-based compensation issue of shares upon conversion of convertible bonds   | 124,091  | 76,580                    | (8,061)                          | -                           | -                                      | -  | -                                      | -  | -                                    | -                         | -                                     | -                              | 192,610                   | -             | 192,610           |
| Issue of consideration shares for acquisition of subsidiaries                   | 15,987   | 27,815                    | -                                | -                           | -                                      | -  | -                                      | -  | -                                    | -                         | -                                     | -                              | 43,802                    | -             | 43,802            |
| Lapse of share options  | -  | -                         | -                                | -                           | -                                      | (25,307)                                     | -                                      | -  | -                                    | -                         | -                                     | -                              | 25,307                    | -             | -                 |
| Disposal of interests in subsidiaries without loss of control                   | -  | -                         | -                                | -                           | -                                      | -  | -                                      | -  | -                                    | 30,516                    | -                                     | -                              | 30,516                    | 39,946        | 70,462            |
| Dividend paid to non-controlling shareholders                                   | -  | -                         | -                                | -                           | -                                      | -  | -                                      | -  | -                                    | -                         | -                                     | -                              | -                         | (2,340)       | (2,340)           |
| <b>At 30 June 2016 (Unaudited)</b>  | <b>722,094</b>                                     | <b>802,660</b>            | <b>1,921</b>                     | <b>2,112</b>                | <b>601</b>                             | <b>36,080</b>                                | <b>-</b>                               | <b>-</b>                                   | <b>116</b>                           | <b>30,516</b>             | <b>3,331</b>                          | <b>(642,292)</b>               | <b>951,139</b>            | <b>64,644</b> | <b>1,021,783</b>  |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

|   | Notes | Unaudited<br>Six months<br>ended 30 June<br>2017<br>HK\$'000 | Unaudited<br>Six months<br>ended 30 June<br>2016<br>HK\$'000 |
|---|-------|--|--|
| <b>Operating activities</b>   |       |  |  |
| Loss before taxation  |       | <b>(291,448)</b>   | (53,442)   |
| Adjustments for:  |       |  |  |
| Amortisation of intangible assets   |       | <b>10,601</b>  | 13,491   |
| Fair value (gain)/loss on financial assets at fair value through profit or loss                               |       | <b>(19,776)</b>  | 2,859  |
| Fair value gain on financial liabilities at fair value through profit or loss                                 |       | –  | (54)   |
| Finance costs   |       | <b>6,206</b>   | 9,945  |
| Gain on deemed disposal of interest in an associate   |       | <b>(28,621)</b>  | –  |
| Gain on disposal of subsidiaries  | 26    | <b>(30,934)</b>  | –  |
| Gain on remeasurement of contingent consideration payables  |       | –  | (34,235)   |
| Impairment of intangible assets   |       | <b>17,658</b>  | –  |
| Loss on reclassification of interest in an associate to financial assets at fair value through profit or loss | 15    | <b>294,220</b>   | –  |
| Share of results of associates, net of tax  |       | <b>(8,052)</b>   | 3,935  |
| Share-based compensation expense  |       | <b>23,662</b>  | 12,324   |
| Other cash flows used in operating activities   |       | <b>(19,672)</b>  | (33,605)   |
| <b>Net cash used in operating activities</b>  |       | <b>(46,156)</b>  | (78,782)   |
| <b>Investing activities</b>   |       |  |  |
| Disposal of subsidiaries, net of cash   | 26    | <b>(9,048)</b>   | –  |
| Acquisition of subsidiaries, net of cash  |       | –  | 8,884  |
| Acquisition of an associate   |       | –  | (32,683)   |
| Loans to independent third parties  |       | –  | (70,000)   |
| Loan to GeneSort Ltd.   | 17(c) | <b>(11,700)</b>  | –  |
| Loans to HMV M&E Limited (“HMV M&E”) and its subsidiary disposed of by the Group                              |       | –  | (48,400)   |
| Investment in available-for-sale investments  | 13    | <b>(13,576)</b>  | (234,000)  |
| Payment of bond investments   |       | <b>(22,895)</b>  | –  |
| Payment of contingent consideration payables  |       | –  | (4,207)  |
| Decrease/(Increase) in short-term deposits with maturity more than three months                               |       | <b>23,262</b>  | (23,278)   |
| Other cash flows used in investing activities   |       | <b>(2,366)</b>   | (15,990)   |
| <b>Net cash used in investing activities</b>  |       | <b>(36,323)</b>  | (419,674)  |

|   | Notes | Unaudited<br>Six months<br>ended 30 June<br>2017<br>HK\$'000 | Unaudited<br>Six months<br>ended 30 June<br>2016<br>HK\$'000 |
|---|-------|--|--|
| <b>Financing activities</b>                                   |       |  |  |
| Disposal of interests in subsidiaries without loss of control |       | –  | 70,462   |
| Interest paid on convertible bonds                            |       | <b>(16,525)</b>  | –  |
| Other cash flows used in financing activities                 |       | –  | (2,340)  |
| <b>Net cash (used in)/generated from financing activities</b> |       | <b>(16,525)</b>  | 68,122   |
| Net decrease in cash and cash equivalents                     |       | <b>(99,004)</b>  | (430,334)  |
| Cash and cash equivalents at 1 January                        |       | <b>211,309</b>   | 817,867  |
| Effect of exchange rate changes on cash and cash equivalents  |       | <b>830</b>   | (358)  |
| <b>Cash and cash equivalents at 30 June</b>                   |       | <b>113,135</b>   | 387,175  |

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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.

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 unaudited condensed consolidated financial statements have been also prepared in accordance with applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

The unaudited condensed 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.

These unaudited condensed consolidated financial statements for the six months ended 30 June 2017 are unaudited but have been reviewed by the audit committee of the Company.

### 2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended 31 December 2016 ("2016 Annual Report"), which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The principal accounting policies adopted to prepare the unaudited condensed consolidated financial statements are consistent with those adopted to prepare the Company's 2016 Annual Report.

The IASB has issued a number of amendments to IFRSs which are first effective for accounting period beginning on 1 January 2017, the adoption of these amendments has no material impact on how the Group's financial performance and financial position for the current and prior periods have been prepared and presented.

The Group has not early adopted the new or 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 or revised IFRSs and the Directors so far anticipated that the application of these new or revised IFRSs will have no material impact on the Group's unaudited condensed consolidated financial statements.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited condensed consolidated financial statements, are consistent with those set out in the Company's 2016 Annual Report.

#### 4. SEGMENT INFORMATION

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

The Group has identified the following reportable operating segments:

- (i) Asset management — provision of fund management and asset management.
- (ii) Strategic investment — acquiring 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 were consistent with those used to prepare the Company's 2016 Annual Report.

