

AID PARTNERS

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

3rd Quarterly Report 2017
For the nine months ended 30 September

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 (the “Directors”) 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 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 nine months under review, the Group continued to operate its strategic investment business with the following new investment and disposal and engage in the asset management business, with an objective to enhance the value of the Group, and hence maximise the return of the shareholders:

(A) NEW INVESTMENT

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 International Inc., which owns the entire issued share capital of GeneSort Ltd. ("GeneSort") after restructuring (collectively referred to as the "GeneSort Group"), 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 and a capital injection of approximately HK\$23,449,000 by cash. GeneSort is a company incorporated in Israel with limited liability 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 Group 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.

(B) DISPOSAL OF TIME EDGE LIMITED ("TIME EDGE") AND ITS SUBSIDIARIES ("TIME EDGE GROUP")

On 13 December 2016, the Group entered into a sale and purchase agreement with a wholly-owned subsidiary (the "Purchaser") of HMV Digital China Group Limited (Stock code: 8078) ("HMV Digit China", which is one of the Group's investments) 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, 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 a 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 nine months ended 30 September 2017.



On 15 February 2017, HMV Digit China 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 ordinary 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 with its future development and obligations. Together with the issuance of ordinary 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\$31.8 million was recognised in other net income in profit or loss for the nine months under review. Also, in light of the strong performance of HMV Digit China as demonstrated by its most recent published financial results, the Group entered into a sale and purchase agreement with an independent third party on 13 October 2017, pursuant to which the Group has agreed to purchase 640,000,000 ordinary shares of HMV Digit China at a consideration of HK\$110,720,000, which shall be payable in cash or in such other manner as agreed by both parties (the "Sale and Purchase Agreement"). The consideration, of which represented a considerable discount to the closing price of the shares of HMV Digit China as quoted by the Stock Exchange on the date of the Sale and Purchase Agreement, can enable the Group to maximise the return of the Group's available funds by capitalising the opportunity arising from this investment. The acquisition was completed on 3 November 2017 and the shareholding of the Group in HMV Digit China was increased from 16.59% to 21.34% upon completion.

The Group will continue to engage in the businesses of strategic investment and asset management. As at the date of this report, as part of the strategic investment business of the Company, the Group continued to monitor and strive to maximise the value of its various strategic investments globally as well as 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 Honestway Global Group Limited and its subsidiaries. The Group also leveraged on its recent acquisition of GeneSort to develop and expand its foothold in the health-technology sector. In addition, 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)).

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 its investments; and (iii) seek for potential strategic investment and divestment opportunities with the objective to enhance the return to its shareholders.

FINANCIAL REVIEW

As a result of the disposal of HMV M&E Limited and its subsidiaries (“HMV M&E Group”) 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 nine months under review decreased to HK\$23.6 million from HK\$192.7 million for the corresponding period last year, while total operating expenses (being selling and distribution expenses, administrative expenses and other operating expenses) for the nine months under review decreased to HK\$115.5 million from HK\$213.8 million for the corresponding period last year.

A gain on the Disposal of Time Edge (unaudited) of approximately HK\$30.9 million (nine months ended 30 September 2016: gain on disposal of HMV M&E Group of approximately HK\$975.5 million) as mentioned above was recognised in profit or loss for the nine months ended 30 September 2017.

Following the resignation of the Company’s directors as the directors of HMV Digit China on 28 June 2017, the Group had no significant influence on HMV Digit China’s financial and operating policies, a fair value loss of HK\$286.9 million was recognised in profit or loss for the nine months under review upon the reclassification of the Group’s interest in HMV Digit China from interest in an associate to an investment, which was non-recurring, non-cash in nature and did not have any cash flow impact for the Group.

Other net income for the nine months under review decreased to HK\$45.7 million from HK\$52.6 million for the corresponding period last year, which was mainly due to a gain on re-measurement of contingent consideration payables of HK\$39.7 million was recognised for the corresponding period last year and no such gain was recognised for the nine months under review, while a gain on deemed disposal of interest in an associate of HK\$31.8 million (nine months ended 30 September 2016: nil) was recognised for the nine months under review.

Finance costs for the nine months under review decreased to HK\$9.9 million from HK\$13.0 million for the corresponding period last year, mainly due to conversion of convertible bonds of the Company with an aggregate principal amount of HK\$175 million in April 2016.

As a result, the Group reported a loss attributable to owners of the Company for the nine months under review of HK\$393.4 million as compared to a profit of HK\$888.7 million for the corresponding period last year.

