諾發

2019/20 Annual Report

NOVA Group Holdings Limited
諾發集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1360)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Deng Zhonglin *(Chairman)*
Mr. Xu Feng *(Chief Executive Officer)*
Mr. Wong Yuk Lun Alan
(Appointed on 15 July 2020)

Non-executive Director

Ms. Huang Chian Sandy
(Appointed on 15 July 2020)

Independent Non-executive Directors

Mr. Choi Hung Fai
Mr. Tsang Wing Ki
Dr. Wong Kong Tin, *JP*
Mr. Qiu Peiyuan

AUDIT COMMITTEE

Mr. Tsang Wing Ki *(Chairman)*
Mr. Choi Hung Fai
Dr. Wong Kong Tin, *JP*

REMUNERATION COMMITTEE

Dr. Wong Kong Tin, *JP (Chairman)*
Mr. Deng Zhonglin
Mr. Tsang Wing Ki

NOMINATION COMMITTEE

Mr. Deng Zhonglin *(Chairman)*
Mr. Choi Hung Fai
Dr. Wong Kong Tin, *JP*

COMPANY SECRETARY

Mr. Tung Tat Chiu Michael

AUTHORISED REPRESENTATIVES

Mr. Deng Zhonglin
Mr. Tung Tat Chiu Michael

AUDITOR

HLM CPA Limited
Certified Public Accountants

LEGAL ADVISER AS TO HONG KONG LAW

Tung & Co. Solicitors

REGISTERED OFFICE

Cricket Square
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P.O. Box 2681
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 911–912, Level 9
One Pacific Place
88 Queensway
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1360

CORPORATE WEBSITE

http://www.novahldg.com

FINANCIAL HIGHLIGHTS

	Year ended 30 June 2020 HK$'000	Year ended 30 June 2019 HK$'000 (Restated)	Year ended 30 June 2018 HK$'000
Results			
Revenue			
Exhibitions and events	**46,297**	34,274	105,848
Cultural and entertainment	**447,010**	510,148	147,080
Financing	**57,805**	31,698	1,123
	551,112	576,120	254,051
Gross profit	**285,174**	383,310	116,264
Operating profit	**248,208**	217,232	113,377
Profit for the year	**142,170**	106,053	90,705

	At 30 June 2020 HK$'000	At 30 June 2019 HK$'000 (Restated)	At 30 June 2018 HK$'000
Consolidated statement of financial position			
Total assets	**1,157,370**	1,172,372	643,051
Total liabilities	**(459,717)**	(629,674)	(253,183)
Net assets	**697,653**	542,698	389,868

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors ("**Directors**") of NOVA Group Holdings Limited (the "**Company**"), I am pleased to present the report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2020 (the "**Reporting Year**") to all shareholders.

Future economy looks bleak since the outbreak of coronavirus disease 2019 ("**COVID-19**") in the People's Republic of China (the "**PRC**") and the whole world. Given the uncertain economic outlook, consumer sentiment in the PRC tumbled and no recent recovery expected to be seen, the situation is grimmer than SARS outbreak in 2003.

The rapidly spreading COVID-19 outbreak in the PRC continues to rattle the PRC domestic markets which would result in lesser consumption, idle factories, temporary shutting down of restaurants/entertainment stores and broken global supply chains. The outbreak has caused limited supply chain disruptions because many facilities have been temporarily closed and the concerns that the restaurants, entertainment stores and factories may remain shut for longer than usual due to travel restrictions.

Due to the uncertainties mentioned above, the management sees the prospect of the exhibition and entertainment businesses not promising in the upcoming period. Accordingly, the Group will be more prudent in managing exhibition and entertainment business operations and evaluating business developing opportunities to diversify the revenue sources and strengthen the competitive advantages in order to minimise the possible exposure to the uncertainties in both Hong Kong and the PRC markets.

In terms of the financial performances, the Group recorded a total revenue for the Reporting Year of approximately HK$551.11 million (2019: approximately HK$576.12 million), representing a decrease of 4.34% as compared with that for the year ended 30 June 2019 (the "**Prior Year**"). In particular, the income from cultural and entertainment segment decreased by approximately HK$63.14 million, or approximately 12.38%, from approximately HK$510.15 million for the Prior Year to approximately HK$447.01 million for the Reporting Year. Most of the revenue was from the first half of the Reporting Year, before the outbreak of COVID-19. In the second half of the Reporting Year, the revenue had decreased rapidly as most of our customers had closed their businesses for months. Profit for the Reporting Year increased by 34.06% to approximately HK$142.17 million (2019: approximately HK$106.05 million) as compared with that for the Prior Year.

To deal with the outbreak of COVID-19, we believe that it is time to start to build up our cultural and entertainment business through online platform, we are now developing our e-platform "八爪娛" (translated as "**Octopus Entertainment**"). The e-platform will enable our suppliers, customers and NOD Union members to access the products and services information and details, which can also decrease their cost of inventory management and boost their brand awareness.

We target to have an all-rounded business model, combining online and offline sales channels, reaching out to the widest range of customers, and providing comprehensive products to them. The Group considers that this new business model would be beneficial at most to the Group, our suppliers and customers.

Next year will remain to be challenging to the Group's business as our customers are still facing the influences of the epidemic. The Group will hold saving resources as its basic principle, taking restrictive cost control measures in order to stay strong in this economic downturn, in the meantime expedite the process of the e-platform to shift some of the promotion and marketing workload to online business and to explore new business opportunities.

CHAIRMAN'S STATEMENT
(Continued)

Finally, on behalf of the Board, I would like to express my sincere gratitude to all staff members for their dedication and contributions and to our shareholders and business partners for their support. We will continue with our endeavour to pursue growth of our business and create value for our shareholders.

Deng Zhonglin
Chairman

Hong Kong, 25 September 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

NOVA Group Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is principally engaged in the organisation and sponsorship of exhibitions and events, the operation of cultural and entertainment comprehensive services platform and provision of loan and financing services. After a few years' development of 諾笛聯盟平台 (transliterated as "**NOD Union Platform**" or "**NOD Union**"), the Group maintains a good relationship with suppliers and NOD Union members. It has become a core competitive edge of the Group. With the growing reputation of NOD Union in the People's Republic of China (the "**PRC**" or "**China**"), the Group is able to build up business cooperations with new suppliers such as several reputable distribution agents of popular liquors and famous e-cigarettes brand companies in trading and product promotion markets.

However, the economic environment changed since January 2020 due to the outbreak of the coronavirus disease 2019 ("**COVID-19**"), lots of our customers and NOD Union members had closed or suspended their business. In view of the uncertain situation, the Group took a relatively prudent direction in its traditional market and sought opportunities in online market. With the synergic advantages of NOD Union Platform, the developing e-platform, 八爪娛 (transliterated as "**Octopus Entertainment**"), is expected to be launched in the near future.

Exhibitions and Events Business

Exhibition industry experienced difficulties in operations, mainly due to the social instability in Hong Kong and the outbreak of COVID-19.

For the year ended 30 June 2020 (the "**Reporting Year**"), the Group has generated an increase in revenue in the organisation and sponsorship of exhibitions and events, benefited from the acquisition of a subsidiary in the year ended 30 June 2019 (the "**Prior Year**") which has contributed a revenue of approximately HK$21.47 million, equivalent to approximately RMB19.38 million, to the Group in the Reporting Year. The Group launched an "unmanned self-serviced stores exhibition" and the first edition of Important Product Tracing Expo from 21 August 2019 to 23 August 2019 in Shanghai Hongqiao National Exhibition Centre.

The overall exhibitions and events business performance was strengthened and the segment revenue increased by approximately HK$12.03 million, or approximately 35.10%, from approximately HK$34.27 million for the Prior Year to approximately HK$46.30 million for the Reporting Year. It represented 8.40% (2019: 5.95%) of the total revenue.

Facing the challenges, the Group will continue to be prudent in managing its exhibitions and events business operations and evaluating business development opportunities to create greater value to the shareholders of the Company.

Cultural and Entertainment Business

The operations through our cultural and entertainment comprehensive services platform are currently divided into the following services components:

1. Brand management and related services:

   Providing brand management and related services under the name of "PHEBE", "MT", "U.CLUB" and "DrOscar";

2. Promotion and consulting services:

   Providing product promoting services, such as wine, e-cigarette and power bank; systematic entertainment solution and advisory services, including entertainment management consulting, event planning, online marketing; disc jockey and artist agency services; and other ad hoc consultancy services;

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

3. Contracting services and entertainment equipment solution:

   Providing and supplying customised and thematic entertainment equipment and software materials integration services to customers, which enable good stage and visual effect, such as thematic equipment of bar lighting, audio and audio system, stage machinery and etc.;

4. Trading of goods:

   Trading of wine and liquor, e-cigarettes and daily supplies to entertainment stores and NOD Union members.

During the Reporting Year, the Group has embarked wine & liquor supplying and solution services to entertainment stores and NOD Union members. The Group will continue to review the business operation from time to time to meet the Group's current and future business strategy.

During the Reporting Year, the overall cultural and entertainment business performance was weak after the outbreak of COVID-19 and the segment revenue decreased by approximately HK$63.14 million, or approximately 12.38%, from approximately HK$510.15 million for the Prior Year to approximately HK$447.01 million for the Reporting Year. It represented 81.11% (2019: 88.55%) of the total revenue.

	For the year ended 30 June	
	2020	2019
	HK$'000	HK$'000
Brand management and related services	**19,791**	34,893
Promotion and consulting services	**195,658**	276,769
Contracting services and entertainment equipment solution	**95,002**	198,486
Trading of goods	**136,559**	–
	447,010	510,148

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Financing Business

The financing business comprises money lending, finance leasing and credit factoring services to independent individuals/corporate and NOD Union members.

Money lending

The revenue from money lending has decreased by approximately HK$2.81 million, or approximately 66.75%, from approximately HK$4.21 million for the Prior Year to approximately HK$1.40 million for the Reporting Year. The Group always insists on meeting customer needs and maximising customer value at the starting point.

Finance leasing

The revenue from finance leasing has increased by approximately HK$5.05 million, or approximately 35.39%, from approximately HK$14.27 million for the Prior Year to approximately HK$19.32 million for the Reporting Year. The Group focused on expanding its small and medium-sized leasing from sale and leaseback business and centering on the cultural and entertainment to cultivate high quality finance leasing customers.

Credit factoring

The revenue from credit factoring has increased by approximately HK$23.86 million, or approximately 180.48%, from approximately HK$13.22 million for the Prior Year to approximately HK$37.08 million for the Reporting Year.

Our credit factoring business allows customers to free up cash tied up in unpaid invoices. The finance period given to customers ranges from 5 months to 3 years and the finance service allows business owners to release up to 80% invoice value. The Group has widen its customer base during the Reporting Year, the number of factoring customers has been increased more than double as compared with that in the Prior Year.

The aggregate revenue from financing business has increased by approximately HK$26.11 million, or approximately 82.37%, from approximately HK$31.70 million for the Prior Year to approximately HK$57.81 million for the Reporting Year. It represented 10.49% (2019: 5.50%) of the total revenue.

FINANCIAL REVIEW

During the Reporting Year, the Group has achieved approximately HK$551.11 million in revenue, representing a decrease of approximately 4.34% as compared with that of approximately HK$576.12 million in the Prior Year. Operating profit for the Reporting Year was approximately HK$248.21 million, representing an increase of approximately 14.26% as compared with that of approximately HK$217.23 million in the Prior Year as a result of (i) the increase in net gain on financial assets at fair value through profit or loss ("**FVTPL**") and net gain on change in fair value of contingent consideration payables; and (ii) the decrease in administrative expenses.

The following table sets forth the performance of the Group for the Reporting Year with comparative figures for the Prior Year presented:

	For the year ended 30 June	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Revenue	**551,112**	576,120
Operating profit	**248,208**	217,232
Operating profit margin (%)	**45.04%**	37.71%
Profit for the year	**142,170**	106,053

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Revenue

The revenue has decreased by approximately HK$25.01 million, or approximately 4.34%, from approximately HK$576.12 million for the Prior Year to approximately HK$551.11 million for the Reporting Year. The deterioration was primarily due to the combined effect in the cultural and entertainment segment of (i) the decreased revenue derived from contracting services of approximately HK$103.48 million due to the outbreak of COVID-19; and (ii) the decreased revenue derived from promotion and consulting services of approximately HK$80.54 million as a result of the outbreak of COVID-19, which effect was offset by the revenue derived from the new business of trading of goods amounted to approximately HK$135.99 million.

Administrative Expenses

The Group's administrative expenses has decreased by approximately HK$49.48 million, or approximately 44.86%, from approximately HK$110.30 million for the Prior Year to approximately HK$60.82 million for the Reporting Year. Such decrease was primarily due to the decrease in equity-settled share-based payment expenses of approximately HK$42.54 million.