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

|   | Asset management  |   | Strategic investment  |   | Total   |   |
|---|---|---|---|---|---|---|
|   | Unaudited<br>Six months<br>ended<br>30 June<br>2017<br>HK\$'000 | Unaudited<br>Six months<br>ended<br>30 June<br>2016<br>HK\$'000 | Unaudited<br>Six months<br>ended<br>30 June<br>2017<br>HK\$'000 | Unaudited<br>Six months<br>ended<br>30 June<br>2016<br>HK\$'000 | Unaudited<br>Six months<br>ended<br>30 June<br>2017<br>HK\$'000 | Unaudited<br>Six months<br>ended<br>30 June<br>2016<br>HK\$'000 |
| Revenue from external customers               | -   | -   | 16,137  | 157,386   | 16,137  | 157,386   |
| <b>Total segment loss from operations</b>     | <b>(1,600)</b>  | <b>(2,636)</b>  | <b>(277,294)</b>  | <b>(30,439)</b>   | <b>(278,894)</b>  | <b>(33,075)</b>   |
| Other net income not allocated                |   |   |   |   | 37,417  | 43,894  |
| Depreciation of property, plant and equipment |   |   |   |   | (284)   | (455)   |
| Share-based compensation expense              |   |   |   |   | (23,662)  | (12,324)  |
| Unallocated corporate expenses                |   |   |   |   | (27,871)  | (37,602)  |
| Loss from operations                          |   |   |   |   | (293,294)   | (39,562)  |
| Finance costs                                 |   |   |   |   | (6,206)   | (9,945)   |
| Share of results of associates, net of tax    | -   | -   | 8,052   | (3,935)   | 8,052   | (3,935)   |
| Loss before taxation                          |   |   |   |   | (291,448)   | (53,442)  |
| Taxation credit                               |   |   |   |   | 4,644   | 2,409   |
| <b>Loss for the period</b>                    |   |   |   |   | <b>(286,804)</b>  | <b>(51,033)</b>   |

There were no inter-segment transactions during the six months ended 30 June 2017 and 2016.

This 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.

|   | Asset management |             | Strategic investment |             | Total            |             |
|---|------------------|-------------|----------------------|-------------|------------------|-------------|
|   | Unaudited        | Audited     | Unaudited            | Audited     | Unaudited        | Audited     |
|   | 30 June          | 31 December | 30 June              | 31 December | 30 June          | 31 December |
|   | 2017             | 2016        | 2017                 | 2016        | 2017             | 2016        |
|   | HK\$'000         | HK\$'000    | HK\$'000             | HK\$'000    | HK\$'000         | HK\$'000    |
| Segment assets                            | <b>1,004</b>     | 3,697       | <b>1,206,019</b>     | 1,392,711   | <b>1,207,023</b> | 1,396,408   |
| Unallocated property, plant and equipment |                  |             |                      |             | <b>2,206</b>     | 252         |
| Unallocated corporate assets              |                  |             |                      |             | <b>229,643</b>   | 338,215     |
| <b>Total assets</b>                       |                  |             |                      |             | <b>1,438,872</b> | 1,734,875   |

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          |             |
|-----------------------------------|------------------|-------------|----------------------|-------------|----------------|-------------|
|                                   | Unaudited        | Audited     | Unaudited            | Audited     | Unaudited      | Audited     |
|                                   | 30 June          | 31 December | 30 June              | 31 December | 30 June        | 31 December |
|                                   | 2017             | 2016        | 2017                 | 2016        | 2017           | 2016        |
|                                   | HK\$'000         | HK\$'000    | HK\$'000             | HK\$'000    | HK\$'000       | HK\$'000    |
| Segment liabilities               | <b>36</b>        | 2,176       | <b>12,479</b>        | 20,516      | <b>12,515</b>  | 22,692      |
| Convertible bonds                 |                  |             |                      |             | <b>160,949</b> | 154,743     |
| Deferred tax liabilities          |                  |             |                      |             | <b>4,143</b>   | 9,150       |
| Unallocated corporate liabilities |                  |             |                      |             | <b>5,430</b>   | 32,373      |
| <b>Total liabilities</b>          |                  |             |                      |             | <b>183,037</b> | 218,958     |

All liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising convertible bonds and deferred tax liabilities).

|   | Asset management |                  | Strategic investment |                  |
|---|------------------|------------------|----------------------|------------------|
|   | Unaudited        | Unaudited        | Unaudited            | Unaudited        |
|   | Six months ended | Six months ended | Six months ended     | Six months ended |
|   | 30 June          | 30 June          | 30 June              | 30 June          |
|   | 2017             | 2016             | 2017                 | 2016             |
|   | HK\$'000         | HK\$'000         | HK\$'000             | HK\$'000         |
| <b>Other segment information</b>  |                  |                  |                      |                  |
| Additions to non-current assets   | -                | -                | <b>36,471</b>        | -                |
| Impairment of intangible assets   | -                | -                | <b>(17,658)</b>      | -                |
| Depreciation of property, plant and equipment   | -                | -                | <b>(217)</b>         | (4,119)          |
| Gain on disposal of subsidiaries  | -                | -                | <b>30,934</b>        | -                |
| Income tax expense  | -                | -                | <b>(363)</b>         | (568)            |
| Loss on reclassification of interest in an associate to financial assets at fair value through profit or loss | -                | -                | <b>(294,220)</b>     | -                |

Additions to non-current assets mainly represent additions to available-for-sale investments and financial assets at fair value through profit or loss.



### Geographic information

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

|  | Revenue from external customers                     |   | Specified non-current assets       |                                      |
|--|---|---|------------------------------------|--------------------------------------|
|  | Unaudited Six months ended 30 June 2017<br>HK\$'000 | Unaudited Six months ended 30 June 2016<br>HK\$'000 | Unaudited 30 June 2017<br>HK\$'000 | Audited 31 December 2016<br>HK\$'000 |
| Hong Kong (place of domicile)          | 10,486  | 114,670   | 86,611                             | 1,033,107                            |
| The People's Republic of China ("PRC") | 5,651   | 42,716  | 17,038                             | 4,607                                |
| Other Asian countries                  | –   | –   | 10,976                             | 11,061                               |
|  | <b>16,137</b>                                       | 157,386   | <b>114,625</b>                     | 1,048,775                            |

## 5. REVENUE

|                                | Unaudited Six months ended 30 June 2017 |                  | Unaudited Three months ended 30 June 2017 |                  |
|--------------------------------|---|------------------|---|------------------|
|                                | 2017<br>HK\$'000                        | 2016<br>HK\$'000 | 2017<br>HK\$'000                          | 2016<br>HK\$'000 |
| Sales of goods                 | –                                       | 96,003           | –   | 43,090           |
| Sales of food and beverage     | –                                       | 8,673            | –   | 4,262            |
| Sales of in-app purchase items | 2,365                                   | 5,061            | 1,188                                     | 2,205            |
| Advertising income             | 3,534                                   | 11,017           | 2,436                                     | 4,937            |
| Game publishing service income | 8,294                                   | 35,001           | 5,394                                     | 12,653           |
| Concession stores income       | –                                       | 714              | –   | 356              |
| Subscription fee income        | 1,944                                   | 917              | 445                                       | 917              |
|                                | <b>16,137</b>                           | 157,386          | <b>9,463</b>                              | 68,420           |

## 6. OTHER NET INCOME

|   | Unaudited<br>Six months<br>ended 30 June |                  | Unaudited<br>Three months<br>ended 30 June |                  |
|---|--|------------------|--|------------------|
|   | 2017<br>HK\$'000                         | 2016<br>HK\$'000 | 2017<br>HK\$'000                           | 2016<br>HK\$'000 |
| Bank interest income  | 894                                      | 916              | 485  | 467              |
| Effective interest income on investment in convertible bond (Note 16) | 3,154                                    | 1,768            | 2,074                                      | 884              |
| Gain on remeasurement of contingent consideration payables            | –  | 34,235           | –  | 10,882           |
| Net foreign exchange gain   | 842                                      | 3,132            | 437  | 2,987            |
| Gain on deemed disposal of interest in an associate (Note 15)         | 28,621                                   | –                | 20,006                                     | –                |
| Interest income on loans to independent third parties                 | 2,717                                    | 1,114            | 1,484                                      | 889              |
| Interest income on loan to a shareholder of an investee company       | 314                                      | –                | 158  | –                |
| Interest income on loan to a subsidiary of an investee company        | 619                                      | –                | 311  | –                |
| Others  | 256                                      | 2,729            | 33   | 1,643            |
|   | <b>37,417</b>                            | <b>43,894</b>    | <b>24,988</b>                              | <b>17,752</b>    |