RESULTS

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

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months and three months ended 30 September 2017

	Notes	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	3	23,583	192,661	7,446	35,275
Cost of sales		(15,666)	(107,820)	(5,161)	(20,689)
Gross profit		7,917	84,841	2,285	14,586
Fair value (loss)/gain on financial assets at fair value through profit or loss		(57,267)	(2,745)	(77,043)	114
Fair value gain on financial liabilities at fair value through profit or loss		-	1,737	-	1,683
Gain on disposal of subsidiaries	8	30,934	975,516	-	975,516
(Loss)/gain on reclassification of interest in an associate to an investment		(286,925)	-	7,295	-
Other net income	3	45,745	52,599	8,328	8,705
Selling and distribution expenses		(3,034)	(60,575)	(744)	(8,701)
Administrative expenses		(112,511)	(153,236)	(39,626)	(54,214)
Impairment of intangible assets		(17,658)	-	-	-
Other operating expenses		-	(16)	-	(6)
(Loss)/profit from operations		(392,799)	898,121	(99,505)	937,683
Finance costs		(9,937)	(13,023)	(3,731)	(3,078)
Share of results of associates, net of tax		(2,313)	(1,826)	(10,365)	2,109
(Loss)/profit before taxation		(405,049)	883,272	(113,601)	936,714
Taxation credit	4	5,312	3,569	668	1,160
(Loss)/profit for the period		(399,737)	886,841	(112,933)	937,874
Attributable to:					
Owners of the Company		(393,412)	888,695	(111,929)	940,008
Non-controlling interests		(6,325)	(1,854)	(1,004)	(2,134)
(Loss)/profit for the period		(399,737)	886,841	(112,933)	937,874
(Loss)/earnings per share attributable to owners of the Company for the period	5	HK cents	HK cents	HK cents	HK cents
Basic		(4.05)	10.30	(1.06)	10.15
Diluted		N/A	9.82	N/A	9.73

UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the nine months and three months ended 30 September 2017

	Unaudited Nine months ended 30 September 2017		Unaudited Three months ended 30 September 2017	
	HK\$'000	2016 HK\$'000	HK\$'000	2016 HK\$'000
(Loss)/profit for the period	(399,737)	886,841	(112,933)	937,874
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	3,116	282	1,252	(80)
Share of other comprehensive income of an associate	297	–	(59)	–
Reclassification to profit or loss on derecognition of interest in an associate	899	–	59	–
Other comprehensive income for the period, net of tax	4,312	282	1,252	(80)
Total comprehensive income for the period, before and net of tax	(395,425)	887,123	(111,681)	937,794
Attributable to:				
Owners of the Company	(389,047)	890,447	(110,617)	939,951
Non-controlling interests	(6,378)	(3,324)	(1,064)	(2,157)
Total comprehensive income for the period, before and net of tax	(395,425)	887,123	(111,681)	937,794

NOTES TO THE UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

The unaudited consolidated financial information has been prepared under historical cost 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.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited consolidated financial information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited consolidated financial information, are consistent with those set out in the Company's annual audited consolidated financial statements for the year ended 31 December 2016 ("2016 Annual Report").

This consolidated financial information for the nine months ended 30 September 2017 is unaudited but has been reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

This unaudited consolidated financial information should be read in conjunction with the Company's 2016 Annual Report, which has been prepared in accordance with IFRSs. The principal accounting policies adopted to prepare this unaudited consolidated financial information are consistent with those adopted to prepare to the Company's 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 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 application of these new or revised IFRSs will have no material impact on the Group's unaudited consolidated financial information.

3. REVENUE AND OTHER NET INCOME

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

Other net income mainly comprises interest income, gain on remeasurement of contingent consideration payables and gain on deemed disposal of equity interest in an associate.

4. TAXATION CREDIT

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

The Group's subsidiaries operating in the People's Republic of China ("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 nine months and three months ended 30 September 2017 and 2016.

Deferred tax credit relating to the amortisation of intangible assets was recognised in profit or loss for the nine months and three months ended 30 September 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 tax assets is uncertain.