Operating Profit and Operating Profit Margin

As a result of the foregoing, the Group's operating profit has increased by approximately HK$30.98 million, or approximately 14.26%, from approximately HK$217.23 million for the Prior Year to approximately HK$248.21 million for the Reporting Year. The Group's operating profit margin has increased from approximately 37.71% for the Prior Year to approximately 45.04% for the Reporting Year. The increase was mainly due to (i) the increase in gain on change in fair value of contingent consideration payables and the increase in gain on financial assets at FVTPL; and (ii) the decrease in administrative expenses.

Impairment Losses under Expected Credit Loss Model

During the Reporting Year, the Group recognises impairment losses for those past due receivables due to the risk of uncertain developments in the economic condition.

Many of our customers experienced significant reduction in revenue due to the economic devastation brought by the outbreak of COVID-19. The account receivables' ageing period is longer than usual. Based on the historical payment record, we believe that our customers have the ability to settle the receivables in longer credit period of time. Subsequent to the end of the Reporting Year, most of the customers have partially settled the bills.

Gain on Change in Fair Value of Contingent Consideration Payables

The Group's gain on change in fair value of contingent consideration payables has increased significantly to approximately HK$97.47 million, or approximately 519.05% for the Reporting Year (2019: loss of approximately HK$23.26 million), primarily due to the significant change in fair value of contingent consideration payables as the Company's share price decreased. The gain on fair value changes in contingent consideration payables was unrealised gain and has no impact on the cash flow of the Group.

Profit for the Year Attributable to the Owners of the Company

The Group's profit for the year attributable to the owners of the Company has increased by approximately HK$30.85 million, or approximately 29.04%, from approximately HK$106.25 million for the Prior Year to approximately HK$137.10 million for the Reporting Year.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

SIGNIFICANT INVESTMENTS

Significant investments in terms of market value as at 30 June 2020 and 2019

A list of stocks in terms of market value as at 30 June 2020

Name of stock listed on the Stock Exchange	Brief description of the business	Number of units held as at 30 June 2020	Investment cost as at 30 June 2020 HK$'000	Market value as at 30 June 2020 HK$'000	Percentage to total assets value of the Group as at 30 June 2020
HSBC Holdings plc (stock code: 0005)	Banking services	5,200	312	188	0.02%
China U-Ton Future Space Industrial Group Holdings Limited (stock code: 6168)	Provision of design, deployment and maintenance of optical fibers services, other communication network services, environmentally intelligent technical products and services, and money lending services	85,130,000	17,754	25,539	2.21%

A list of stocks in terms of market value as at 30 June 2019

Name of unlisted investment	Brief description of the business	Number of units held as at 30 June 2019	Investment cost as at 30 June 2019 HK$'000	Market value as at 30 June 2019 HK$'000	Percentage to total assets value of the Group as at 30 June 2019
Lan Kwai Fong Fund SP	Class A Shares and Class B Shares participating in Lan Kwai Fong Fund SP registered with the United States Internal Revenue Service. It uses rational leverage through structured instruments and invests in fixed-income varieties safe high-yield fund	–	30,000	30,000	2.56%

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

As at 30 June 2020, the Group's total current assets and current liabilities, were approximately HK$692.42 million (2019: approximately HK$797.25 million) and approximately HK$447.97 million (2019: approximately HK$185.03 million), respectively, while the current ratio was about 1.55 times (2019: about 4.31 times).

As at 30 June 2020, the Group maintained cash and cash equivalents of approximately HK$137.43 million (2019: approximately HK$212.95 million). The cash and cash equivalents of the Group as at 30 June 2020 was mainly denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**").

Equity securities listed in Hong Kong classified as financial assets at FVTPL with carrying amount of approximately HK$25,727,000 are placed in margin accounts of a regulated securities broker. No margin facility was utilised as at 30 June 2020.

As at 30 June 2020 and 2019, the Group did not have any material contingent liabilities.

Capital Commitments

As at 30 June 2020, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of approximately HK$20.40 million (2019: approximately HK$21.16 million).

Capital Structure

As at 30 June 2020, the Company's issued share capital was approximately HK$3.04 million (2019: approximately HK$2.93 million) with 1,521,873,223 (2019: 1,462,900,000) ordinary shares of HK$0.002 each in issue. The increase in the issued number of shares was primarily due to the issuance of 58,973,223 ordinary shares for (i) the exercise of the conversion rights attached to the fourth convertible bond with principal amount of approximately HK$8.00 million in relation to the acquisition of the entire share capital of Fortune Selection Limited and its subsidiaries; and (ii) the exercise of the conversion rights attached to the first and the second convertible notes with principal amount of HK$34.00 million and HK$58.00 million, respectively in relation to the acquisition of Cheer Sino Investment Holdings Limited and its subsidiaries.

Borrowings

In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from the internal resources and other financing means which the Company may from time to time consider appropriate. As at 30 June 2020, the Group's borrowings was approximately HK$312.27 million (2019: approximately HK$347.87 million).

	As at 30 June	
	2020	2019
	HK$'000	HK$'000
Borrowings		
Within 1 year	**306,702**	–
Over 1 year and within 5 years	**5,566**	347,870
Total	**312,268**	347,870

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through maintaining the equity and debt in a balanced position. As at 30 June 2020, the borrowings of approximately HK$312.27 million were unsecured and fixed rate interest bearing debt securities.

The gearing ratio is the ratio of total debt divided by total assets. As at 30 June 2020, the gearing ratio was 26.98% (2019: 29.67%).

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

DIVIDEND

The directors of the Company ("**Directors**") do not recommend the payment of a final dividend for the Reporting Year (2019: HK5.0 cents per share).

SUBSEQUENT EVENTS

Details of the subsequent events are disclosed in Note 49 to the consolidated financial statements.

FUTURE PLANS AND PROSPECTS

The year of 2019/20 was full of challenges. Numerous issues happened and remained unpredictable. The China-US trade war may not end soon, the uncertainty of the social unrest in Hong Kong and the outbreak of COVID-19, resulting in a sharp decline in the global economy. Accordingly, the Group expects the revenue and profit will decrease in the coming year.

The recent escalation of COVID-19 to a global pandemic has an adverse impact on market sentiments and posed challenges to the whole world. The Group continues to closely monitor the development of the pandemic and takes all possible and reasonable measures to mitigate the effect on the Group's operations.

However, an optimist sees opportunity in every difficulty. Online business is boosting, the Group would expedite the process of the e-platform to shift some of the promotion and marketing workload to online business and to explore new business opportunities. The Group targets to improve its online promotion platform to be a trading e-platform in order to strengthen the protection of its client's interests and be prepared for the market fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, there was no other equity fund raising activity of the Company during the last 12 months prior to the date of this annual report:

Date of announcements	Fund raising activity	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
24 July 2020, 20 August 2020	Placing of new shares under general mandate	HK$37.16 million	(i) Repayment of certain debts; and (ii) General working capital of the Group	Used as intended

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group manages or operates its business in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("**US$**") and RMB. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group and has not employed any financial instruments for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total of 154 full-time employees in Hong Kong and the PRC (2019: 184 full-time employees). The remuneration payable to its employees included salaries, discretionary bonus and commissions. Remuneration packages were generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and trainings to its employees. The Company has also adopted a share option scheme as incentive to eligible employees.

Furthermore, the remuneration committee of the Board will review and give recommendations to the Board as to the compensation package of the Directors and senior management of the Group with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Group.

CORPORATE GOVERNANCE REPORT

The board (the "**Board**") of directors (the "**Director(s)**") of NOVA Group Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is pleased to present the corporate governance report for the year ended 30 June 2020 (the "**Reporting Year**"). This report describes how the Group has applied its corporate governance practices to its daily activities.

CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and adopted all code provisions, where applicable, as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code. During the Reporting Year, the Company has applied the principles and complied with all applicable code provisions as set out in the CG Code except for the following deviation:

- Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Qiu Peiyuan, being an independent non-executive Director, could not attend the annual general meeting ("**AGM**") of the Company held on 6 December 2019 because of his other business commitments. Aiming for compliance with this provision, the Company will furnish all Directors with appropriate information of all general meetings and take all reasonable measures to arrange the schedule in such a cautious way to enable all Directors to attend the general meetings as far as possible.

Except for the above deviation from the CG Code, the Board is of the view that the Company has complied with the CG Code for the Reporting Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. In response to the specific enquiries made by the Company, each of the Directors confirmed that he had complied with the Model Code during the Reporting Year.

CONSTITUTIONAL DOCUMENTS

Subsequent to the adoption of the memorandum and articles of association of the Company (the "**M&A**") upon listing of the shares of the Company on the Stock Exchange pursuant to the shareholders resolution of the Company passed on 18 October 2013, no amendment to the M&A has been made.

CORPORATE GOVERNANCE REPORT
(Continued)

BOARD OF DIRECTORS

Board Composition

As at 30 June 2020, the Board comprised two executive Directors and four independent non-executive Directors. The composition of the Board and its changes during the Reporting Year and up to the date of this annual report are as follows:

Executive Directors

Mr. Deng Zhonglin *(Chairman)*
Mr. Xu Feng *(Chief Executive Officer)*
Mr. Wong Yuk Lun Alan (Appointed on 15 July 2020)

Non-executive Director

Ms. Huang Chian Sandy (Appointed on 15 July 2020)

Independent Non-executive Directors

Mr. Choi Hung Fai
Mr. Tsang Wing Ki
Dr. Wong Kong Tin, *JP*
Mr. Qiu Peiyuan

The biographical details, relationships among them and the terms of appointment of the Directors (including the non-executive Director and independent non-executive Directors) up to the date of this annual report are set out in the section headed "Biographical Details of Directors".

The Board believes that it has a balanced composition of executive and non-executive Directors (including independent non-executive Directors) and there is a strong independent element in the Board, which can effectively exercise independent judgment. As at 30 June 2020, the Company had four independent non-executive Directors who provide the Group with adequate check and balance. Each of them is considered to be independent with respect to Rule 3.13 of the Listing Rules. Their functions are not limited to a restricted scope and they have contributed to the Group with diversified industry expertise, and advised on the Group's management and proceedings.

One of the independent non-executive Directors, namely Mr. Tsang Wing Ki, has appropriate professional accounting qualifications and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Responsibilities of the Board and Delegation

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies, the approval of business plans and the evaluation of their performance, the oversight and review of the management and corporate governance function. It is also responsible for promoting the success of the Group's businesses by directing and supervising the Group's affairs. The Board delegates day-to-day operations of the Group to executive Directors and senior management of the Group while reserving certain key matters for its approval. The Board committees for specific functions are also set up to ensure efficient Board operations. The respective functions and responsibilities reserved to the Board and those delegated to Board committees have been clearly set out in their respective terms of reference. Decisions of the Board are communicated to the management through executive Directors who have attended the Board meetings.

CORPORATE GOVERNANCE REPORT
(Continued)

Corporate Governance Functions and Duties

The Board is responsible for performing the corporate governance functions with the following duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations on any necessary changes and updating;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in this report.

During the Reporting Year, the corporate governance duties performed by the Board were summarised as follows:

(a) reviewed the Company's corporate governance policies and practices;

(b) reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

(c) reviewed the Company's compliance with the CG Code and disclosure in this report;

(d) reviewed the training and continuous professional development of the Directors and senior management of the Company; and

(e) reviewed the code of conduct and compliance manual applicable to employees of the Company and the Directors.

Chairman and Chief Executive Officer

The roles of the chairman (the "**Chairman**") and the chief executive officer (the "**CEO**") of the Company are separate and are exercised by different individuals. Mr. Deng Zhonglin, an executive Director and the Chairman is responsible for the leadership of the Board to ensure that it works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner.

Mr. Xu Feng, the CEO, heads the management for implementing the strategies and policies adopted by the Board and focuses on the day-to-day operations of the Group.

Appointments, Re-election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years. After the expiry of the current term, the executive Directors may continue to be appointed by the Company subject to terms and conditions to be mutually agreed thereafter. The non-executive Director and all independent non-executive Directors have been appointed for an initial term of one year, renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term appointment. All remuneration paid to executive Directors are covered by respective service contracts and all remuneration paid to the non-executive Director and independent non-executive Directors are covered by respective letters of appointment.

CORPORATE GOVERNANCE REPORT
(Continued)

Pursuant to the articles of association of the Company (the "**Articles**"), any Director newly appointed by the Board shall hold office until the following general meeting of the Company and shall then be eligible for re-election. Also, pursuant to the Articles, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including the non-executive Director and independent non-executive Directors) shall be subject to retirement by rotation at least once every three years.

Every newly appointed Director will be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Board Meetings

During the Reporting Year, the Board met regularly to review the financial and operating performance of the Company and to discuss future strategy. The Directors may participate either in person or through electronic means of communications.