## 7. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

|   | Unaudited<br>Six months<br>ended 30 June |                  | Unaudited<br>Three months<br>ended 30 June |                  |
|---|--|------------------|--|------------------|
|   | 2017<br>HK\$'000                         | 2016<br>HK\$'000 | 2017<br>HK\$'000                           | 2016<br>HK\$'000 |
| Fees                                      | 1,280                                    | 530              | 620  | 265              |
| Salaries, allowances and benefits in kind | 18,885                                   | 39,692           | 9,034                                      | 20,555           |
| Bonus paid and payable                    | 212                                      | 1,729            | 212  | 717              |
| Share-based compensation expense          | 15,759                                   | 12,324           | 12,952                                     | 12,324           |
| Retirement fund contributions             | 645                                      | 1,537            | 315  | 725              |
|   | <b>36,781</b>                            | <b>55,812</b>    | <b>23,133</b>                              | <b>34,586</b>    |

## 8. FINANCE COSTS

|  | Unaudited<br>Six months<br>ended 30 June<br>2017 |                  | Unaudited<br>Three months<br>ended 30 June<br>2017 |                  |
|--|--|------------------|--|------------------|
|  | HK\$'000   | 2016<br>HK\$'000 | HK\$'000   | 2016<br>HK\$'000 |
| Effective interest expense on convertible bonds — wholly repayable within five years (Note 20) | 6,206  | 9,910            | 3,120  | 2,877            |
| Effective interest expense on redeemable convertible preference shares                         | –  | 12               | –  | 5                |
| Other interest expense — wholly repayable within five years                                    | –  | 23               | –  | –                |
|  | <b>6,206</b>                                     | <b>9,945</b>     | <b>3,120</b>                                       | <b>2,882</b>     |

## 9. LOSS BEFORE TAXATION

|   | Unaudited<br>Six months<br>ended 30 June<br>2017 |                  | Unaudited<br>Three months<br>ended 30 June<br>2017 |                  |
|---|--|------------------|--|------------------|
|   | HK\$'000   | 2016<br>HK\$'000 | HK\$'000   | 2016<br>HK\$'000 |
| Loss before taxation is arrived at after charging:                      |  |                  |  |                  |
| Auditor's remuneration:   |  |                  |  |                  |
| — audit services  | 671  | 526              | 359  | 352              |
| — other services  | 50   | 307              | 50   | 307              |
| Amortisation of intangible assets (included in administrative expenses) | 10,601   | 13,491           | 4,302  | 6,746            |
| Cost of inventories recognised as expenses                              | –  | 61,752           | –  | 27,670           |
| Depreciation of property, plant and equipment                           | 501  | 4,574            | 249  | 1,542            |
| Employee benefit expense (including directors' remuneration) (Note 7)   | 36,781   | 55,812           | 23,133   | 34,586           |
| Loss on disposal of property, plant and equipment                       | 67   | –                | 67   | –                |
| Impairment of inventories   | –  | 1,093            | –  | 577              |
| Share-based compensation expense — others                               | 7,903  | –                | 7,903  | –                |
| Operating lease charges in respect of leased premises                   | 3,630  | 29,360           | 1,450  | 13,426           |

## 10. TAXATION CREDIT

|                            | Unaudited<br>Six months<br>ended 30 June |                  | Unaudited<br>Three months<br>ended 30 June |                  |
|----------------------------|--|------------------|--|------------------|
|                            | 2017<br>HK\$'000                         | 2016<br>HK\$'000 | 2017<br>HK\$'000                           | 2016<br>HK\$'000 |
| Current tax                |  |                  |  |                  |
| Hong Kong:                 |  |                  |  |                  |
| — Charged for the period   | (25)                                     | (537)            | (18)                                       | (344)            |
| PRC Enterprise Income Tax: |  |                  |  |                  |
| — Charged for the period   | (338)                                    | (31)             | (149)                                      | (31)             |
| Deferred tax credit        | 5,007                                    | 2,977            | 3,728                                      | 1,488            |
| Taxation credit            | 4,644                                    | 2,409            | 3,561                                      | 1,113            |

Hong Kong profits tax has been provided at the tax rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months and three months ended 30 June 2017 and 2016.

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 subsidiary, 上海威搜游科技有限公司 (Shanghai VSOYOU Technology Co., Ltd.\* or "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.

Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions during the six months and three months ended 30 June 2017 and 2016.

Deferred tax credit relating to the amortisation of intangible assets was recognised in profit or loss for the six months and three months ended 30 June 2017 and 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.

## 11. 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 six months and three months ended 30 June 2017 and 2016.

|  | Unaudited<br>Six months<br>ended 30 June<br>2017 | 2016          | Unaudited<br>Three months<br>ended 30 June<br>2017 | 2016          |
|--|--|---------------|--|---------------|
| <i>(HK\$'000)</i>  |  |               |  |               |
| Consolidated loss attributable to owners of the Company  | <b>(281,483)</b>                                 | (51,313)      | <b>(271,407)</b>                                   | (37,025)      |
| <i>(Number)</i>  |  |               |  |               |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | <b>9,277,542,673</b>                             | 8,310,071,148 | <b>9,297,245,591</b>                               | 9,158,401,413 |
| <i>(HK cents)</i>  |  |               |  |               |
| Basic loss per share   | <b>(3.03)</b>                                    | (0.62)        | <b>(2.92)</b>                                      | (0.40)        |

### (b) Diluted loss per share

For the six months and three months ended 30 June 2017 and 2016, 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 hence ignored in the calculation of diluted loss per share.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment totalling HK\$2,341,000 which mainly comprised the additions to leasehold improvements of new office in Hong Kong (six months ended 30 June 2016: addition of HK\$17,630,000).

### 13. AVAILABLE-FOR-SALE INVESTMENTS

Movements in unlisted equity investments at cost during the period/year are as follows:

|  | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|--|--|--|
| At 1 January                                   | 244,655                                  | 30,000                                     |
| Additions during the period/year               | 13,576                                   | 235,560                                    |
| Reclassification from interest in an associate | –  | 9,095                                      |
| Disposal                                       | –  | (30,000)                                   |
| <b>At 30 June/31 December</b>                  | <b>258,231</b>                           | 244,655                                    |

Notes:

- (a) At 30 June 2017 and 31 December 2016, the available-for-sale investments mainly represented an aggregate of 581,387 series A preferred stocks of Zoux, Inc. ("Zoux"), 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). Zoux is principally engaged in robotics, pioneering autonomous mobility-as-a-service.
- (b) On 29 June 2017, the Group acquired 14% equity interest in 深圳滙能新能源科技有限公司 (Shenzhen Hooenergy Technology Company Limited\*) ("Hooenergy"), a company incorporated in the PRC with limited liability, at an aggregate cash consideration of RMB8,400,000 (equivalent to approximately HK\$9,676,000). Hooenergy is principally engaged in development and operation of electric vehicle charging pile facility in the PRC.
- (c) The fair value of unlisted investments was not disclosed as there was no open market on the unlisted investments and the fair value cannot be measured reliably.