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

Basic and diluted (loss)/earnings per share

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2017	2016	2017	2016
(HK\$'000)				
Consolidated (loss)/profit attributable to owners of the Company	(393,412)	888,695	(111,929)	940,008
Effect of dilutive potential ordinary shares:				
Adjustment in relation to convertible bonds	N/A	12,979	N/A	3,069
Earnings for the purpose of diluted earnings per share	N/A	901,674	N/A	943,077
(Number)				
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	9,709,786,924	8,628,223,462	10,560,180,504	9,257,611,734
Effect of dilutive potential ordinary shares:				
Convertible bonds	N/A	430,769,231	N/A	430,769,231
Share options	N/A	122,552,000	N/A	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	N/A	9,181,544,693	N/A	9,688,380,965
(HK cents)				
Basic (loss)/earnings per share	(4.05)	10.30	(1.06)	10.15
Diluted earnings per share	N/A	9.82	N/A	9.73

For the nine months and three months ended 30 September 2017, the diluted loss per share would reduce if the outstanding share options and convertible bonds 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.

6. MOVEMENTS IN RESERVES

	Convertible bonds equity reserve										Accumulated losses	Total
	Share premium	equity reserve	Capital reserve	Capital redemption reserve	Share-based compensation reserve	Remuneration share reserve	Investment revaluation reserve	Foreign exchange reserve	Other reserve	Statutory surplus reserve		
At 1 January 2017 (Audited)	802,660	1,921	2,112	601	49,355	-	(962)	(4,902)	(21,619)	4,931	(88,554)	745,543
Loss for the period	-	-	-	-	-	-	-	-	-	-	(393,412)	(393,412)
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	3,169	-	-	-	3,169
Share of other comprehensive income of an associate	-	-	-	-	-	-	76	221	-	-	-	297
Reclassification to profit or loss on derecognition of interest in an associate	-	-	-	-	-	-	886	13	-	-	-	899
Total comprehensive income for the period	-	-	-	-	-	-	962	3,403	-	-	(393,412)	(389,047)
Share-based compensation	-	-	-	-	15,739	4,888	-	-	-	-	-	20,627
Issue of shares for consulting service	(1,657)	-	-	-	-	-	-	-	-	-	-	(1,657)
Issue of consideration shares for acquisition of subsidiaries	(44,616)	-	-	-	-	-	-	-	-	-	-	(44,616)
Lapse of share options	-	-	-	-	(2,747)	-	-	-	-	-	2,747	-
At 30 September 2017 (Unaudited)	756,387	1,921	2,112	601	62,367	4,888	-	(1,499)	(21,619)	4,931	(479,219)	330,870

	Convertible bonds equity reserve										Accumulated losses/ Retained earnings	Total
	Share premium	equity reserve	Capital reserve	Capital redemption reserve	Share-based compensation reserve	Foreign exchange reserve	Other reserve	Statutory surplus reserve	HKS'000	HKS'000		
At 1 January 2016 (Audited)	698,265	9,982	2,112	601	49,063	(1,693)	-	3,331	(616,286)		145,375	
Profit for the period	-	-	-	-	-	-	-	-	888,695		888,695	
Other comprehensive income:												
Exchange differences on translation of foreign operations	-	-	-	-	-	1,752	-	-	-	-	1,752	
Total comprehensive income for the period	-	-	-	-	-	1,752	-	-	888,695		890,447	
Share-based compensation	-	-	-	-	21,686	-	-	-	-	-	21,686	
Issue of shares upon conversion of convertible bonds	76,580	(8,061)	-	-	-	-	-	-	-	-	68,519	
Issue of consideration shares for acquisition of subsidiaries	27,815	-	-	-	-	-	-	-	-	-	27,815	
Lapse of share options	-	-	-	-	(25,307)	-	-	-	-	25,307	-	
Disposal of interests in subsidiaries without loss of control (Notes 7(a) & 7(b))	-	-	-	-	-	-	-	26,712	-	-	26,712	
Disposal of subsidiaries (Note 7(a))	-	-	-	-	-	-	-	(26,539)	-	-	(26,539)	
Change in ownership interests in subsidiaries without change of control (Note 7(c))	-	-	-	-	-	-	-	(21,792)	-	-	(21,792)	
At 30 September 2016 (Unaudited)	802,660	1,921	2,112	601	45,442	59	-	(21,619)	3,331	297,716	1,132,223	

7. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

	2016 HK\$'000
Consideration received from non-controlling interests	70,200
Less: net assets of 18.37% equity interest in the HMV M&E Group	(43,661)
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Gain on the HMV Disposal I within equity	26,539
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The gain on the HMV Disposal I recognised in other reserve was reclassified to profit or loss when the Group lost control of HMV M&E Limited on 3 August 2016 as detailed in Note 8(a).