For the Reporting Year, the Company has adopted the practice of holding Board meetings regularly for at least four times a year in approximately quarterly intervals. At the Board meetings, the Board reviewed significant matters including the Company's annual consolidated financial statements and interim consolidated financial information, proposals for dividends (if any), annual and interim reports, approved material capital expenditure and other corporate actions of the Group.

In order to ensure that the Board procedures, and all applicable rules and regulations are followed, all Directors are able to access the company secretary of the Company (the "**Company Secretary**") for advice from time to time. Moreover, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances at the Company's expense. All Directors were given an opportunity to include matters in the agenda of meetings for discussion.

To ensure a competent Board operation, all Directors gave sufficient time and attention to the affairs of the Group. During the Reporting Year, 4 Board meetings (excluding delegated committees' meetings) were held and the attendance records of each Director is set out as follows:

	Attendance/Number of	
Name of Directors	**Board meetings**	**Annual general meeting**
Executive Directors		
Mr. Deng Zhonglin *(Chairman)*	4/4	1/1
Mr. Xu Feng *(Chief Executive Officer)*	4/4	1/1
Independent Non-executive Directors		
Mr. Choi Hung Fai	4/4	1/1
Mr. Tsang Wing Ki	4/4	1/1
Dr. Wong Kong Tin, *JP*	4/4	1/1
Mr. Qiu Peiyuan	4/4	0/1

The minutes of Board meetings and meetings of Board committees are kept by the Company Secretary or other duly authorised person. All minutes are open for inspection by any Director on reasonable notice. Such minutes recorded in sufficient detail of the matters considered and decisions reached. The drafts and final versions of the minutes of Board meetings are sent to all Directors for their comments and records.

CORPORATE GOVERNANCE REPORT
(Continued)

Directors' Induction and Continuous Professional Development

Each newly appointed Director will receive induction on the first occasion of his/her appointment to ensure a proper understanding of the Company's operations and business and awareness of the Director's responsibilities.

The details of the continuous professional development participated by the Directors during the Reporting Year are as follow:

Name of Directors	Reading materials	Attending courses, seminars or conferences
Executive Directors		
Mr. Deng Zhonglin *(Chairman)*	✓	✓
Mr. Xu Feng *(Chief Executive Officer)*	✓	✓
Independent Non-executive Directors		
Mr. Choi Hung Fai	✓	✓
Mr. Tsang Wing Ki	✓	✓
Dr. Wong Kong Tin, *JP*	✓	✓
Mr. Qiu Peiyuan	✓	✓

To ensure their contributions to the Board remain informed and relevant, all the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the Reporting Year, all the Directors were provided with regular updates and presentations on the changes and developments of the Group's business and the latest developments in laws, rules and regulations relating to director's duties and responsibilities.

Board Diversity Policy

The Board has adopted a board diversity policy on 18 October 2013 and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and a diversity of perspectives appropriate to the requirements of the Company's business.

All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT
(Continued)

BOARD COMMITTEES

Audit Committee

The Company has established the audit committee of the Board (the "**Audit Committee**") with specific written terms of reference that have included the duties set out in the CG Code provision C.3.3 with appropriate modification when necessary.

The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, to review the financial information and material advice in respect of financial reporting and to oversee the financial reporting system, risk management and internal control systems of the Company.

During the Reporting Year, the Audit Committee has reviewed the consolidated financial statements for the year ended 30 June 2019 and consolidated financial statements for the six months ended 31 December 2019, including the Group's adopted accounting principles and practices, internal control and risk management systems and financial reporting matters (in conjunction with the external auditor for the annual results). The Audit Committee has reviewed the remuneration of the auditor for the year ended 30 June 2019 and has recommended the Board to re-appoint HLM CPA Limited as the auditor of the Company for the Reporting Year. The Audit Committee has also monitored the effectiveness of the external audit and its independence. The Audit Committee has endorsed the accounting treatments adopted by the Company and, to the best of its ability assured that the disclosure of the financial information in this annual report complied with the applicable accounting standards and Appendix 16 to the Listing Rules.

During the Reporting Year, the Audit Committee comprised three independent non-executive Directors, namely Mr. Tsang Wing Ki (the chairman of the Audit Committee), Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*. The Company has complied with Rule 3.21 of the Listing Rules. The Audit Committee is chaired by Mr. Tsang Wing Ki with appropriate professional qualifications or accounting or related financial management expertise.

During the Reporting Year, 3 Audit Committee meetings were held pursuant to its terms of reference and the attendance records of each member as to such meeting is set out as follows:

Members of Audit Committee	**Attendance/ Number of meetings**
Independent Non-executive Directors	
Mr. Tsang Wing Ki *(Chairman)*	3/3
Mr. Choi Hung Fai	3/3
Dr. Wong Kong Tin, *JP*	3/3

CORPORATE GOVERNANCE REPORT
(Continued)

Remuneration Committee

The Company has set up the remuneration committee of the Board (the "**Remuneration Committee**") with specific terms of reference stating clearly its authority and duties with appropriate modification when necessary.

The primary duties of the Remuneration Committee include to make recommendations to the Board on the Company's policy and structure of all Directors' and senior management's remuneration, to review and approve the management's remuneration proposal with reference to the Company's corporate goals and objectives, to determine the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments comprising any compensation payable for loss or termination of their office or appointment and to make recommendations to the Board on the remuneration of non-executive Director and independent non-executive Directors.

During the Reporting Year, the Remuneration Committee comprised three members, namely Dr. Wong Kong Tin, *JP* (the chairman of the Remuneration Committee), Mr. Tsang Wing Ki and Mr. Deng Zhonglin. The Company has complied with Rule 3.25 of the Listing Rules.

During the Reporting Year, 1 Remuneration Committee meeting was held for reviewing the remuneration policy and structure for the Directors and senior management, assessing the performance of executive Directors and approving the terms of executive Directors' service contracts. The attendance records of each member as to such meeting is set out as follows:

Members of Remuneration Committee	**Attendance/ Number of meeting**
Independent Non-executive Directors	
Dr. Wong Kong Tin, *JP (Chairman)*	1/1
Mr. Tsang Wing Ki	1/1
Executive Director	
Mr. Deng Zhonglin	1/1

Details of the Directors' emoluments, retirement benefits and remuneration payable to members of senior management are disclosed in Note 13 to the consolidated financial statements.

Nomination Committee

The Company has set up the nomination committee of the Board (the "**Nomination Committee**") with specific terms of reference stating clearly its authority and duties with appropriate modification when necessary.

The primary duties of the Nomination Committee include to review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board, to identify, screen and recommend to the Board appropriate candidates for directorship, to assess the independence of the independent non-executive Directors, to make recommendations to the Board on the appointment or re-appointment of Directors, and to review the Board diversity policy and to monitor its implementation from time to time.

During the Reporting Year, the Nomination Committee comprised three members, namely Mr. Deng Zhonglin (the chairman of the Nomination Committee), Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*. The Company has complied with code provision A.5.1 of the CG Code.

CORPORATE GOVERNANCE REPORT
(Continued)

During the Reporting Year, 1 Nomination Committee meeting was held for (1) reviewing the structure, size and composition of the Board, (2) reviewing the independence of the independent non-executive Directors, and (3) making recommendations to the Board on the retirement by rotation and re-election of Directors in the AGM of the Company. The attendance records of each member as to such meeting is set out as follows:

Members of Nomination Committee	**Attendance/ Number of meeting**
Executive Director	
Mr. Deng Zhonglin *(Chairman)*	1/1
Independent Non-executive Directors	
Mr. Choi Hung Fai	1/1
Dr. Wong Kong Tin, *JP*	1/1

COMPANY SECRETARY

Mr. Tung Tat Chiu Michael ("**Mr. Tung**") is an external service provider engaged by the Company as the Company Secretary and Mr. Deng Zhonglin, the Chairman, will be the key contact person with whom Mr. Tung can contact. Mr. Tung has confirmed to the Company that he has attended no less than 15 hours of relevant professional training during the Reporting Year.

FINANCIAL REPORTING AND AUDIT

The Directors acknowledged their responsibility for preparing the financial statements that give a true and fair view in accordance with applicable statutory requirements and accounting standards and the requirements of the Listing Rules. The Group adopted the going concern basis in preparing its financial statements.

A statement by the external auditor of the Company about its reporting responsibilities is set out in the section headed "Independent Auditor's Report" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for establishing and maintaining a sound system of risk management and internal control within the Group and reviewing their effectiveness. However, such system was designed to manage various risks of the Group within certain acceptable risk level, rather than to completely eliminate the risk of failure to achieve the business objectives of the Group, and can only provide reasonable but not absolute assurance against material misstatement or loss.

During the Reporting Year, the Board through the Audit Committee, conducted an annual review of both the design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, with a view to ensuring that the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

CORPORATE GOVERNANCE REPORT
(Continued)

The Board has engaged an external professional service firm to assist in identifying and assessing the risks of the Group through a series of interviews annually; to independently perform internal control review and assess the effectiveness of the Group's risk management and internal control system for the Reporting Year. The findings and areas for improvement were reported to the Audit Committee and the management. The Audit Committee is of the view that there is no material internal control defect noted. All recommendations are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

The Company does not have an internal audit function and the Board is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for the internal control of the Group and for reviewing its effectiveness.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and the Listing Rules. In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures, which include the access of information being restricted to a limited number of employees on a need-to-know basis, to ensure that proper safeguards exist to prevent possible mishandling of inside information within the Group.

Arrangements are in place to facilitate the employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

AUDITOR'S REMUNERATION

During the Reporting Year, the Group's external auditor provided the following services to the Group:

	HK$'000
Audit services	1,500
Non-audit services	300
Total	1,800

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

General Meetings with Shareholders

The Company communicates with its shareholders through its annual report, interim report and statutory and voluntary announcements. The Directors, the Company Secretary or appropriate members of the senior management, where appropriate, also respond to inquiries from shareholders and investors on a timely basis. The AGM of the Company provides a useful platform for direct communication between the Board and shareholders.

Resolutions put to vote at the general meetings of the Company are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

CORPORATE GOVERNANCE REPORT
(Continued)

Shareholders' Rights to Convene Extraordinary General Meetings and to Put Forward Proposals at General Meetings

In accordance with the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There is no provision in the Articles setting out procedures for shareholders to put forward a resolution at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

As regards proposing a person for election as a Director by shareholders, please refer to the procedures available on the website of the Company.

Investor Relations

The Company endeavours to disclose all material information about the Group to all interested parties as widely and timely as possible. It has disclosed all necessary information to the shareholders in compliance with the Listing Rules. When announcements are made through the website of the Stock Exchange, the same information will be made available on the Company's website. During the Reporting Year, the Company has issued announcements which can be viewed on the Company's website.

Shareholders and investors may at any time send their enquiries and concerns to the Board in writing to the Company Secretary at the Company's office in Hong Kong. Shareholders may also raise their enquiries in general meetings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

ABOUT THIS REPORT

Introduction of this Report

NOVA Group Holdings Limited ("**the Company**") and its subsidiaries (collectively, "**the Group**") is pleased to release our third Environmental, Social and Governance Report (hereinafter this "**Report**" or "**ESG report**"). Through this Report, we wish to respond to different issues regarding Environmental, Social and Governance (hereinafter "**ESG**") which major stakeholders concerned in a comprehensive and transparent manner, and disclose the Group's vision, strategies and practices in the process of sustainable development objectively to enhance stakeholders' understanding and confidence in the Group so as to continuously improve our ESG performance.

Title description

For the convenience of expression and reading, "NOVA Group", "the Group", "we" and "us" in this Report refer to "NOVA Group Holdings Limited".

Basis of Preparation

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") set out in Appendix 27 to the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited, and complies with the "comply or explain" provisions of the Guide. It also reports most of the social key performance categorised as "recommended disclosure" in the Guide. In order to fully demonstrate the Group's efforts and achievements in the ESG aspect during the Year to all stakeholders, this Report is prepared in accordance with the four reporting principles set out in the Guide, namely materiality, quantitative, balance and consistency, which serve as the basis for the preparation of this Report. We strive to fully reflect the Group's policies, strategies and related materiality in the ESG aspect in this Report, and continuously improve the content of disclosure in the future.

Scope of reporting

The reporting period of this Report ranged from 1 July 2019 to 30 June 2020 (the "**Reporting Period**"), with appropriate forward and backward extensions for certain contents in order to better reflect the ESG performance of the Group. The contents disclosed in this Report (including policy documents, statements and data, etc.) mainly covered major business segments of the Group:

- Financial segment – Factoring and Financing
- Cultural and Entertainment segment – Trading, Services and Branding
- Exhibition segment

Data sources and reliability statement

The information and cases disclosed in this Report are from the Group's internal documents, statistical reports or relevant public information. The Group assures that the contents of this Report, for which the Group accepts full responsibility for its truthfulness, accuracy and completeness, are free of any false statements, misleading representations or material omissions.