## 14. INTANGIBLE ASSETS

|   | Goodwill<br>HK\$'000<br>(Note (a)) | Trademarks<br>HK\$'000<br>(Note (b)) | Intellectual<br>property<br>HK\$'000<br>(Note (c)) | Mobile<br>games<br>HK\$'000<br>(Note (d)) | Distribution<br>network<br>HK\$'000<br>(Note (e)) | Non-<br>compete<br>agreements<br>HK\$'000<br>(Note (f)) | Online<br>music<br>streaming<br>app<br>HK\$'000<br>(Note (g)) | Others<br>HK\$'000<br>(Note (h)) | Total<br>HK\$'000 |
|---|------------------------------------|--------------------------------------|--|---|---|---|---|----------------------------------|-------------------|
| Carrying amount at 1 January 2016 (Audited)                         | 117,663                            | 77,311                               | 29,305   | 9,281                                     | 5,824   | 22,618  | -   | -                                | 262,002           |
| Acquisition of subsidiaries   | 14,249                             | -                                    | -  | -   | -   | -   | -   | -                                | 14,249            |
| Addition  | -                                  | -                                    | -  | -   | -   | -   | -   | 6,976                            | 6,976             |
| Disposal of HMV M&E Group   | (31,407)                           | (75,046)                             | -  | -   | -   | -   | -   | -                                | (106,453)         |
| Amortisation  | -                                  | (2,265)                              | (7,764)  | (7,425)                                   | (2,589)   | (5,322)   | -   | (535)                            | (25,900)          |
| Impairment  | (24,717)                           | -                                    | -  | -   | -   | -   | -   | -                                | (24,717)          |
| Exchange alignment  | -                                  | -                                    | -  | -   | -   | -   | -   | 25                               | 25                |
| Carrying amount at 31 December 2016 (Audited)<br>and 1 January 2017 | <b>75,788</b>                      | -                                    | <b>21,541</b>                                      | <b>1,856</b>                              | <b>3,235</b>                                      | <b>17,296</b>   | -   | <b>6,466</b>                     | <b>126,182</b>    |
| Addition  | -                                  | -                                    | -  | -   | -   | -   | 1,700   | -                                | 1,700             |
| Disposal of subsidiaries (Note 26)                                  | (12,309)                           | -                                    | -  | -   | -   | -   | (1,417)   | -                                | (13,726)          |
| Amortisation (Note 9)   | -                                  | -                                    | (3,883)  | (1,856)                                   | (1,294)   | (2,661)   | (283)   | (624)                            | (10,601)          |
| Impairment  | -                                  | -                                    | (17,658)   | -   | -   | -   | -   | -                                | (17,658)          |
| Exchange alignment  | -                                  | -                                    | -  | -   | -   | -   | -   | 100                              | 100               |
| Carrying amount at 30 June 2017 (Unaudited)                         | <b>63,479</b>                      | -                                    | -  | -   | <b>1,941</b>                                      | <b>14,635</b>   | -   | <b>5,942</b>                     | <b>85,997</b>     |

### Notes:

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

|  | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|--|--|--|
| Honestway Global Group Limited ("HGGL")            | 61,539                                   | 61,539                                     |
| AID Japan Co., Ltd. ("AID Japan") (Note 27(a))     | 1,940                                    | 1,940                                      |
| Mystery Apex Limited ("Mystery Apex") (Note 27(b)) | -  | 12,309                                     |
|  | <b>63,479</b>                            | <b>75,788</b>                              |

- (b) Trademarks represent the rights to use the name "HMV", the various HMV trademarks and trade mark applications, and the HMV domain names for the purposes of conducting the retail business of "HMV" operating through the 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.

- (c) Intellectual property represents a series of interactive role-playing game Apps available on the three major global digital distribution platform, namely Apple's App Store, Google's Play Store and Amazon's App Store. The recoverable amount of Complete Star Limited ("CSL") to which the intangible asset relates has been determined based on a value in use calculation. The calculation is based on a financial budget covering a five-year period approved by management and followed by an extrapolation of expected cash flows with 0% growth rate for CSL. Key assumptions are based on past performance, management estimation on market development and general inflation, based on the growth rate which did not exceed the long-term average growth rate for the business in which the cash-generating unit operates. A pre-tax discount rate of 27.8% was used for value in use calculation which reflected specific risks relating to the cash-generating unit. During the six months ended 30 June 2017, the Group has fully impaired the intellectual property with an impairment loss of HK\$17,658,000 recognised in profit or loss due to the unfavourable charge in market condition of mobile game business.
- (d) Mobile games represent self-developed games to be launched to the mobile game market.
- (e) Distribution network represents the mobile application which provides download access to users of the mobile application to download mobile games in the PRC.
- (f) Non-compete agreements refer 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.
- (g) Online music streaming app represents the mobile application for providing online music streaming service to the public.
- (h) Others represented a mobile game licence with net carrying amount of HK\$2,642,000 (31 December 2016: HK\$3,166,000) and a club membership with net carrying amount of HK\$3,300,000 (31 December 2016: HK\$3,300,000).

## 15. INTEREST IN AN ASSOCIATE

At 31 December 2016, interest in an associate represented the Group's 20.47% of equity interest in HMV Digital China Group Limited ("HMV Digit China"). With the completion of placings of new ordinary shares of HMV Digit China, the conversion of certain of its convertible bonds and an acquisition satisfied by issue and allotment of its ordinary shares during the six months ended 30 June 2017, the Group's shareholding in HMV Digit China was diluted from 20.47% to 16.59% and an aggregate gain on deemed disposal of equity interest in the associate amounting to HK\$28,621,000 was recognised in other net income in profit or loss (Note 6) for the six months ended 30 June 2017.

Following the resignation of the Company's two directors from the board of directors of HMV Digit China on 28 June 2017, the Group had no significant influence on HMV Digit China's financial and operating policies. Accordingly, the Group applied equity accounting of its equity interest in HMV Digit China for the period from 1 January to 28 June 2017 and share of profit of an associate of HK\$8,052,000 in profit or loss and share of other comprehensive income of HK\$356,000 based on its unaudited draft consolidated financial statements were recognised during the six months ended 30 June 2017. In addition, the Group's interest in HMV Digit China with a net carrying amount of HK\$898,058,000 (Note 19(a)(iv)) was reclassified to financial assets at fair value through profit or loss on 28 June 2017, resulting in a loss of HK\$294,220,000 recognised in profit or loss upon reclassification from interest in an associate to the financial assets at fair value through profit or loss.

At the date of this interim report, HMV Digit China's annual report for the year ended 30 June 2017 was not authorised for issue by the directors of HMV Digit China and the audit was not completed by its auditor. Should there be any adjustment to the consolidated financial statements of HMV Digit China for the year ended 30 June 2017 that might relates to the results for period from 1 January to 28 June 2017, adjustments may be required by the Group to adjust share of result of an associate and the corresponding change to loss on reclassification of investment in an associate to financial assets at fair value through profit or loss, which have no effect to both loss for the period in consolidated statement of profit or loss and financial assets at fair value through profit or loss in the consolidated statement of financial position.