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

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

	2016 HK\$'000
Consideration received from non-controlling interests	262
Less: net assets of 36.58% equity interest in HMV Brave	(89)
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Gain on Brave Disposal within equity	173
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(c) **Acquisition of the remaining 30% of the issued share capital of Honestway Global Group Limited ("HGGL")**

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

	2016 HK\$'000
Consideration paid to non-controlling interests	(42,000)
Net assets of 30% equity interest in HGGL and its subsidiaries	20,208
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Decrease in equity attributable to owners of the Company (included in other reserve)	(21,792)
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8. DISPOSAL OF SUBSIDIARIES

(a) Disposal of HMV M&E Group

On 14 March 2016, the Group entered into a sale and purchase agreement with an indirect wholly-owned subsidiary of HMV Digit China, in which the Group has agreed to sell 10,000 existing ordinary shares, representing approximately 81.63% equity interest, in HMV M&E Limited for a consideration of HK\$408,150,000 to be satisfied by the issue and allotment of an aggregate of 1,118,219,178 ordinary shares (the "Consideration Shares") of HMV Digit China (the "HMV Disposal II"). The HMV Disposal II was completed on 3 August 2016 and the Consideration Shares represented approximately 20.47% of the issued share capital of HMV Digit China as at the date of completion and 30 September 2016, which was accounted for as an associate of the Group accordingly. The net assets of HMV M&E Group at the date of the HMV Disposal II were as follows:

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

As a result, the aggregate gain on the HMV Disposal I as detailed in Note 7(a) and the HMV Disposal II of approximately HK\$975,516,000 was recognised in profit or loss for the nine months ended 30 September 2016.

(b) Disposal of Time Edge Group

On 26 April 2017, the Group disposed of its entire issued share capital of Time Edge Group which owns the entire issued share capital of Mystery Apex, to a wholly-owned subsidiary of HMV Digit 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 HK\$'000
Net assets of subsidiaries disposal of:	
Property, plant and equipment	38
Intangible assets	1,417
Goodwill	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	61,239
Net cash outflow arising on disposal:	
Cash and bank balances disposed of	9,048

9. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of AID Japan Co. Ltd. ("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 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)
		<hr/>
The fair value of net assets acquired		2,224
Total consideration		4,164
		<hr/>
Goodwill arising on acquisition	(ii)	1,940
		<hr/>
Consideration satisfied by:		
Cash		4,164
		<hr/>
Net cash inflow arising on acquisition:		
Cash consideration		(4,164)
Cash and bank balances acquired		14,665
		<hr/>
		10,501
		<hr/>

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 nine months ended 30 September 2016.

- (iv) No revenue was contributed from the acquired business to the Group and a loss after tax of approximately HK\$3,543,000 was incurred for the period from 1 April 2016 to 30 September 2016.

Had the acquisition occurred on 1 January 2016, the Group's revenue and profit after tax would have been approximately HK\$192,661,000 and HK\$886,812,000 respectively for the nine months ended 30 September 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, at a cash consideration of approximately HK\$2,928,000. The acquisition was made to enable the Group to establish a presence in the digital music market, complementing the Group's existing operations while providing a new stream of revenue to the Group.

The fair value of identifiable assets and liabilities of Mystery Apex and its subsidiaries as at the date of acquisition were:

	Note	2016 HK\$'000
Net liabilities acquired:		
Property, plant and equipment		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		72,153
		<u>(9,381)</u>
The fair value of net liabilities acquired		(9,381)
Total consideration		<u>2,928</u>
Goodwill arising on acquisition	(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		31
		<u>(2,897)</u>

On 26 April 2017, the Group disposed of its the entire issued share capital of Time Edge, which owns the entire issued share capital of Mystery Apex. Details of the disposal of Time Edge are set out in Note 8(b).

Notes:

- (i) The fair value of trade and other receivables amounted to HK\$2,583,000. The gross amount of these receivables is HK\$2,583,000. None of these receivables have been impaired and it is expected that the full contractual amount can be collected.
- (ii) Goodwill of HK\$12,309,000 arose on this acquisition, which is not deductible for tax purposes, comprises the acquired workforce and the expected synergies arising from the combination of the existing operations of the Group.
- (iii) The acquisition-related costs of HK\$233,000 have been expensed and are included in administrative expenses for the nine months ended 30 September 2016.
- (iv) The acquired business contributed revenue of approximately HK\$2,970,000 and loss after tax of approximately HK\$338,000 to the Group for the period from 31 May 2016 to 30 September 2016.