COMMUNICATION WITH STAKEHOLDERS

The Group strived to conduct its business in a transparent, equitable, legal and socially responsible manner, and continued to care about the impact of its daily operation may bring to the environment, customers and community, making an effort to safeguard the interests of all stakeholders and strike a balance between environmental, social and economic development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

The expectations and opinions of stakeholders are essential for the Group to improve its sustainable development strategy. Over the years, we have continued to maintain close communication with internal and external stakeholders such as government/regulatory bodies, shareholders, suppliers, employees, customers and the community public through a wide range of channels such as regular meetings, activities, reports, websites, etc., to understand their opinions on the performance of the Group, actively communicate with various stakeholders, constantly collect their opinions and feedback, fully understand their expectations and suggestions, and identify areas for improvement. In order to balance our business requirement, social demand and environmental impact, we keep monitoring the risks and opportunities arising from our daily course of operation, and promote a corporate management culture with high transparency to ensure our sustainable development strategies are being communicated to significant stakeholders such as employees, customers, suppliers and the community.

Set out below are the expectations and concerns of respective significant stakeholders and our corresponding communication channels during the Reporting Period.

Stakeholders	Expectations and concerns	Communication channels
Government and regulatory authorities	• In compliance with laws and regulations • Legal operation • In compliance with the Listing Rules	• Information disclosure • Communication with regulatory authorities • Tax returns
Shareholders	• Profit return • Business development • ESG governance • Corporate image	• Group announcements • General meetings • Site inspection • Timely reporting
Suppliers	• Legal operation and quality standards of suppliers • Fair and reasonable treatment of business partners • Service quality and customers' satisfaction	• Meeting with suppliers • Online survey • Review and evaluation • Tendering and bidding activities
Employees	• Employee compensation and benefits • Employee health and safety • Legal and lawful recruitment • Employee training and development • Working environment	• Staff representative meetings • Group activities • Letter communication • Recommendation box
Customers	• Quality of product and service • Customer information security • Legal operation • Health and safety protection	• Satisfaction survey • Sales feedback
Community	• Community environment • Charity and public benefit activities • Community contribution • Legal operation	• Community communication • Press release/announcements

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

ANALYSIS OF MATERIALITY ISSUES

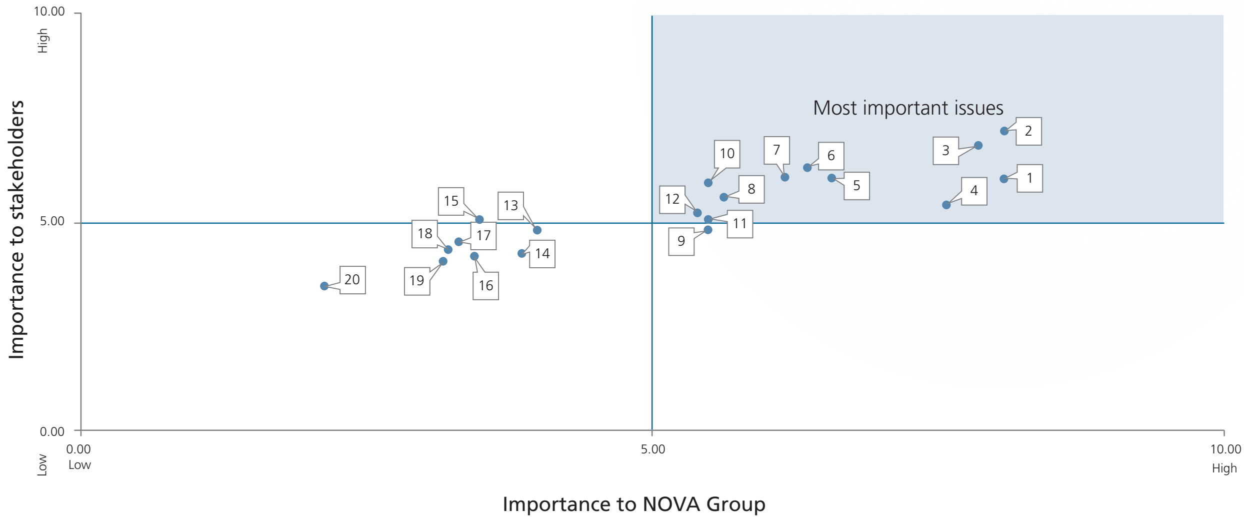
The Group reviewed the material ESG issues identified by the Group during the Reporting Period with reference to the relevant issues in the Guide of the Stock Exchange to identify the material issues of the Group. The Group invited stakeholders to participate in the materiality assessment survey and commissioned an independent consultancy firm to collect feedback from stakeholders to ensure the accuracy and objectivity of the assessment results. Through the distribution of questionnaires to stakeholders and upon the analysis of the responses, the following material issues were identified and highlighted in subsequent sections in order to respond to the expectations of various stakeholders more accurately.

Identify relevant issues	Identify ESG issues relevant to the business of the Group based on the results of materiality assessment in previous years, issues of concern to the industry, Hong Kong and international reporting standards and the United Nations Sustainable Development Goals, etc.
Collection of stakeholders' feedback	Invite stakeholders to conduct an online survey to assess the materiality of each ESG issue.
Identification of material issues	To assess the materiality of each issue to stakeholders and to the Group, a materiality matrix is created to determine the material issues to be considered in priority.
Confirmation of Material Issues	The identified material issues were reviewed by the Board of the Group and disclosed in this Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

NOVA Group 2019/2020 Analysis on Material ESG Issues Matrix



1. Product and Service Quality	**2. Legal and Compliance Operation**	**3. Legal and Compliance Employment**	**4. Internal Integrity Management**	**5. Employee Training and Development**
6. Employee Health and Safety	**7. Employee Benefits and Welfare**	**8. Employee Communication**	9. Intellectual Property Protection	**10. Suppliers Legal Operation and Quality Standards**
11. Equipment Procurement and Supply	**12. Integration of Services with Local Community Development**	13. Diversified Staff Background	14. Operation Wastewater Discharge and Treatment	15. Environmental and Social Performance of Suppliers
16. Green Environmental Protection Publicity and Education	17. Waste Disposal and Emission Reduction	18. Water Consumption and Conservation	19. Greenhouse Gas Emissions and Emission Reduction	20. Donations and Volunteering Activities

Note: The boldfaced topics in the table are identified material issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

MANAGEMENT EXCELLENCE

ESG Governance

As a responsible enterprise, we actively manage ESG issues and promote corporate sustainable development. The Group has designated the Chief Executive Officer to carry out daily ESG management in accordance with the ESG Guide and other relevant laws and regulations of the places where the Group operates, which includes implementing the strategies and measures adopted by the Board on operational, financial, environmental and social issues and responsibilities, and collecting and collating key performance indicators, regularly reviewing, monitoring and reporting on ESG related matters.

Our Chief Executive Officer conducts regular review on any material ESG related change and makes recommendations on improvement measures and solutions. The Group will continue to provide sufficient resources to monitor the implementation of ESG strategies and policies on an ongoing basis, and strictly comply with all relevant laws, rules and regulations when carrying out business, while at the same time observe the ESG guidelines, so as to achieve sustainable development among the environment, society, employees and the Group itself.

Legal Operation

The Group upholds a high standard of integrity and professional ethics in its operations. Through excellent management and compliant operation, we hope to promote the economic development of society, serve the real economy and facilitate sustainable development while providing quality services to customers. To this end, during our daily operation, we attach high importance to business ethics and strictly comply with relevant laws and regulations such as the Hong Kong Companies Ordinance, the Company Law of the People's Republic of China (《中華人民共和國公司法》) and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》).

In terms of protection of intellectual property, the Group requires its subsidiaries to purchase legitimate software and multimedia resources to ensure the use of licensed multimedia and software resources. If any piracy, theft, falsification, illegal possession, counterfeiting or other forms of infringement of intellectual property are found upon investigation, the Group will immediately rectify such behaviour and take disciplinary actions, and serious cases will be handed over to relevant authorities for their handling in accordance with the law; if such behaviour constitutes an offence, those who committed such offence shall be held responsible in accordance with the law.

The Group has pledged that the use of false promotional messages is prohibited. When disseminating public information such as advertisements and recruitment materials, we strictly comply with the requirements under the laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) by filing them with approval authorities for their review and approval.

The Group ensures that the information of customers and business are highly secured. To further clarify the requirements on privacy protection by the Group, as required by the laws and regulations such as the Personal Data (Privacy) Ordinance of Hong Kong and the Tort Law of the People's Republic of China (《中華人民共和國侵權責任法》), we ensure that the confidentiality of material non-public information such as business secrets and customer information are strictly maintained. The Group has formulated relevant regulations with detailed provisions on the scope of confidential issues and confidentiality level categorisation, the requirements for confidential issues and the handling and accountability for unauthorised disclosure and leakage. The Group has signed non-disclosure agreements with all employees and cooperating suppliers to ensure that they are aware of and undertakes to comply with the Group's confidentiality requirements. In the event of any leakage of the private information of our customers or the Group, the Group will promptly take remedial measures and disciplinary actions against the persons held responsible depending on the severity of the incident.

During the Reporting Period, no complaints or legal proceedings regarding infringement of intellectual property, advertising, labelling and privacy issues were received by or brought against the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

Professional Ethics

NOVA Group operates its business on the principles of honesty, ethics and integrity, also resolutely resists illegal acts such as bribery, extortion, fraud and money laundering, and any behaviours which may be detrimental to the Group and its stakeholders are prohibited. We strictly abide by the national and regional laws and regulations regarding anti-corruption, including the Prevention of Bribery Ordinance of Hong Kong, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (《打擊洗錢及恐怖分子資金籌集條例》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Anti-Corruption Law of the People's Republic of China (《中華人民共和國反腐敗法》), the Criminal Procedure Law of the People's Republic of China (《中華人民共和國刑事訴訟法》) and Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations. The Group adopts a zero-tolerance approach to any form of bribery and corruption, and requires employees to perform their duties with integrity and serve customers with a fair and professional attitude. We explicitly prohibit illegal acts such as bribery, extortion, fraud and money laundering and regulate the professional behaviours and ethics of all employees in the Group.

In addition, the Group has established a reliable whistle-blowing channel for employees and those who deal with the Group to report any suspected misconduct to the Group verbally or in writing. Upon receipt of the report, we will conduct investigation immediately, and if the allegation is found to be true, we will take disciplinary actions against the person concerned, and if necessary, take legal actions to report to the relevant regulatory or law enforcement authorities.

During the Reporting Period, we were not aware of any illegal cases of bribery, extortion, fraud or money laundering threatened against the Group or its employees.

Supplier Management

Suppliers play an integral role in the business of the Group. The Group firmly believes that comprehensive supply chain management is paramount to maintain the quality of the products and services of the Group, and to promote the sustainable development. To protect the Company's vital interests, the Group always selects legitimate suppliers with outstanding quality, relevant qualifications and excellent service capabilities on the basis of transparency and fairness. The performance of suppliers in discharging their environmental and social responsibilities is also one of the evaluation criteria for our suppliers. In the process of selecting suppliers, factors such as candidates' sustainable development and management strategies, labour standards, moral standards and environmental management systems are included in the scoring system for close examination. The Group also encourages suppliers to actively assume their corporate social responsibilities by observing the regulatory requirements and business ethics in respect of business operation, marketing campaigns, social occasions and environmental obligations.

To ensure the services and products quality provided by suppliers, we evaluate our existing suppliers on a regular basis and remove those found to be in serious non-compliance or whose quality fails to meet the requirements, thereby reducing the risks associated with the supply chain. New suppliers will also be introduced according to our selection criteria to maintain the Group's sustainable development and achieve our ultimate goal of a win-win situation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

ELITE TEAMS

Employment Management

NOVA Group understands that employees are an indispensable cornerstone for business development, and excellent talents are the driving force for the sustainable development. The Group provides employees with attractive, reasonable and fair treatment and remuneration, and actively improves the employee benefit policies to increase employees' sense of belonging and work enthusiasm, and jointly promote the sustainable development. The Group strictly complies with relevant laws and regulations, such as the Employment Ordinance, the Employees' Compensation Ordinance, and the Mandatory Provident Fund Schemes Ordinance of Hong Kong, the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Implementing Regulations of the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》), etc., continuously improves the human resources management system, and implements normalised and standardised management in respect of salary and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, and anti-discrimination, so as to effectively protect the interests of employees.

The Group promote a diverse and respectful workplace to ensure that employees are not treated differently due to factors such as gender, age, nationality, race, religion, family and health conditions, and eliminate any form of discrimination.

During the Reporting Period, the Group had not experienced any complaints or litigations regarding the violation of laws relating to recruitment, compensation, dismissal, promotion, performance assessment, working hours, holidays, equal opportunities, diversity, anti-discrimination and other aspects of employment.