## 16. INVESTMENTS IN CONVERTIBLE BONDS

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

|   | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|---|--|--|
| At 1 January  | 14,362                                   | 11,622                                     |
| Convertible Bond of HMV Digit China received (Note (b)) | 38,252                                   | –  |
| Effective interest income for the period/year (Note 6)  | 3,154                                    | 3,626                                      |
| Interest received                                       | (221)                                    | (886)                                      |
| <b>At 30 June/31 December</b>                           | <b>55,547</b>                            | <b>14,362</b>                              |

Notes:

### (a) Convertible Bond of Brave Entertainment

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 Co. Ltd. ("Brave Entertainment") pursuant to which Shiny Diamond agreed to subscribe for convertible bond with principal amount of HK\$22,158,000, bearing an interest rate of 4% per annum receivable quarterly in arrears (the "Convertible Bond of Brave Entertainment"). On 3 December 2015, all the conditions precedent set out in the Subscription Agreement were fulfilled and that the subscription of the Convertible Bond of Brave Entertainment was completed.

The Convertible Bond of Brave Entertainment 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 (the "Maturity Date") at a price of HK\$387 per share. The Convertible Bond of Brave Entertainment 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 bond 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.

As at 30 June 2017, the fair value of the Convertible Bond of Brave Entertainment was HK\$23,099,000 (31 December 2016: HK\$21,980,000) with receivable component of HK\$16,312,000 (31 December 2016: HK\$14,362,000) and the embedded derivative component of HK\$6,787,000 (31 December 2016: HK\$7,618,000). Interest income of the debt component of the Convertible Bond of Brave Entertainment for the six months ended 30 June 2017 was calculated using effective interest method by applying an effective interest rate of 31.9% (31 December 2016: 31.9%) to the receivable component.

### (b) Convertible Bond of HMV Digit China

On 13 December 2016, the Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with a wholly-owned subsidiary of HMV Digit China (the "Purchaser") and HMV Digit China, pursuant to which the Company 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 Limited ("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 (the "Convertible Bond of HMV Digit China") at completion (the "Disposal of Time Edge"). The Disposal of Time Edge was completed on 26 April 2017 and accordingly, the Convertible Bond of HMV Digit China with principal amount of HK\$50,000,000, bearing an interest rate of 5% per annum receivable will be matured on 25 April 2021, was issued by HMV Digit China to the Group.

The Group has the right to convert the whole or any part of the outstanding principal amounts of HK\$25,000,000, HK\$37,500,000 and the remaining outstanding principal of the Convertible Bond of HMV Digit China during the period commencing from 24 months, 30 months and 36 months after issuance date respectively at a price of HK\$0.313 per share initially, which was then adjusted to HK\$0.305 per share upon the completion of placing by HMV Digit China on 12 June 2017. The Convertible Bond of HMV Digit China is transferable to any third party subject to the prior written consent from HMV Digit China.

At initial recognition, the fair value of the Convertible Bond of HMV Digit China was HK\$61,239,000 (Note 26) with receivable component of HK\$38,252,000 and the embedded derivative component of HK\$22,987,000. As at 30 June 2017, the fair value of the Convertible Bond of HMV Digit China was HK\$59,962,000 with receivable component of HK\$39,235,000 and the embedded derivative component of HK\$20,727,000.

Interest income of the debt component of the Convertible Bond of HMV Digit China for the six months ended 30 June 2017 was calculated using effective interest method by applying an effective interest rate of 11.9% to the receivable component.

The embedded derivatives (i.e. the early redemption and conversion option of Convertible Bond of Brave Entertainment and the conversion option of Convertible bond of HMV Digit China) of the convertible bonds 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 assets at fair value through profit or loss as set out in note 19(a).

As at 30 June 2017 and 31 December 2016, the convertible bonds were neither past due nor impaired. The Directors are of the opinion that no impairment is necessary in respect of the balances as there has not been a significant change in credit quality and the balances are considered to be fully recoverable. The Group does not hold any collateral or other credit enhancements over the convertible bonds.

## 17. TRADE AND OTHER RECEIVABLES

|                                  | Notes | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|----------------------------------|-------|--|--|
| Trade receivables                | (a)   | 35,031                                   | 41,179                                     |
| Less: Impairment loss recognised | (b)   | (9,416)                                  | (9,102)                                    |
|                                  |       | <b>25,615</b>                            | 32,077                                     |
| Other receivables                | (c)   | 178,188                                  | 141,288                                    |
| Deposits and prepayments         |       | 28,263                                   | 58,170                                     |
| <b>Total</b>                     |       | <b>232,066</b>                           | 231,535                                    |
| <b>Categorised as:</b>           |       |  |  |
| Current portion                  |       | 217,093                                  | 181,993                                    |
| Non-current portion              |       | 14,973                                   | 49,542                                     |
|                                  |       | <b>232,066</b>                           | 231,535                                    |

Notes:

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

|              | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|--------------|--|--|
| 0–30 days    | 20,651                                   | 26,047                                     |
| 31–60 days   | –  | 3,106                                      |
| 61–90 days   | 647                                      | 2,524                                      |
| Over 90 days | 4,317                                    | 400  |
| <b>Total</b> | <b>25,615</b>                            | <b>32,077</b>                              |

Game publishing service income is receivables from mobile network operators and channel owners and is settled within 30 to 60 days (31 December 2016: 30 to 60 days).

As at 31 December 2016, subscription fee income is receivables from telecommunication operators and is settled within 30 days.

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

|                            | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|----------------------------|--|--|
| Less than 60 days past due | 963                                      | 2,236                                      |
| Over 60 days past due      | 4,001                                    | 214  |
| <b>Total</b>               | <b>4,964</b>                             | <b>2,450</b>                               |

As at 30 June 2017, trade receivables of HK\$4,964,000 (31 December 2016: HK\$2,450,000), that were past due but not impaired had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

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

|  | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|--|--|--|
| At 1 January                                 | 9,102                                    | –  |
| Provision for impairment for the period/year | –  | 9,602                                      |
| Exchange alignment                           | 314                                      | (500)                                      |
| At 30 June/31 December                       | <b>9,416</b>                             | <b>9,102</b>                               |

Included in the impairment of trade receivables recognised are individually impaired trade receivables with an aggregate balance of approximately HK\$9,416,000 (31 December 2016: HK\$9,102,000). 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 as at 30 June 2017 and 31 December 2016 were aged less than 30 days past due, based on the due date.

At 30 June 2017, other receivables included (i) a loan with principal amount of HK\$12,519,000 (31 December 2016: HK\$12,519,000) to a shareholder of the Group's investee company, which is secured, interest bearing at 5% per annum and repayable within one year; (ii) loans to independent third parties in aggregate principal amounts of HK\$70,000,000 (31 December 2016: HK\$70,000,000), which are secured, interest bearing at 5% per annum and repayable in six months; (iii) a loan with a principal amount of HK\$25,000,000 (31 December 2016: HK\$25,000,000) to a wholly-owned subsidiary of the Group's investee company, which is unsecured, interest bearing at 5% per annum and repayable in one year; (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 2016: US\$3,000,000 (equivalent to approximately HK\$23,400,000)), which is secured, interest bearing at 5% per annum and repayable within one year; and (v) a loan to GeneSort Ltd., which was subsequently become a non-wholly owned subsidiary of the Group as detailed in Note 30, with a principal amount of US\$1,500,000 (equivalent to HK\$11,700,000) (31 December 2016: Nil), which is unsecured, interest free and repayable within three years.