Had the acquisition occurred on 1 January 2016, the Group's revenue and profit after tax would have been approximately HK\$197,245,000 and HK\$884,437,000 respectively for the nine months ended 30 September 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.

(c) **Acquisition of Genesort**

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 International Inc., which owns the entire issued share capital of GeneSort Ltd. ("GeneSort") after restructuring (collectively referred to as the "GeneSort Group"), 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 and a capital injection of approximately HK\$23,449,000 by cash. GeneSort is a company incorporated in Israel with limited liability 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 Group was completed on 11 July 2017, and 1,352,028,376 new ordinary shares of the Company (the "Consideration Shares") were allotted and issued to the vendors accordingly. Details of the abovementioned acquisition were set out in the Company's announcement dated 5 May 2017. With the GeneSort Group possessing the cutting edge technology in the world and being well positioned in the paradigm shift of cancer diagnostic and cure, the acquisition will enable the Group seize good opportunities from the potential fast growing specialised industry of health-technology.

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

	Note	2017 HK\$'000
Net assets acquired:		
Property, plant and equipment		1,061
Intangible assets		38,228
Trade and other receivables, deposits and prepayments		14,438
Inventories		73
Cash and cash equivalents		2,150
Trade and other payables		(3,244)
Deferred tax liabilities recognised upon fair value adjustments		(9,557)
The provisional fair value of net assets acquired		43,149
Less: non-controlling interests		(11,338)
Total consideration		31,811
		84,290
Goodwill arising on acquisition	(ii)	52,479
Consideration satisfied by:		
Cash		23,449
Consideration Shares at fair value		60,841
		84,290
Net cash outflow arising on acquisition:		
Cash consideration		(23,449)
Cash and bank balances acquired		2,150
		(21,299)

As at 30 September 2017, the Group has not finalised the fair value assessments for the intangible assets acquired from the acquisition. The relevant fair value of net assets acquired stated above are on provisional basis.

Notes:

- (i) The fair value of trade and other receivables amounted to HK\$13,020,000. The gross amount of these receivables is HK\$13,020,000. None of these receivables have been impaired and it is expected that the full contractual amount can be collected.
- (ii) Goodwill of HK\$52,479,000 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\$6,403,000 have been expensed and are included in administrative expenses for the nine months ended 30 September 2017.
- (iv) No revenue was contributed from the acquired business to the Group and a loss after tax of approximately HK\$3,920,000 was incurred for the period from 11 July 2017 to 30 September 2017.

Had the acquisition occurred on 1 January 2017, the Group's revenue and loss after tax would have been approximately HK\$23,583,000 and HK\$403,741,000 respectively for the nine months ended 30 September 2017.

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 2017, nor is it intended to be a projection of future results.

10. EVENTS AFTER THE REPORTING PERIOD

- (i) 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 in the 4th quarter of 2017.

- (ii) On 13 October 2017, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group has agreed to purchase 640,000,000 ordinary shares of HMV Digit China at a consideration of HK\$110,720,000, which shall be payable in cash or in such other manner as agreed by both parties. The acquisition was completed on 3 November 2017 and the shareholding of the Group in HMV Digit China was increased from 16.59% to 21.34% upon completion.

INTERIM DIVIDEND

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

DISCLOSURE OF INTERESTS

(A) DIRECTOR'S INTERESTS

As at 30 September 2017, the interests of the Directors or any chief executive of the Company in the ordinary shares of the Company (the "Shares") and underlying Shares and 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 ("Mr. Wu") (Notes 1 & 2)	28,488,000	2,098,797,090	165,600,000	2,292,885,090	21.41
Ho Gilbert Chi Hang ("Mr. Ho") (Note 1)	264,000	2,098,797,090	-	2,099,061,090	19.60
Chang Tat Joel ("Mr. Chang") (Note 1)	-	2,098,797,090	-	2,098,797,090	19.60
Yuen Kwok On ("Mr. Yuen")	1,980,000	-	-	1,980,000	0.01

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 issue 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.
- Billion Express Consultants Limited ("Billion Express") owns 165,600,000 Shares. The entire issued share capital of Billion Express is wholly owned by HMV Asia Limited, which is in turn 65.62% beneficially owned by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the shares of the Company held by Billion Express.