During the Reporting Period, the Group had an aggregate of 164 employees. The details are as follows:

Existing Employees		
Gender	**Number**	**Percentage**
Male	90	54.9%
Female	74	45.1%
Age	**Number**	**Percentage**
Under 30	78	47.6%
30–40	67	40.8%
41–50	12	7.3%
51 or above	7	4.3%
Position	**Number**	**Percentage**
Senior management	20	12.2%
Middle management	32	19.5%
General employees	112	68.3%

Employee Turnover		
Gender	**Number**	**Percentage**
Male	31	34.4%
Female	32	43.2%
Age	**Number**	**Percentage**
Under 30	42	53.8%
30–40	18	26.9%
41–50	2	16.7%
51 or above	1	14.3%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

Lawful Labour

The Group prohibits the use of child labour or forced labour. In accordance with the Employment Ordinance of Hong Kong, the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law of the People's Republic of China on the Protection of Minors and the Regulations on the Implementation of the Employment Contract (《中華人民共和國未成年人保護法和勞動合同實施條例》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition against the Use of Child Labour (《禁止使用童工規定》), we have clearly stipulated in the labour contracts that the Group and its employees have equal legal status and that no party shall impose its/his/her will on the other party. The Group strictly implements relevant procedures in the recruitment process and screens out all job applicants under the age of 15, and their identification certificates are carefully examined in the interviews. In case of any violation of relevant regulations, the Group will immediately terminate the employment contract to prevent child labour. The Group formulates the working hours of employees according to relevant laws and regulations, and does not encourage and emphasise overtime work.

During the Reporting Period, the Group had not experienced any kind of child labour or forced labour related complaints.

Health and Safety

As a responsible employer, the Group believe employees' health and safety are the guarantee of steady operation for an enterprise. The Group continues to improve the health and safety related system construction and daily management to protect employees' physical and mental health. The Group strictly complies with the Occupational Safety and Health Ordinance, the Regulation on Work-Related Injury Insurances (《工傷保險條例》), the Fire Safety (Commercial Premises) Ordinance of Hong Kong and the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law on Prevention and Control of Occupational Diseases of the People's Republic of China (《中華人民共和國職業病防治法》), and the Administrative Measures for Occupational Health Inspection (《職業性健康檢查管理辦法》) and other relevant laws and regulations, committed to creating a sanitary, safe and comfortable office environment for employees.

We have formulated a series of emergency preparation and response procedures at the Group's exhibitions and entertainment venues to further improve occupational health management and reduce safety risks, regularly organised safety drills, and equipped business premises with sufficient labour protection supplies and firefighting equipment (such as fire extinguishers and fire hoses), so as to comprehensively reduce occupational safety risks.

In order to maintain a hygienic office environment, we regularly hire professional cleaning companies to disinfect telephones, keyboards, computers and other office supplies; clean glass windows, walls, carpets as well as debugs. We also carry out regular inspections of the hygienic conditions of the items in our office environment and promptly clean or replace those that do not meet hygienic standards.

During the Reporting Period, the Group had no work-related safety incidents.

Training and Development

The development of employees is the top priority of the Group's planning and also the driving force for the steady development of NOVA Group. The Group continues to invest resources and establish a sound training system. Through various types of training and learning programs, the Group encourages employees to develop their potential, improves team capabilities and overall quality, and lays a solid foundation for the sustainable development of the Company. Every year, the Group regularly formulates training work plans for business development and employees' career needs, arranges diversified training programs and seminars held by relevant institutions. During the Reporting Period, the Directors attended seminars and courses organised by external parties; the Company's financial controller and accounting department also attend courses, seminars and online courses organised by the Institute of Certified Public Accountants or accounting firms from time to time every year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

Training and Development *(Continued)*

We attach great importance to training management work. We monitor training processes and undertake assessment upon conclusion of training programmes, whereby we also take into account trainees' subsequent job performances to carry out appraisals as to their overall learning results, ensuring that our trainings are effective. Meanwhile, the results of the training assessment will be recorded in the employees' files as references for potential shift of positions, adjustment of ranks, assessment of performance and other personnel activities.

During the Reporting Period, the average training hours of the Group's employees are 3.2 hours per trainee.

Employee Care

NOVA Group has established a comprehensive remuneration and welfare protection system in accordance with the laws, and adheres to the principle of equal and fair employment. It only considers candidates' moral character, work ability, development potential and compatibility with the Company's culture as the consideration for the appointment of talents, and provides fair and competitive remuneration and benefits based on their educational background, work experience, career aspirations and other factors. Employees' remuneration package includes basic salary, post salary and comprehensive subsidies, as well as bonuses determined by their business performance and individual performance, serving as an effective motivation to employees. The Group regularly adjusts employees' remuneration and benefits by evaluating their work ability and past performance, and making reference to market and industry standards, which is one of the basis for promotion. At the same time, the Group provides performance-based salary according to the work performance and position of employees to enhance the motivation of employees to work hard, and formulates a remuneration structure table to determine the salary range of each rank and provide clear guidance for employees. The Group ensures that all procedures such as remuneration assessment, position and job grade transfer are fair, open and transparent to ensure equal opportunities for all job applicants and staff.

Not only reasonable remuneration, the Group also emphasised on welfare policy to encourage unites our team and passion of work. Subject to the Employment Ordinance and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), we also provide a wide range of benefits to employees, including labour insurance, Mandatory Provident Fund, medical and life insurance, telecommunication subsidy, lunch allowance, overtime subsidy, travel allowance, heatstroke prevention subsidy and labour protection allowance. In addition, we implement standardised management on employees' holidays and rest periods, and formulate policies to restrict employees' working hours with reference to laws, regulations and guidelines such as the Employment Ordinance of Hong Kong and the Provisions of the State Council on Employees' Working Hours (《國務院關於職工工作時間的規定》). To ensure that employees have sufficient rest. In addition to statutory holidays and fixed paid annual leave, the Group's employees provide paid leave including annual leave, sick leave, maternity leave, marriage leave, bereavement leave and examination leave to further protect the legitimate rights of employees.

To ensure that our employees work in a pleasant and comfortable environment, we attach great importance to our employees' voices, and have established a number of channels, such as feedback boxes for collecting employees' comments, in order to enhance communication with them, understand their thoughts and suggestions, and continue to perfect our employee management system. The Group also encourages employees to respect, coordinate and support each other during work and create a fair and diverse working environment free from discrimination so as to manifest our corporate values and fulfil social responsibilities.

Furthermore, we arrange various kinds of recreational activities, dinners and parties for our employees from time to time. On major traditional holidays, such as the Dragon Boat Festival and the Mid-Autumn Festival, the Company buy rice dumplings and mooncakes for employees as benefits, which not only unites our team, but also encourages employees to achieve a balance between life and work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

ENVIRONMENTAL OPERATIONS

Environmental Protection

The Group understands the importance of environmental protection, strictly controls generation and emission of air pollutants, waste discharges and others in adherence to the Air Pollution Control Ordinance of Hong Kong, the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Pollution (《中華人民共和國污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染防治法》) and the Law of the People's Republic of China on Conserving Energy (《中華人民共和國節約能源法》) and other related laws and regulations, to ensure that the Group does not violate any laws or regulations related to environment in the course of our operation and management.

As a responsible corporate citizen, we consistently carry out the environmental sustainability development strategy across our operations, perfect our environment management system and promote green development. We continuously gather and monitor data and information relating to major environment issues which are material to the Group. As the Group is principally engaged in the exhibition management business, management services and other business activities which are all conducted in office, our daily operations do not have any material effect on the environment, except for greenhouse gas emissions indirectly generated from the use of externally purchased electricity.

During the Reporting Period, the Group was not aware of any violation of environmental protection laws and regulations.

Energy Saving and Reducing Emission

In order to reduce carbon emissions in business operations and jointly cope with climate change, the Group actively advocates the green policy of sustainable development and strives to save energy, water, paper and other resources within its capacity. We proactively raised our staff's environmental awareness and implemented relevant measures in energy saving and reducing emission in daily operation so as to established a low-carbon office.

Electricity is the principal energy consumed in our daily operation within the offices and galleries. The Group regularly monitors the electricity consumption of the offices in Hong Kong and Mainland China, installed LED lights with higher energy efficiency in the offices to replace traditional fluorescent tubes, and encouraged employees to minimise the use of lights when natural light is abundant; signs are displayed at prominent locations in offices to raise employees' awareness of energy conservation; Central air-conditioning is subject to reasonable adjustments in different seasons; electrical appliances are subject to regular energy consumption inspections; energy saving and environmental protection are considered in the procurement of new electrical appliances.

Effective use of resources

The Group understands the precious nature of the earth's resources and actively advocates paperless office in the office to reduce unnecessary office paper consumption. The Group encourages employees to prioritise the communication and dissemination of information through e-mail and other electronic platforms. The Group encourages double-sided printing and use of waste paper for printing internal documents whenever possible.

The Group adheres to its commitment to sustainable management and has taken various measures in the office to encourage recycling to reduce waste generation. The Group encourages employees to reuse office stationery such as used envelopes and document folders whenever possible. In terms of hazardous waste, as the business of the Group does not involve any industrial production activities, the Company did not generate any significant hazardous waste during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

Effective use of resources *(Continued)*

The operation of the Group involves a small amount of water for office activities. Although the Group did not encounter any issue in sourcing water that is fit for purpose, we strive to reduce water consumption and improve the efficiency of water use in our operations. The Group has put up "Saving Water Resource" posters in washrooms and food bars in the office to raise employees' awareness of water conservation. In addition, the Group also regularly inspects and repairs the water supply system, including water taps, water pipelines and water storage tanks. Once the water supply equipment is found to have dripping or leaking, professional parties will be arranged to repair the water supply equipment immediately to reduce waste caused by leakage of the water supply system.

ENVIRONMENTAL PERFORMANCE

During the Reporting Period, the Group's environmental performance in terms of resource consumption and emissions is as follows:

Resource Consumption Indicator	Value	Unit
Electricity consumption[1]	77,641	kWh
Electricity consumption per capita	473.42	kWh/person[2]
Water consumption[3]	14,838.8	litre
Water consumption per capita	90.48	litre/person
Greenhouse Gas Emissions Indicator	**Value**	**Unit**
Motor vehicle emissions (scope 1)[4]	5,477	kg
Electricity consumption emissions (scope 2)[5]	36,205.83	kg
Total greenhouse gas emissions	41,682.83	kg
Total greenhouse gas emission intensity	254.16	kg/person
Vehicle Air Pollutant Emissions Indicator[6]	**Value**	**Unit**
Carbon monoxide (CO) emissions	11.54	kg
Nitrogen oxide (NO_X) emissions	1.28	kg
Suspended particulate matter ($PM_{2.5}$) emissions	0.03	kg
Solid Waste Generation		
Hazardous Waste Indicator	**Value**	**Unit**
Waste batteries generation	20	kg
Waste batteries generation intensity	0.12	kg/person
Waste cartridge generation	40	piece
Waste cartridge generation intensity	0.24	piece/person
Non-hazardous Waste Indicator[7]	**Value**	**Unit**
Waste paper generation	350	kg
Waste paper generation intensity	2.13	kg/person

1 The statistics of electricity consumption only cover Hong Kong headoffice, Shanghai Dazhi Ruoyu Information Technology Co., Ltd., Shanghai Shouxin Commercial Factoring Co., Ltd., Dazhi Ruoyu Entertainment Information Technology (Hainan) Co., Ltd., NOD (Shanghai) Management Communication Co., Ltd. and Shanghai Lin Yun Exhibition Service Limited Liability Company;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

[2] The Group has a total of 164 employees;

[3] The statistics of water consumption only cover the bottled water consumption of Hong Kong headoffice, Shanghai Dazhi Ruoyu Information Technology Co., Ltd., Phebe (Shanghai) Brand Management Limited and NOD (Shanghai) Management Communication Co., Ltd; the Group's water supply is sourced from the municipal water network, and it has not experienced any difficulty in securing water supply;

[4] The Group has two vehicles in Hong Kong. The greenhouse gas (scope 1) emissions data is calculated with reference to the Reporting Guidance on Environmental KPIs issued by the Stock Exchange;

[5] The greenhouse gas (scope 2) emissions data is calculated with reference to the Reporting Guidance on Environmental KPIs issued by the Stock Exchange;

[6] The vehicle air pollutant emissions data is calculated with reference to the Reporting Guidance on Environmental KPIs issued by the Stock Exchange;

[7] The scope of the Group's business operation does not involve any packaging material.