## 18. TRADE AND OTHER PAYABLES

|                 | Notes | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|-----------------|-------|--|--|
| Trade payables  | (i)   | 9,030                                    | 13,932                                     |
| Other payables  | (ii)  | 5,416                                    | 27,682                                     |
| Accrued charges |       | 3,499                                    | 13,451                                     |
| <b>Total</b>    |       | <b>17,945</b>                            | <b>55,065</b>                              |

Notes:

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

|              | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|--------------|--|--|
| 0–30 days    | 8,215                                    | 11,712                                     |
| 31–60 days   | –  | 1,288                                      |
| 61–90 days   | –  | –  |
| Over 90 days | 815                                      | 932  |
| <b>Total</b> | <b>9,030</b>                             | <b>13,932</b>                              |

- (ii) As at 31 December 2016, included in other payables represented contingent consideration payable by the Group for the acquisition of 70% equity interest in HGGL with fair value measured at HK\$Nil. On 4 May 2017, as disclosed in the Company's announcement, since the target profit was not met as stipulated in the agreement, no amount under the fourth instalment was payable to the vendor. Accordingly, no fair value change was recognised in profit or loss for the six months ended 30 June 2017. As at 30 June 2017, the Group did not have any other contingent consideration arrangement.

**19. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**  
**(a) Financial assets at fair value through profit or loss**

|  | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|--|--|--|
| Bond investments (Note (i))  |  |  |
| At 1 January   | –  | –  |
| Investment in bonds  | 22,895                                   | –  |
| Fair value gain for the period/year  | 502                                      | –  |
| At 30 June/31 December   | 23,397                                   | –  |
| Derivative financial instrument (Note (ii))  | 2,340                                    | 2,340                                      |
| Derivatives embedded in the convertible bonds (Note (iii))   |  |  |
| At 1 January   | 7,618                                    | 11,008                                     |
| Convertible Bond of HMV Digit China (Note 16(b))   | 22,987                                   | –  |
| Fair value loss for the period/year  | (3,091)                                  | (3,390)                                    |
| At 30 June/31 December   | 27,514                                   | 7,618                                      |
| Other financial assets (Note (iv))   |  |  |
| At 1 January   | –  | –  |
| Reclassification from interest in an associate   | 603,838                                  | –  |
| Fair value gain for the period/year  | 22,365                                   | –  |
| At 30 June/31 December   | 626,203                                  | –  |
| <b>Total</b>   | <b>679,454</b>                           | <b>9,958</b>                               |
| <b>Categorised as:</b>   |  |  |
| Current assets   | 651,940                                  | 2,340                                      |
| Non-current assets   | 27,514                                   | 7,618                                      |
| <b>Total</b>   | <b>679,454</b>                           | <b>9,958</b>                               |
| <b>Total net gain/(loss) recognised in profit or loss relating to financial instruments held by the Group at 30 June/31 December</b> | <b>19,776</b>                            | <b>(3,390)</b>                             |

Notes:

- (i) Bond investments represented publicly traded bonds at market value, which were classified as held for trading and designated by the Group as financial assets at fair value through profit or loss.
- (ii) Derivative financial instrument represented the rights to certain shares of an investee company's capital stocks pursuant to the Simple Agreements for Future Equity.

- (iii) Derivative component of the Convertible Bond of Brave Entertainment is measured at fair value by a firm of independent professional valuers, Grant Sherman Appraisal Limited ("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 30 June 2017 and 31 December 2016 were as follows:

|                         | 30 June<br>2017   | 31 December<br>2016 |
|-------------------------|-------------------|---------------------|
| Expected volatility     | <b>45.0%</b>      | 48.4%               |
| Expected life           | <b>1.42 years</b> | 1.92 years          |
| Risk-free rate          | <b>1.156%</b>     | 1.703%              |
| Credit spread           | <b>10.6%</b>      | 12.0%               |
| Expected dividend yield | <b>0%</b>         | 0%                  |

Derivative component of the Convertible Bond of HMV Digit China is measured at fair value by Grant Sherman, using the Binomial Option Pricing model, at initial recognition. The inputs into the model as at date of receiving the Convertible Bond of HMV Digit China was as follows:

|                         | 30 June<br>2017   | 26 April 2017<br>(date of receiving<br>the Convertible<br>Bond of HMV<br>Digit China) |
|-------------------------|-------------------|---|
| Expected volatility     | <b>69.5%</b>      | 69.3%   |
| Expected life           | <b>3.82 years</b> | 4 years   |
| Risk-free rate          | <b>1.566%</b>     | 1.696%  |
| Credit spread           | <b>6.5%</b>       | 6.2%  |
| Expected dividend yield | <b>0%</b>         | 0%  |

- (iv) The other financial assets represented investment in shares listed on the Stock Exchange in Hong Kong which was reclassified from interest in an associate during the period ended 30 June 2017 as detailed in Note 15.

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

|  | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|--|--|--|
| <i>Derivatives embedded in the redeemable convertible preference shares issued:</i>  |  |  |
| At 1 January   | –  | 2,738                                      |
| Fair value gain for the period/year  | –  | (2,738)                                    |
| At 30 June/31 December   | –  | –  |
| <i>Derivatives embedded in the convertible bonds issued:</i>   |  |  |
| At 1 January   | –  | 27,835                                     |
| Conversion of convertible bonds  | –  | (28,836)                                   |
| Fair value loss for the period/year  | –  | 1,001                                      |
| At 30 June/31 December   | –  | –  |
| <b>Total</b>   | <b>–</b>                                 | <b>–</b>                                   |
| <b>Total net gains recognised in profit or loss relating to financial instruments held by the Group at 30 June/31 December</b> | <b>–</b>                                 | <b>(1,737)</b>                             |

## 20. CONVERTIBLE BONDS

### 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 HK\$140 million Convertible Bonds”). On 20 July 2015, all the conditions precedent set out in the Subscription Agreement have been fulfilled and that the issue of the 2015 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 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 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 the 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 liability component of the 2015 HK\$140 million Convertible Bonds.

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

|   | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|---|--|--|
| Net carrying amounts at 1 January                       | 154,743                                  | 318,909                                    |
| Effective interest expense for the period/year (Note 8) | 6,206                                    | 16,133                                     |
| Conversion of the convertible bonds                     | –  | (180,299)                                  |
| <b>Net carrying amounts at 30 June/31 December</b>      | <b>160,949</b>                           | <b>154,743</b>                             |

The interest expense of the 2015 HK\$140 million Convertible Bonds for the six months ended 30 June 2017 is calculated using the effective interest method by applying effective interest rates of 10.08% (31 December 2016: 10.08%) per annum to the liability component.

## 21. SHARE CAPITAL

|   | Number of<br>ordinary<br>shares | Number of<br>redeemable<br>convertible<br>preference<br>shares | Nominal<br>value<br>US\$'000 | Equivalent<br>nominal<br>value<br>HK\$'000 |
|---|---------------------------------|--|------------------------------|--|
| <b>Authorised</b><br>(par value of US\$0.01 each)                   |                                 |  |                              |  |
| <b>At 30 June 2017 and 31 December 2016</b>                         | 19,000,000,000                  | 1,000,000,000  | 200,000                      | 1,560,000                                  |
| <b>Issued and fully paid</b><br>(par value of US\$0.01 each)        |                                 |  |                              |  |
| <b>At 31 December 2016 (Audited) and<br/>1 January 2017</b>         | 9,257,611,734                   | –  | 92,576                       | 722,094                                    |
| Remuneration shares issued for<br>the consulting service (Note (a)) | 97,500,000                      | –  | 975                          | 7,605                                      |
| <b>At 30 June 2017 (Unaudited)</b>                                  | <b>9,355,111,734</b>            | <b>–</b>   | <b>93,551</b>                | <b>729,699</b>                             |

Note:

- (a) On 25 May 2017, the Company has issued 97,500,000 remuneration shares at an issue price of HK\$0.08 per share as compensation for the consultancy service as detailed in Note 22(f).