(ii) **Interests in the underlying Shares**
Outstanding options

Name of Director	Date of grant (dd/mm/yyyy)	Exercise price HK\$	Exercise period (Notes)	Balance as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Balance as at 30 September 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>
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 option 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 or any associated corporation.

Save as disclosed above, as at 30 September 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 September 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 %
Substantial Shareholders			
Mr. Wu (Notes 1 and 5)	2,292,885,090	105,884,000	22.40%
Ms. Li Mau (Notes 1 and 5)	2,292,885,090	105,884,000	22.40%
Mr. Ho (Notes 2 and 5)	2,099,061,090	106,342,000	20.59%
Mr. Chang (Notes 3 and 5)	2,098,797,090	41,342,000	19.98%
AID Cap II (Note 5)	2,098,797,090	-	19.60%
AID Partners GP2, Ltd. (Note 5)	2,098,797,090	-	19.60%
Hong Kong HNA Holding Group Co. Limited (Note 4)	1,636,360,000	430,769,230	19.30%
Mr. David Tin	909,088,000	-	8.49%
Billion Power Management Limited (Note 5)	2,098,797,090	-	19.60%
Elite Honour Investments Limited (Note 5)	2,098,797,090	-	19.60%
Genius Link Assets Management Limited (Note 5)	2,098,797,090	-	19.60%
Leader Fortune International Limited (Note 5)	2,098,797,090	-	19.60%
Abundant Star Ventures Limited (Note 5)	909,090,909	-	8.49%
Vantage Edge Limited (Note 5)	681,818,181	-	6.36%
Mr. Wong Kwok Ho ("Mr. Wong") (Notes 6 and 7)	452,876,000	480,000,000	8.71%
Ms. Chau Mui (Notes 6 and 7)	452,876,000	480,000,000	8.71%

Notes:

1. Mr. Wu, the Chairman, the Chief Investment Officer and Executive Director of the Company, owns 28,488,000 Shares and Billion Express owns 165,600,000 Shares. The entire issued share capital of Billion Express is wholly owned by HNV Asia Limited, which is in turn 65.62% beneficially owned by Ms. Li Mau, the spouse of Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the shares of the Company held by Billion Express. 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, the Non-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 Shares 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 September 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 September 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 (dd/mm/yyyy)	Grantees	Exercise period (dd/mm/yyyy)	Exercise price per share HK\$	Number of share options				Balance as at 30 September 2017
				Balance as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ lapsed during 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
				<u>Total</u>	<u>19,456,815</u>	<u>-</u>	<u>(809,287)</u>	<u>18,647,528</u>

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

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

The weighted average remaining contractual life of the options outstanding under the 2002 Share Option Scheme as at 30 September 2017 was approximately 3.25 years.

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

2014 Share Option Scheme

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

Date of grant (dd/mm/yyyy)	Grantees	Exercise period (Notes)	Exercise price per share HK\$	Number of share options				Balance as at 30 September 2017
				Balance as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during 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	-	-	(10,904,000)	49,416,000
19/05/2017	Other eligible participants	(5)	0.078	-	308,192,000	-	(2,000,000)	306,192,000
				<u>95,722,750</u>	<u>308,192,000</u>	<u>-</u>	<u>(12,904,000)</u>	<u>391,010,750</u>
				<u>Total</u>	<u>339,872,000</u>	<u>346,192,000</u>	<u>(12,904,000)</u>	<u>673,160,000</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 nine months ended 30 September 2017.

During the nine months ended 30 September 2017, 12,904,000 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 September 2017 was approximately 8.75 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 nine months ended 30 September 2017. The fair value of the options granted during the nine months ended 30 September 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 nine months ended 30 September 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 (nine months ended 30 September 2016: HK\$21,686,000) was recognised under the 2014 Share Option Scheme in the unaudited consolidated statement of profit or loss for the nine months ended 30 September 2017.

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 Mr. Matsumoto Hitoshi. 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 November 2017. The unaudited consolidated financial information of the Company for the nine months ended 30 September 2017 has been reviewed by the audit committee.

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

The Company has not redeemed any of its shares during the nine months ended 30 September 2017 and 30 September 2016. Neither the Company, nor any of its subsidiaries, has purchased or sold any of the Company's listed securities during the nine months ended 30 September 2017 and 30 September 2016.

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

Hong Kong, 8 November 2017

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

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

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

Independent Non-Executive Directors: Fong Janie, Yuen Kwok On and Matsumoto Hitoshi

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

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

* For identification purpose only