Caring for Community

Adhering to the belief that "fragrance lingers in the hand that gives roses", NOVA Group encourages employees to actively participate in charitable activities and provide voluntary services (such as youth mentoring programmes) to support sustainable development of the community and society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

CONTENT INDEX FOR THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

A. Environmental			
Items		**Descriptions**	**Reference Section(s)**
Aspect A1: Emissions			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection
KPIs	A1.1	The types of emissions and respective emissions data	Environmental Performance
	A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Performance
	A1.3	Total hazardous waste produced and, where appropriate, intensity	Environmental Performance
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity	Environmental Performance
	A1.5	Description of measures to mitigate emissions and results achieved	Energy Saving and Emission Reduction
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Energy Saving and Emission Reduction
Aspect A2: Use of Resources			
General Disclosure		Policies on the efficient use of resources	Environmental Protection Energy Saving and Emission Reduction
KPIs	A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Performance
	A2.2	Water consumption in total and intensity	Environmental Performance
	A2.3	Description of energy use efficiency initiatives and results achieved	Energy Saving and Emission Reduction
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Energy Saving and Emission Reduction Environmental Performance
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	The Group does not involve the use of packaging materials due to the nature of business
Aspect A3: The Environment and Natural Resources			
General Disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources	Environmental Protection Energy Saving and Emission Reduction
KPIs	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Energy Saving and Emission Reduction

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

B. Social			
Items		**Descriptions**	**Reference Section**
Aspect B1: Employment			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment Management
Recommended Disclosures	B1.1	Total workforce by gender, employment type, age group and geographical region	Employment Management
	B1.2	Employee turnover rate by gender, age group and geographical region	Employment Management
Aspect B2: Health and Safety			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety
Recommended Disclosures	B2.1	Number and rate of work-related fatalities	/
	B2.2	Lost days due to work injury	/
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety
Aspect B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Training and Development
Recommended Disclosures	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	/
	B3.2	The average training hours completed per employee by gender and employee category	Training and Development
Aspect B4: Labour Standards			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Lawful Labour
Recommended Disclosures	B4.1	Description of measures to review employment practices to avoid child and forced labour	Lawful Labour
	B4.2	Description of steps taken to eliminate such practices when discovered	Lawful Labour

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

B. Social			
Items		**Descriptions**	**Reference Section**
Aspect B5: Supply Chain Management			
General Disclosure		Policies on managing environmental and social risks of the supply chain	Supply Chain Management
Recommended Disclosures	B5.1	Number of suppliers by geographical region	/
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management
Aspect B6: Product Responsibility			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Compliant Operation
Recommended Disclosures	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	/
	B6.2	Number of products and service related complaints received and how they are dealt with	/
	B6.3	Description of practices relating to observing and protecting intellectual property rights	Compliant Operation
	B6.4	Description of quality assurance process and recall procedures	/
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Compliant Operation
Aspect B7: Anti-corruption			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Professional Ethics
Recommended Disclosures	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Professional Ethics
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	/
Aspect B8: Community Investment			
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Caring for Community
Recommended Disclosures	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Caring for Community
	B8.2	Resources contributed (e.g. money or time) to the focus area	/

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Director(s)**") of NOVA Group Holdings Limited (the "**Company**") (collectively, the "**Group**") presents its report and the audited consolidated financial statements for the year ended 30 June 2020 (the "**Reporting Year**").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in Note 20 to the consolidated financial statements of the Group.

BUSINESS REVIEW

A discussion and analysis of the Group's performance during the Reporting Year and the financial key performance indicators affecting its results and financial position are set out in the section headed "Management Discussion and Analysis" ("**MD&A**") of this annual report.

The information about a fair review of, and an indication of likely future development in, the Group's business is set out in the MD&A of this annual report.

Save as disclosed in the MD&A of this annual report under the sections headed "Significant Investments" and "Subsequent Events", there are no important events affecting the Group that have occurred since the end of the Reporting Year.

Principal Risks and Uncertainties

The followings are the major risks and uncertainties currently faced or anticipated by the Group.

Operation Risk

The Group's business and profitability growth during the Reporting Year is affected by the increase in competition in the industry and the volatility and uncertainty of the macro-economic conditions in Hong Kong. The Group is expected to continue to be affected by the above factors.

Financial Risk

The details of financial risk management objectives and practices of the Group is set out in Note 5 to the consolidated financial statements of the Group. There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

Environmental Policies and Performance

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and double-sided printing. For further details, please refer to the Environmental, Social and Governance Report set out on pages 24 to 38 of this annual report.

Compliance with the Relevant Laws and Regulations

To the best knowledge of the Board and the management, the Group complied with the relevant laws and regulations that have a significant impact on the Group's business and operation during the Reporting Year.

DIRECTORS' REPORT
(Continued)

Key Relationships with Employees, Customers and Suppliers

The Group's management policies, working environment, career prospects and employees' benefits have contributed to building a good employee relations and employee retention of the Group. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme. The management regularly reviews its employee's remuneration packages to ensure they are up to prevailing market standard. The Group has established long-term business relationships with its major suppliers and customers. The Group will endeavour to maintain its established relationship with these existing suppliers and customers.

RESULTS

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 60 to 61 of this annual report.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the Reporting Year (2019: HK5.0 cents per share).

DIVIDEND POLICY

The Company has adopted a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with applicable laws and the relevant provisions of the articles of association of the Company (the "**Articles**"). In deciding whether to declare any dividend, the Board will take into account a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 158 of this annual report.

BORROWINGS

The total borrowings of the Group (including debentures) as at 30 June 2020 amounted to approximately HK$312.27 million (30 June 2019: approximately HK$347.87 million). Details of borrowings are set out in Notes 34 and 35 to the consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Year are set out in Note 16 to the consolidated financial statements of the Group.

DIRECTORS' REPORT
(Continued)

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Year are set out in Note 36 to the consolidated financial statements of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Reporting Year are set out in Note 45 to the consolidated financial statements and in the consolidated statement of changes in equity of the Group, respectively.

DISTRIBUTABLE RESERVES

Details of the Company's distributable reserves as at 30 June 2020 are set out in Note 45 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

No charitable donations made by the Group during the Reporting Year (2019: HK$0.20 million).

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors throughout the Reporting Year and as at the date of approval of this annual report of the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, the revenue generated from the Group's five largest customers accounted for approximately 18.31% (2019: approximately 21.80%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 4.92% (2019: approximately 6.03%) of the Group's total revenue.

During the Reporting Year, the fees paid to the Group's five largest suppliers accounted for approximately 36.61% (2019: approximately 33.55%) of the Group's total direct operating cost and the supplies from the largest supplier included therein accounted for approximately 10.33% (2019: approximately 8.23%) of the Group's total direct operating cost.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers for the Reporting Year.

DIRECTORS' REPORT
(Continued)

DIRECTORS

The Directors who held office during the Reporting Year and up to the date of this annual report were:

Executive Directors
Mr. Deng Zhonglin *(Chairman)*
Mr. Xu Feng *(Chief Executive Officer)*
Mr. Wong Yuk Lun Alan (Appointed on 15 July 2020)

Non-executive Director
Ms. Huang Chian Sandy (Appointed on 15 July 2020)

Independent Non-executive Directors
Mr. Choi Hung Fai
Mr. Tsang Wing Ki
Dr. Wong Kong Tin, *JP*
Mr. Qiu Peiyuan

In accordance with Article 105(A) of the Articles, at each AGM of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation. Mr. Xu Feng, Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP* will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance with Article 109 of the Articles, any Director appointed by the Board to fill a casual vacancy of the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Mr. Wong Yuk Lun Alan and Ms. Huang Chian Sandy who were appointed by the Board on 15 July 2020, will retire at the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

INDEPENDENCE CONFIRMATIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 3.13 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company has received an annual confirmation from each independent non-executive Director confirming his independence. The Company has assessed the independence of the independent non-executive Directors and considers that for the Reporting Year, all of them to be independent based on the independence criteria in accordance with the requirements in the Listing Rules, their non-involvement in the daily operation and management of the Company, and the absence of any relationships which will interfere with the exercise of their independent judgments.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for those disclosed in the section headed "Share Option Scheme" in this Directors' report of this annual report, at no time during the Reporting Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for the re-election at the forthcoming AGM has or is proposed to have a service contract with the Company not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' REPORT
(Continued)

DIRECTORS' REMUNERATION

The Directors' emoluments are determined by the Board after considering the recommendations from the Remuneration Committee with reference to Directors' duties, responsibilities, individual performance and the results of the Group and the emoluments are subject to the shareholders' approval at the AGM.

Particulars of the Directors' emoluments for the Reporting Year are set out in Note 13 to the consolidated financial statements of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party, and in which a Director of the Company or any entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Reporting Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the Reporting Year, the Board is not aware of any business or interests of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in Note 40 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules which is required to be disclosed.

MANAGEMENT CONTRACT

Other than the service contracts of the Directors, the Company did not enter into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the Reporting Year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives or rewards to selected participants for their contributions to the Group. The Share Option Scheme was adopted by the Company on 18 October 2013 (the "**Adoption Date**").

Summary of Terms

(i) Purpose and participants

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. Eligible participants of the Share Option Scheme include the following classes of participants:

(a) any employee (whether full-time or part-time including any executive Directors but excluding any non-executive Director) of the Company, any of the subsidiaries or any entity (the "**Invested Entity**") in which the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

DIRECTORS' REPORT
(Continued)

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the growth of the Group, and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The eligibility of any of the above classes of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his/her/its contribution to the development and growth of the Group.

(ii) Total number of shares available for issue

The maximum number of shares (the "**Shares**") of the Company which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital (the "**Issued Share Capital**") of the Company from time to time. The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group as may from time to time be adopted by the Company as permitted under the Listing Rules initially must not, in aggregate, exceed 10% of the Issued Share Capital as at the time dealings in the Shares first commence on the Main Board of the Stock Exchange (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the shareholders). After the refreshment of the limit of the Share Option Scheme with the approval of the shareholders on 10 May 2019, the maximum number of Shares which may be issued upon the exercise of the refreshed limit of 146,290,000 options (being 10% of the Issued Share Capital on 10 May 2019) together with all outstanding options as at the date of this annual report carrying the right to subscribe for 46,210,000 Shares is 192,500,000 Shares, representing approximately 10.61% of the total number of Shares in issue as at the date of this annual report. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting.

(iii) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the Issued Share Capital for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in a general meeting of the Company with such grantee and his associates abstaining from voting.

(iv) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

(v) Minimum period for which an option must be held before being exercised

Unless otherwise determined by the Directors and stated in the offer of the grant of options to an eligible participant, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vi) Amount payable on acceptance of the option and the period within which payments must be paid

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon receipt by the Company of the payment of a nominal consideration of HK$1 and signed acceptance of offer by the eligible participant.

(vii) Basis of determining the exercise price

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

(viii) Subject to any earlier termination in accordance with its rules, the Share Option Scheme shall remain in force for a period of 10 years commencing on 18 October 2013.

On 1 June 2018 (the "**Date of Grant**"), the Company granted an aggregate of 100,000,000 Share options under the Share Option Scheme, at an exercise price of HK$1.89 per Share. The exercise price was the higher of (i) the closing price of HK$1.85 per Share on the Date of Grant; (ii) the average closing price of HK$1.89 per Share for the five business days immediately preceding the Date of Grant. The closing price per Share immediately before the Date of Grant was HK$1.87. The Share options granted to each grantee shall vest conditional upon the fulfilment of certain performance targets relating to the Group in accordance with the following schedule:

Vesting Date	Percentage of the Share options vested/ to be vested on the Vesting Date
1 June 2018	0%
31 December 2018	25%
30 June 2019	25% (i.e. up to 50% in total)
31 December 2019	25% (i.e. up to 75% in total)
30 June 2020	25% (i.e. up to 100% in total)

DIRECTORS' REPORT
(Continued)

Details of the share options granted under the Share Option Scheme as at 30 June 2020 are as follows:

Category of participants	Date of grant	Exercise price per share (HK$)	Exercise period	Options outstanding as at 1 July 2019	Options granted during the Reporting Year	Options exercised during the Reporting Year	Options cancelled/ lapsed during the Reporting Year	Options outstanding as at 30 June 2020
Executive Directors								
Mr. Deng Zhonglin	1 June 2018	1.89	31 December 2018 to 31 May 2028	12,000,000	–	–	–	12,000,000
Mr. Xu Feng	1 June 2018	1.89	31 December 2018 to 31 May 2028	9,680,000	–	–	–	9,680,000
				21,680,000	–	–	–	21,680,000
Employees	1 June 2018	1.89	31 December 2018 to 31 May 2028	78,320,000	–	–	19,580,000	58,740,000
Total				100,000,000	–	–	19,580,000	80,420,000

The Share options, once vested, shall be exercisable within a period of ten years from the Date of Grant. Except for the Directors listed in the table above, none of the grantees under the Share Option Scheme is a connected person of the Group.

The weighted average fair value for each granted Share option for the Reporting Year was HK$0.79, which was determined by using the Binomial Option Pricing Model. The significant inputs into the model included Share price of HK$1.85 at the Date of Grant, exercise price of HK$1.89, volatility of 33.02%, dividend yield of 0.0%, an expected Share option life of 10 years and an annual risk-free interest rate of 2.21%. The expected volatility is determined by calculating the historical volatility of the Share price of listed companies with similar business as the Group. The expected dividend yield is determined with reference to historical dividend and Share price of the Company. The amortisation of Share options of approximately HK$14.86 million (2019: approximately HK$57.40 million) was recognised as staff costs in the consolidated statement of profit or loss and other comprehensive income.