## 22. RESERVES

|                                  | Notes | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|----------------------------------|-------|--|--|
| Share premium                    | (a)   | 801,003                                  | 802,660                                    |
| Convertible bonds equity reserve | (b)   | 1,921                                    | 1,921                                      |
| Capital reserve                  | (c)   | 2,112                                    | 2,112                                      |
| Capital redemption reserve       | (d)   | 601                                      | 601  |
| Share-based compensation reserve | (e)   | 62,967                                   | 49,355                                     |
| Remuneration share reserve       | (f)   | 1,955                                    | –  |
| Investment revaluation reserve   | (g)   | –  | (962)                                      |
| Foreign exchange reserve         | (h)   | (2,811)                                  | (4,902)                                    |
| Other reserve                    | (i)   | (21,619)                                 | (21,619)                                   |
| Statutory surplus reserve        | (j)   | 4,931                                    | 4,931                                      |
| Accumulated losses               |       | (367,890)                                | (88,554)                                   |
| <b>Total</b>                     |       | <b>483,170</b>                           | <b>745,543</b>                             |

### Notes:

- (a) 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) This represents the amount allocated to the unexercised equity component of convertible bonds issued by the Company.
- (c) This represents a capital reserve arose from the acquisition of a subsidiary in 2000.
- (d) 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) On 19 May 2017, a total of 346,192,000 share options were granted to certain Directors and other eligible participants under the Company's 2014 Share Option Scheme. The estimated fair value of the share options granted during the six months ended 30 June 2017 amounted to HK\$12,510,000 which was determined based on the fair value of share options issued on the date of grant using the Trinomial Option Pricing Model. During the six months ended 30 June 2017, share options amounted to HK\$1,705,000 and HK\$442,000 were lapsed under the Company's 2002 Share option Scheme and 2014 Share Option Scheme respectively.
- On 1 April 2016, a total of 251,368,000 share options were granted to certain Directors and other eligible participants under the Company's 2014 Share Option Scheme. The estimated fair value of the share options granted during the six months ended 30 June 2016 amounted to HK\$33,307,000 which was determined based on the fair value of the share options issued on the date of grant using the Binomial Option Pricing Model. During the six months ended 30 June 2016, share options amounted to HK\$25,307,000 and HK\$24,000 were lapsed under the Company's 2002 Share Option Scheme and 2014 Share Option Scheme respectively.
- (f) On 5 May 2017, the Group entered into a consulting service agreement with an independent third party (the "Consultant"), pursuant to which, the Group engaged the Consultant to provide consultancy services (the "Consultancy Services") for a term of 5 years commencing from 5 May 2017. As consideration for the Consultancy Services, the Group will pay the Consultant a total sum of HK\$39,000,000 by way of the issue and allotment (or procure the issue and allotment of) 487,500,000 new ordinary shares of the Company at an issue price of HK\$0.08 per share in five tranches, of which the first tranche of 97,500,000 new ordinary shares were issued on 25 May 2017. Further details were set out in the Company's announcement dated 5 May 2017.
- (g) 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.

- (h) 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.
- (i) 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; 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.
- (j) 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.

### 23. MATERIAL RELATED PARTY TRANSACTIONS

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

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

|   | Unaudited<br>Six months<br>ended<br>30 June<br>2017<br>HK\$'000 | Unaudited<br>Six months<br>ended<br>30 June<br>2016<br>HK\$'000 |
|---|---|---|
| Fees                                      | 1,280   | 530   |
| Salaries, allowances and benefits in kind | 5,414   | 6,023   |
| Retirement fund contributions             | 27  | 27  |
| Share-based compensation expense          | 3,938   | 7,565   |
|   | <b>10,659</b>   | <b>14,145</b>   |

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

|  | Unaudited<br>Six months<br>ended<br>30 June<br>2017<br>HK\$'000 | Unaudited<br>Six months<br>ended<br>30 June<br>2016<br>HK\$'000 |
|--|---|---|
| Advertising expenses paid and payable to a related company, Totally Apps Holdings Limited                        | –   | 2,244   |
| Rental expenses and related charges paid and payable to a related company, HMV Hong Kong Limited                 | –   | 7,943   |
| Service fee paid and payable to the non-controlling shareholder, Outblaze Ventures Holdings Limited ("Outblaze") | –   | 1,184   |
| Interest income on loan to a subsidiary of an investee company   | 619   | –   |

Note:

- (i) The amounts were charged based on terms mutually agreed between the relevant parties.
- (c) As at 30 June 2017 and 31 December 2016, the balances with related parties were:

|   | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|---|--|--|
| Amount due to Outblaze                                    | (592)                                    | (2,098)                                    |
| Loan to a shareholder of an investee company (Note 17(c)) | 12,519                                   | 12,519                                     |
| Loan to a subsidiary of an investee company (Note 17(c))  | 25,000                                   | 25,000                                     |

## 24. COMMITMENTS

### (a) Operating leases

The total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings are payable as follows:

|                              | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|------------------------------|--|--|
| Within one year              | 4,910                                    | 4,521                                      |
| In the second to fifth years | 15,004                                   | 15,419                                     |
| After five years             | 1,813                                    | 3,820                                      |
|                              | <b>21,727</b>                            | <b>23,760</b>                              |

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 (31 December 2016: 6 months to 6 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.

### (b) Capital commitments

At 31 December 2016, the Group had contractual commitment for the acquisition of property, plant and equipment for office renovation and certain licence amounting to HK\$835,000 and HK\$4,490,000 respectively.

Other than the above, the Group had no material capital commitments as at 30 June 2017 and 31 December 2016.

## 25. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2017, the Group had the following major non-cash transaction:

On 25 May 2017, 97,500,000 new ordinary shares were issued at an issue price of HK\$0.08 per share as the compensation for the consultancy service as detailed in Note 22(f). As market price of the Company's ordinary shares at the date of grant was HK\$0.061, share capital of the Company was increased by approximately HK\$7,605,000 and share premium accounts of the Company was decreased by approximately HK\$1,657,500.

During the six months ended 30 June 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 account 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.
- (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.

## 26. DISPOSAL OF SUBSIDIARIES

On 26 April 2017, the Group disposed of its entire equity interest in Time Edge Limited and its subsidiaries ("Time Edge Group") which owned the entire issued share capital of Mystery Apex, to a wholly-owned subsidiary of HMV Digital China at a total consideration of HK\$50,000,000, which was satisfied by the issue of the Convertible Bond of HMV Digit China. The net assets of Time Edge Group at the date of disposal were as follows:

|  | 2017<br>HK\$'000 |
|--|------------------|
| Net assets of subsidiaries disposal of:                                    |                  |
| Property, plant and equipment  | 38               |
| Intangible assets (Note 14)  | 1,417            |
| Goodwill (Note 14)   | 12,309           |
| Trade and other receivables  | 10,135           |
| Cash and cash equivalents  | 9,048            |
| Trade and other payables   | (2,642)          |
|  | 30,305           |
| Total consideration  | 61,239           |
| Gain on disposal of subsidiaries included in profit or loss for the period | 30,934           |
| Satisfied by:  |                  |
| Convertible Bond of HMV Digit China, at fair value (Note 16(b))            | 61,239           |
| Net cash outflow arising on disposal:                                      |                  |
| Cash and bank balances disposed of   | 9,048            |

## 27. ACQUISITION OF SUBSIDIARIES

### (a) 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 business, 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<br>HK\$'000 |
|---|------|------------------|
| Net assets acquired:                                  |      |                  |
| Property, plant and equipment                         |      | 105              |
| Trade and other receivables, deposits and prepayments |      | 5,177            |
| Cash and cash equivalents                             |      | 14,665           |
| Trade and other payables                              |      | (17,723)         |
|   |      | 2,224            |
| The fair value of net assets acquired                 |      | 2,224            |
| Total consideration                                   |      | 4,164            |
|   |      | 1,940            |
| Goodwill arising on acquisition (Note 14)             | (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           |

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 six months ended 30 June 2016.
- (iv) No revenue was contributed from the acquired business to the Group and a loss after tax of approximately HK\$1,616,000 was incurred for the period from 1 April 2016 to 30 June 2016.