EQUITY-LINKED AGREEMENTS

Convertible Bonds and Convertible Notes

The Company issued a tranche of zero coupon convertible bonds ("**Convertible Bonds**") at a par value of HK$8.00 million on 19 March 2020. The Convertible Bonds shall mature on 7 April 2020 at its nominal value of HK$8.00 million or can be converted into Shares at the holder's option on or before the maturity date at the conversion price of HK$0.92 per Share. The maximum number of Shares to be issued is 8,700,000 Shares and all of them were issued on 1 April 2020. The issuance of the Convertible Bonds of HK$8.00 million was used to satisfy the partial consideration for the acquisition of Fortune Selection Limited and its subsidiaries.

DIRECTORS' REPORT
(Continued)

The Company issued the first tranche of zero coupon convertible notes (the "**Convertible Notes**") at a par value of HK$34.00 million on 8 May 2019 and the second tranche of the Convertible Notes at a par value of HK$58.00 million on 6 April 2020, both shall mature on 7 March 2022 at its nominal value of HK$34.00 million and HK$58.00 million, respectively or can be converted into Shares at the holder's option on or before the maturity date at the conversion price of HK$1.83 per Share. The maximum number of Shares to be issued is 18,579,234 Shares for the first tranche of the Convertible Notes and 31,693,989 Shares for the second tranche of the Convertible Notes. Both tranches of the Convertible Notes were converted into a total of 50,273,223 Shares on 22 April 2020. The issuance of the Convertible Notes of HK$34.00 million and HK$58.00 million were used to satisfy the partial consideration for the acquisition of Cheer Sino Investment Holdings Limited and its subsidiaries.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 30 June 2020, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules, were as follows:

Interest in underlying shares of the Company

Name of Directors	**Capacity/Nature of interest**	**Number of underlying shares** *(Note 1)*	**Approximate percentage of interest in the Company**
Mr. Deng Zhonglin	Beneficial owner	12,000,000 (L) *(Note 2)*	0.79%
Mr. Xu Feng	Beneficial owner	9,680,000 (L) *(Note 3)*	0.64%

Notes:

1. "L" denotes long position and "S" denotes short position.

2. These 12,000,000 underlying shares represent the 12,000,000 Shares which may be allotted and issued to Mr. Deng Zhonglin upon full exercise of the share options granted to him on 1 June 2018 under the Share Option Scheme.

3. These 9,680,000 underlying shares represent the 9,680,000 Shares which may be allotted and issued to Mr. Xu Feng upon full exercise of the share options granted to him on 1 June 2018 under the Share Option Scheme.

DIRECTORS' REPORT
(Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, to the best of the knowledge and belief of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of shares/ underlying shares *(Note 1)*	Approximate percentage of interest in the Company
Mr. Chen Chao	Beneficial owner	164,235,000 (L)	10.79%
Mr. Lee Wilson	Interest in a controlled Corporation *(Note 2)*	87,025,000 (L)	5.72%
Noahs Global Group Holding Limited ("**Noahs Global**")	Beneficial owner *(Note 2)*	87,025,000 (L)	5.72%

Notes:

1. "L" denotes the corporation/person's long position (as defined under Part XV of the SFO) in the shares.

2. Mr. Lee Wilson holds 100% of the issued share capital in Noahs Global and Noahs Global directly holds approximately 5.72% of the total number of issued Shares of the Company. Therefore, Mr. Lee Wilson is taken to be interested in the number of Shares of the Company held by Noahs Global pursuant to Part XV of the SFO.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Shares of the Company.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors.

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Details of the Audit Committee, the Remuneration Committee and the Nomination Committee are set out in the section headed "Corporate Governance Report" of this annual report.

DIRECTORS' REPORT

(Continued)

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Tsang Wing Ki (chairman), Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*. The Audit Committee has reviewed, with management and the independent auditor of the Company, the annual results and the consolidated financial statements of the Group for the Reporting Year.

AUDITOR

The consolidated financial statements have been audited by HLM CPA Limited who will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment at a fee to be agreed by the Board.

On behalf of the Board

Deng Zhonglin
Chairman

Hong Kong, 25 September 2020

BIOGRAPHICAL DETAILS OF DIRECTORS

BOARD OF DIRECTORS

Executive Directors

Mr. Deng Zhonglin ("**Mr. Deng**"), aged 46, was appointed as an executive Director on 14 October 2016 and is currently the chairman of the Board. Mr. Deng is the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Deng has over 20 years of experience in corporate management and strategic planning. He is familiar with the exhibition industry and the operation of advertising business. Mr. Deng graduated from Shenzhen University in 1995.

From 1999 to 2003, Mr. Deng served as an assistant to the general manager of 上海萬舟航運有限公司 (transliterated as Shanghai Wanzhou Shipping Co., Limited). From 2004 to 2009, he was the managing director of 永安商船海運有限公司 (transliterated as Ever Maru Shipping Co., Limited). From 2010 to 2017, he served as the general manager of 上海覽眾廣告傳播有限公司 (transliterated as Shanghai Public Advertising Communications Co., Limited), which was mainly engaged in advertising, display and exhibition services as well as conference services.

Mr. Xu Feng ("**Mr. Xu**"), aged 44, was appointed as an executive Director and the chief executive officer of the Company on 21 June 2018. Mr. Xu is currently an executive director of 諾笛（上海）企業管理諮詢有限公司 (transliterated as NOD (Shanghai) Management Communication Co., Ltd ("**NOD**")), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. He is an executive president of 上海市酒吧行業協會 (transliterated as Shanghai Bar (Professional) Association).

Mr. Xu is a seasoned professional executive in brand management and business development and a well-known artist in the entertainment industry in the PRC. Mr. Xu was a member of a well-known boy band, being 中國力量 (transliterated as China Power) and therefore developed a well-established network among both the entertainment industry and artist agencies in the PRC. Mr. Xu was proficient in management operations, professional planning, team building and development of entertainment brands etc. Prior to joining NOD, Mr. Xu was the vice general manager of 搜浩捌捌（北京）企業管理有限公司 (transliterated as Souhao Baba (Beijing) Corporate Management Co., Ltd) between 2008 and 2014. During the period, he was also invited to be the speaker for the summit of national real estate developer and many regional summits of the entertainment industry to share his insights of the entertainment industry and management philosophies. He also attended interviews with several entertainment and fashion magazines and shared his professional working experience in the entertainment industry and management philosophies.

Mr. Wong Yuk Lun Alan ("**Mr. Wong**"), aged 46, was appointed as an executive Director on 15 July 2020. Mr. Wong graduated from the University of Sunderland with a bachelor's degree in accounting and finance. Mr. Wong had been working with various accounting firms and commercial companies and has over 20 years of experience in merger and acquisitions, financial management, taxation, audit and non-audit services.

Mr. Wong is currently an independent non-executive director of Huisheng International Holdings Limited (stock code: 1340) and Deson Construction International Holdings Limited (stock code: 8268), the issued shares of which are listed on the Stock Exchange. Mr. Wong is also an independent non-executive director of Temir Corp (stock code: TMRR) since 15 July 2019, the issued shares of which are traded on the OTC Securities Marketplace in the United States of America.

Mr. Wong was an independent non-executive director of TUS International Limited (stock code: 872) from 2 September 2014 to 17 July 2020 and of Bolina Holding Co., Ltd. (stock code: 1190) from 7 July 2016 to 27 March 2017, the issued shares of which are both listed on the Stock Exchange. Mr. Wong was also an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823) from 24 May 2019 to 2 March 2020, the issued shares of which had been formerly listed on the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

(Continued)

Non-executive Director

Ms. Huang Chian Sandy ("**Ms. Huang**"), aged 48, was appointed as a non-executive Director on 15 July 2020. Ms. Huang graduated from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) with a diploma in design. Ms. Huang has over 20 years of experience in managing real estate agency business and real estate credit fund in the People's Republic of China.

Ms. Huang has been the founder of 上海夢騰房地產信息有限公司 (transliterated as Shanghai Mengteng Real Estate Information Company Limited) since December 2018. She served as the chief executive officer and the regional director of 上海創拓房地產經紀發展有限公司 (transliterated as Keller Williams Greater Shanghai Company Limited) from July 2016 to November 2018. She also founded and served as the chief executive officer of 上海毅達投資管理諮詢有限公司 (transliterated as Yida Investments Management & Consultancy (Shanghai) Company Limited), and served as the chief investment officer of BRJ Asset Management Limited from August 2011 to July 2016. She also served as the chief operating officer of 上海嘉奈芘服飾貿易有限公司 (transliterated as Carnaby (Shanghai) Company Limited) from July 2009 to July 2011. From October 2006 to November 2008, Ms. Huang served as the general manager of 上海鋭豐房地產投資顧問有限公司 (transliterated as Shanghai Ruifeng Real Estate Investment Consultants Company Limited). From December 2002 to October 2006, Ms. Huang founded and served as the general manager of 上海搏邦地產投資顧問有限公司 (transliterated as Bonity Property Group (Shanghai) Limited).

Independent Non-executive Directors

Mr. Choi Hung Fai ("**Mr. Choi**"), aged 35, was appointed as an independent non-executive Director on 17 July 2015. Mr. Choi is a member of each of the Audit Committee and the Nomination Committee. Mr. Choi has over 11 years of experience in securities trading, fund raising activities, corporate finance and project investments. Mr. Choi possesses knowledge in financial analysis, corporate finance, corporate valuation and corporate governance. Mr. Choi graduated with a bachelor's degree in business administration from the Chinese University of Hong Kong, and obtained a master of finance degree in corporate finance from the University of New South Wales in Australia.

Mr. Choi is currently the founder and managing director of Draco Capital Limited and also a responsible officer for Type 6 (advising on corporate finance) regulated activity of Draco Capital Limited under the SFO (Chapter 571 of the Laws of Hong Kong). Mr. Choi is principally responsible for advising on corporate finance activities, pre-initial public offerings, merger & acquisitions, fund raising activities and corporate restructurings for private and public companies in the PRC, Malaysia and Hong Kong.

Mr. Tsang Wing Ki ("**Mr. Tsang**"), aged 58, was appointed as an independent non-executive Director on 9 March 2017. Mr. Tsang is the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Tsang has over 25 years of experience in finance, accounting and auditing. Mr. Tsang obtained a professional diploma in accountancy from Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1987 and a master of professional accounting from the Hong Kong Polytechnic University in November 2000. Mr. Tsang is a fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA) and a fellow member of the Chartered Association of Certified Accountants (FCCA).

Mr. Tsang was a chief financial officer of Xin Dau Ji Membership Management Limited from July 2015 to September 2019. He was an independent non-executive director of VBG International Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8365) from May 2017 to December 2017. He was an independent non-executive director of ICube Technology Holdings Limited (currently known as Central Wealth Group Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 139) from November 2014 to July 2016. He was an independent non-executive director of Unity Investments Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 913) from September 2004 to October 2014. He was an executive director from August 2008 to December 2011 of Noble Jewelry Holdings Limited (currently known as Zhong Fa Zhan Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 475).

BIOGRAPHICAL DETAILS OF DIRECTORS
(Continued)

Dr. Wong Kong Tin, *JP* ("**Dr. Wong**"), aged 53, was appointed as an independent non-executive Director on 13 December 2017. Dr. Wong is the chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee. He has over 27 years of practical experience in the legal fields of cross-border investment in Greater China, financing, corporate acquisition, merger, listing, real estate project development, e-commerce, brand management, corporate governance, arbitration mediation, and media and public administration.

Dr. Wong holds an LLB and LLM from Peking University, postgraduate diploma in English and Hong Kong Law from The Manchester Metropolitan University in the United Kingdom, and LLD in constitutional and administrative law from Renmin University of China. He is also an associate of each of Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators, a Hong Kong registered financial planner, a fellow of the Hong Kong Institute of Directors, an accredited general mediator of the Hong Kong Mediation Accreditation Association Limited, a founding member of The Hong Kong Independent Non-Executive Director Association, and an associate of The Hong Kong Association of Financial Advisors Limited.

Dr. Wong's current community services include: the chairman of the Hong Kong Liquor Licensing Board, the chairperson of the Appeal Panel under the Property Management Service Ordinance, the vice chairman of the Association of Hong Kong Professionals, a member of the Solicitors Disciplinary Tribunal Panel, a member of each of the Finance Committee and Management Committee of Hong Kong News-Expo and an executive committee member of the Basic Law Institute Limited. He was also an observer of Independent Police Complaints Council from September 2007 to August 2015, a member of the panel to the Appeal Board (Hotel and Guesthouse Accommodation), a member of the panel to the Appeal Board (Bedspace Apartments), a member of the panel to the Appeal Board (Clubs (Safety of Premises)) from April 2012 to April 2018 and a member of the Panel of Adjudicators of the Obscene Articles Tribunal from August 2010 to August 2019.