Had the acquisition occurred on 1 January 2016, the Group's revenue and loss after tax would have been approximately HK\$158,172,000 and HK\$51,062,000 respectively for the six months ended 30 June 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.

**(b) 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 and personal computers, 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<br>HK\$'000 |
|---|------|------------------|
| Net liabilities acquired:                             |      |                  |
| Property, plant and equipment                         |      | 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)         |
|   |      | <u>(81,534)</u>  |
| Add: assignment of the shareholder's loan             |      | <u>72,153</u>    |
| The fair value of net liabilities acquired            |      | (9,381)          |
| Total consideration                                   |      | <u>2,928</u>     |
| Goodwill arising on acquisition (Note 14)             | (ii) | <u>12,309</u>    |
| Consideration satisfied by:                           |      |                  |
| Cash  |      | <u>(2,928)</u>   |
| Net cash outflow arising on acquisition:              |      |                  |
| Cash consideration                                    |      | (2,928)          |
| Cash and bank balances acquired                       |      | <u>31</u>        |
|   |      | <u>(2,897)</u>   |

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 was completed on 26 April 2017. Details of the Disposal of Time Edge are set out in Note 26.

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\$198,000 have been expensed and are included in administrative expenses for the six months ended 30 June 2016.
- (iv) The acquired business contributed revenue of approximately HK\$917,000 and profit after tax of approximately HK\$97,000 to the Group for the period from 31 May 2016 to 30 June 2016.
- (v) Had the acquisition occurred on 1 January 2016, the Group's revenue and loss after tax would have been approximately HK\$161,970,000 and HK\$53,251,000 respectively for the six months ended 30 June 2016.
- (vi) 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.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, which are the same as those detailed in the Company's 2016 Annual Report, which are managed by the two Executive Directors of the Company collectively in close cooperation with the Board of Directors.

## 29. FAIR VALUE MEASUREMENT

### *Fair value hierarchy*

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

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

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

The financial assets measured at fair value in the consolidated statement of financial position as at 30 June 2017 and 31 December 2016 are grouped into the fair value hierarchy as follows:

|   | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| <b>At 30 June 2017 (Unaudited)</b>                    |                     |                     |                     |                   |
| Financial assets:                                     |                     |                     |                     |                   |
| Financial assets at fair value through profit or loss | <b>649,600</b>      | <b>–</b>            | <b>29,854</b>       | <b>679,454</b>    |

|   | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| <b>At 31 December 2016 (Audited)</b>                  |                     |                     |                     |                   |
| Financial assets:                                     |                     |                     |                     |                   |
| Financial assets at fair value through profit or loss | <b>–</b>            | <b>–</b>            | <b>9,958</b>        | <b>9,958</b>      |

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

The fair values of the financial assets at fair value through profit or loss at Level 3 fair value measurement and are estimated by using the Binomial Option Pricing Model.

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



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

#### Financial assets at fair value through profit or loss

|   | Unaudited<br>30 June<br>2017<br>HK\$'000 | Audited<br>31 December<br>2016<br>HK\$'000 |
|---|--|--|
| At 1 January  | 9,958                                    | 11,008                                     |
| Rights to acquire certain shares of an investee company's capital stock | –  | 2,340                                      |
| Convertible Bond of HMV Digit China received                            | 22,987                                   | –  |
| Fair value loss for the period/year                                     | <b>(3,091)</b>                           | (3,390)                                    |
| At 30 June/31 December  | <b>29,854</b>                            | 9,958                                      |

### 30. EVENTS AFTER THE REPORTING PERIOD

- (i) On 5 May 2017, the Group entered into a subscription and sale and purchase agreement with independent third parties in relation to the acquisition of up to approximately 73.7% equity interest in GeneSort Ltd. ("GeneSort") for a consideration of up to US\$13,956,422 (equivalent to approximately HK\$108,162,000) to be satisfied by the allotment and issue of an aggregate of up to 1,352,028,381 new ordinary shares of the Company at an issue price of HK\$0.08 per share. GeneSort is a company incorporated in Israel that is principally engaged in advanced personalised molecular diagnostic services for cancer evaluation and cure. The acquisition of approximately 73.7% equity interest in GeneSort was completed on 11 July 2017, and 1,352,028,376 new ordinary shares of the Company were allotted and issued to the vendors accordingly. The Group has not finalised the fair value assessment and the initial accounting for the acquisition of GeneSort.
- (ii) The Company proposes to implement the capital reduction involving the reduction of the par value of each issued shares from US\$0.01 to US\$0.0001 by cancelling the paid up share capital to the extent of US\$0.0099 per issued ordinary share of the Company ("Capital Reduction") so that following such reduction, each issued ordinary share with a par value of US\$0.01 in the share capital of the Company shall become one new ordinary share with a par value of US\$0.0001; and immediately following the Capital Reduction becoming effective, each authorised but unissued ordinary share will be sub-divided into 100 unissued new ordinary shares with a par value of US\$0.0001 each and each authorised but unissued redeemable convertible preference share will also be sub-divided into 100 unissued redeemable convertible preference shares with a par value of US\$0.0001 each ("Sub-division"). Details of Capital Reduction and Sub-division were set out in the Company's announcement dated 9 June 2017 and the proposal was duly passed by the shareholders of the Company by way of special resolution at the extraordinary general meeting of the Company convened on 24 July 2017.

The Capital Reduction and Sub-division is expected to be completed by end of 2017.

- (iii) On 14 July 2017, the Group entered into a loan agreement with an independent third party amounting to approximately HK\$73 million, which is secured, interest bearing at 4.0% per annum and repayable in three years for the investment capital of the strategic investment business as well as general working capital of the Group.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

## AUDIT COMMITTEE

The Company established an audit committee on 31 March 2000 with the written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive directors, Messrs. Yuen Kwok On (Chairman), Ms. Fong Janie and Professor Lee Chack Fan, *GBS, SBS, JP*. The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control systems. The Audit Committee reports its work, findings and recommendations to the Board after each meeting.

The audit committee meets at least quarterly with the most recent meeting held on 8 August 2017. The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2017 have 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 six months ended 30 June 2017 and 2016. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the six months ended 30 June 2017 and 2016.

By Order of the Board  
**AID PARTNERS TECHNOLOGY HOLDINGS LIMITED**  
**Wu King Shiu, Kelvin**  
*Chairman*

Hong Kong, 8 August 2017

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

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

*Non-Executive Directors:* *Chang Tat Joel, Xu Haohao and Guo Qifei*

*Independent Non-Executive Directors:* *Professor Lee Chack Fan, GBS, SBS, JP, Fong Janie and Yuen Kwok On*

*This report will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of AID Partners Technology Holdings Limited at [www.aid8088.com](http://www.aid8088.com).*

*The English text of this report shall prevail over the Chinese text for the purpose of interpretation.*

\* *For identification purpose only*