Dr. Wong currently serves as the vice chairman of the Greater China Legal Affairs Committee, the vice chairman of the Public Policy Committee, a member of the Standing Committee of External Affairs and a member of the Community Relations Committee of the Law Society of Hong Kong. Dr. Wong is also a member of the tenth to twelfth Shanghai Committee of the Chinese People's Political Consultative Conference, a member of the Chinese Association of Hong Kong and Macau Studies, a member of the Hong Kong Basic Law and Macau Basic Law Research Association, a member of Expert Committee of the China (Guangdong) Free Trade Zone in Hengqing New Area and an Arbitrator of Court of Arbitration for Labour and Personal Dispute, Nansha Area, Guangdong Free Trade Zone.

Dr. Wong also serves as an arbitrator of Arbitration Commission in Shenzhen, Shanghai, Guangzhou, Zhuhai, Huizhou, Liuzhou, Zhengzhou, Hohhot, Haikou, Chengde, Nanchang, Nanning, Taiyuan, Shenyang and Guiyang.

Dr. Wong currently an independent non-executive director of Times Neighborhood Holdings Limited (stock code: 9928). From June 2010 to July 2014, Dr. Wong served as an independent non-executive director of Great Wall Technology Company Limited (original stock code: 74) which was privatised and automatically delisted from The Stock Exchange of Hong Kong Limited in July 2014.

BIOGRAPHICAL DETAILS OF DIRECTORS
(Continued)

Mr. Qiu Peiyuan ("**Mr. Qiu**"), aged 55, was appointed as an independent non-executive Director of the Company on 11 October 2018. Mr. Qiu graduated from the Biology Department, Nankai University with a bachelor of science degree in biology in 1986, from the Faculty of Science, The University of Hong Kong with a master's degree in bioscience in 1998, and from the Business School of the University of Western Ontario, Canada with a master's degree in business administration in 2003. Mr. Qiu obtained chartered financial analyst (CFA), Canadian certificated financial planner (CFP), Canadian fund company partner, director and senior management, and Canadian securities qualifications.

Following his graduation, Mr. Qiu joined the Bank of Nova Scotia as a senior analyst. Mr. Qiu joined the T. Rowe Price Group in 2008 as vice president, Asia. Mr. Qiu joined Huabao Trust Co., Ltd. in 2011 as general manager of the international business department. Mr. Qiu joined Ping An Trust Co., Ltd. from 2015 to June 2019 as president of overseas investment department and senior managing director, responsible for establishing overseas investment department and determining its overseas investment strategies and plans. Mr. Qiu also served as a non-executive director of China Health Group Limited (stock code: 673) from 4 June 2018 to 2 Sep 2019. Mr. Qiu currently serves as a chief executive officer of First Ocean Financial Holdings Co., Limited since 16 August 2019.

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE MEMBERS OF NOVA GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of NOVA Group Holdings Limited ("the **Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 60 to 157, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

(Continued)

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets	
As set out in Notes 19 and 18 to the consolidated financial statements, the Group recorded the balances of goodwill and intangible assets amounting to approximately HK$276,397,000 and HK$14,291,000 respectively. The management had made an assessment of the recoverable amounts of cash-generating units ("**CGUs**") allocated to the goodwill and intangible assets to ascertain that their carrying amounts did not exceed their recoverable amounts. The recoverable amounts of the CGUs were determined based on the value-in-use calculation by an independent professional valuer. The calculation used cash flow projections based on financial forecasts covering a three-year period, with reference to discount rates, market conditions and other relevant factors. We identified the impairment review in accordance with HKAS 36 "Impairment of Assets" in relation to the Group's goodwill and intangible assets as a key audit matter due to the quantum of the carrying values of goodwill and intangible assets and the Group's assessment of the recoverable amounts is usually based on the future performance of the business which is subject to a number of uncertainties (e.g. forecasted revenue, COVID-19 impact on future cash flows, expectations of market developments) and the discount rates applied to the future cash flow forecast which involves significant management assumption, judgements and estimates.	Our audit procedures in relation to management's impairment assessment of goodwill and intangible assets included: – evaluating the objectivity, independence and competency of the valuer; – discussing with and challenging the valuer on the valuation methodologies, assumptions and key estimates used in the valuation; – reviewing the consistency of cash flow projections with management's assumptions and the economic environment in which the Group operates. We had also evaluated the impact of COVID-19 considered by the management in the assumptions for the next fiscal year and the reasonableness of the estimate; – assessing the sensitivity of the forecasts to change in assumptions, specifically the discount rate used in the model, to assess the appropriateness of the carrying amounts of goodwill and intangible assets; – assessing whether the allocation of goodwill and intangible assets to their respective CGUs are reasonable; and – obtaining an understanding of management's process of assessing the recoverable amounts of CGUs and their value-in-use. We considered that the judgement and assumptions made by management in its impairment assessment for goodwill and intangible assets were supportable by available evidences and information.

INDEPENDENT AUDITOR'S REPORT
(Continued)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on contracts with customers	
The Group has multiple revenue sources including exhibitions and events planning services, contracting services and entertainment equipment solution, brand management services, promotion and consulting services and trading of goods. Since sales or services contracts include many different terms, there is a risk of incorrect timing of revenue recognition. The revenue recognition was determined to be a key audit matter and a significant risk of material misstatement as required by auditing standards. The Group's disclosures of revenue recognition are detailed in Note 7 to the consolidated financial statements.	Our audit procedures in relation to revenue recognition included: – evaluating the revenue recognition principles applied by the Group in accordance with applicable accounting standards; – evaluating the revenue recognition of different sources of revenue in the relation to the terms of the sales agreements; – testing the timing of the revenue recognition; – evaluating the appropriateness of the disclosure notes related to Group's revenue; – performing background check on selected customers; and – evaluating the journal entries posted to revenue accounts, on a specific risk-based sample basis, and comparing details of these journal entries with relevant underlying documentations, which included sales or services contracts. We considered that the revenue of the Group was supportable by available evidences and information.

INDEPENDENT AUDITOR'S REPORT

(Continued)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables, factoring receivables and lease receivables	
As set out in Notes 22, 23 and 24 to the consolidated financial statements, the Group has trade receivables and loss allowances of approximately HK$178,868,000 and HK$37,621,000 (2019: HK$171,327,000 and Nil) respectively, and factoring receivables, lease receivables and loss allowances of approximately HK$358,195,000, HK$80,360,000 and HK$565,000 (2019: HK$307,557,000, Nil and Nil) respectively. Under HKFRS 9 "Financial Instruments" ("**HKFRS 9**"), assessment of the expected credit loss ("**ECL**") for these financial assets required the management's significant judgements and involved high level of estimation uncertainty. It includes key assumptions such as probabilities of default rates, expected recovery rates from loss given default and forward-looking information specific to the debtors and macroeconomic environment. We identified the impairment assessment of trade receivables, factoring receivables and lease receivables as a key audit matter because of the management's significant judgements and high level of estimation uncertainty involved in the development and implementation process of the ECL models and the carrying amounts involved are significant to the Group's consolidated financial statements.	Our audit procedures in relation to impairment assessment of trade receivables, factoring receivables and lease receivables included: – assessing the overall operating effectiveness of key controls over the design and implementation which govern the internal credit control, debt collections, recording and monitoring of the ECLs on the trade receivables, factoring receivables and lease receivables; – assessing the appropriateness of the ECL models, reasonableness of key assumptions and inputs used by the management in estimating the ECLs; – testing whether there is any significant increase in credit risk, or a sample of exposures that was subject to impairment assessment other than a simplified approach, when categorising into different stages of default on factoring receivables and lease receivables; – reviewing ageing analysis of trade receivables, factoring receivables and lease receivables prepared by management of the Company and discussing with the management of the Company whether the amounts are recoverable on a sample basis; – examining the management's estimation on the ECL of individual balances on sample basis and the expected loss rate of each category group and evaluating the basis and factors used in the estimation to the appropriateness of the management's identification of significant increase in credit risk, defaults and credit impaired receivables; – recalculating the amount of impairment losses for receivables; and – checking subsequent settlement of receivables on a sample basis. we considered that the judgement and assumptions made by management in its impairment assessment for trade receivables, factoring receivables and lease receivables were supportable by available evidences and information.

INDEPENDENT AUDITOR'S REPORT

(Continued)

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

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

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

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

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

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

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

HLM CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising Certificate Number: P05215
Hong Kong
25 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Revenue	7	**551,112**	576,120
Cost of sales		**(265,938)**	(192,810)
Gross profit		**285,174**	383,310
Other income	8	**27,674**	17,312
Other gains and losses	9	**(45,947)**	506
Net gain/(loss) on financial assets at fair value through profit or loss ("**FVTPL**")	9	**8,679**	(30,009)
Net gain/(loss) on change in fair value of contingent consideration payables		**97,465**	(23,255)
Impairment losses under expected credit loss model	10	**(38,186)**	–
Selling expenses		**(25,830)**	(20,331)
Administrative expenses		**(60,821)**	(110,301)
Operating profit		**248,208**	217,232
Finance costs	11	**(37,988)**	(22,665)
Profit before tax	9	**210,220**	194,567
Taxation	12	**(68,050)**	(88,514)
Profit for the year		**142,170**	106,053
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(23,109)**	(12,849)
Release of exchange reserve upon deregistration of a subsidiary		**(2)**	–
Total comprehensive income for the year		**119,059**	93,204

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Profit/(loss) for the year attributable to:			
Owners of the Company		**137,097**	106,251
Non-controlling interests		**5,073**	(198)
		142,170	106,053
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**114,044**	93,411
Non-controlling interests		**5,015**	(207)
		119,059	93,204
Earnings per share attributable to owners of the Company:			
Basic *(HK cents)*	*15*	**9.30**	7.30
Diluted *(HK cents)*	*15*	**9.30**	7.12

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	16	**3,593**	4,738
Right-of-use assets	17	**7,155**	–
Intangible assets	18	**14,291**	30,344
Goodwill	19	**276,397**	314,541
Financial assets at FVTPL	26	**24,581**	7,977
Factoring receivables	23	**66,627**	–
Lease receivables	24	**56,974**	–
Prepayment and deposits	25	**14,525**	16,062
Deferred tax assets	21	**805**	1,465
		464,948	375,127
Current assets			
Inventories		**5,755**	2,159
Trade receivables	22	**178,868**	171,327
Factoring receivables	23	**291,568**	307,557
Lease receivables	24	**23,386**	–
Prepayments, deposits and other receivables	25	**26,407**	52,275
Financial assets at FVTPL	26	**29,007**	48,887
Income tax receivables		**–**	2,089
Cash and cash equivalents	27	**137,431**	212,951
		692,422	797,245
Current liabilities			
Trade payables	28	**58,590**	26,445
Receipts in advance	29	**4,144**	2,528
Contract liabilities	30	**36,616**	13,210
Accruals, deposits received and other payables	32	**20,119**	33,129
Lease liabilities	31	**6,702**	–
Contingent consideration payables	33	**6,105**	83,061
Corporate bonds	34	**306,702**	–
Income tax payables		**8,990**	26,655
		447,968	185,028
Net current assets		**244,454**	612,217
Total assets less current liabilities		**709,402**	987,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Non-current liabilities			
Contract liabilities	30	**1,968**	9,496
Lease liabilities	31	**709**	–
Contingent consideration payables	33	**3,506**	87,280
Corporate bonds	34	**5,566**	324,525
Convertible bonds/notes	35	**–**	23,345
		11,749	444,646
NET ASSETS		**697,653**	542,698
Capital and reserves			
Share capital	36	**3,044**	2,926
Reserves		**689,437**	543,940
Equity attributable to owners of the Company		**692,481**	546,866
Non-controlling interests		**5,172**	(4,168)
TOTAL EQUITY		**697,653**	542,698

The consolidated financial statements on pages 60 to 157 were approved and authorised for issue by the Board of Directors on 25 September 2020 and are signed on its behalf by:

Deng Zhonglin
Director

Xu Feng
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Convertible bonds/ notes reserve HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000 *(Note a)*	Other reserve HK$'000 *(Note b)*	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2018	2,908	351,261	–	6,202	8,405	(3,794)	(99)	22,628	387,511	(4,325)	383,186
Profit for the year (restated)	–	–	–	–	–	–	–	106,251	106,251	(198)	106,053
Other comprehensive expenses for the year, net of tax (restated)	–	–	–	–	–	(12,840)	–	–	(12,840)	(9)	(12,849)
Total comprehensive income/ (expense) for the year	–	–	–	–	–	(12,840)	–	106,251	93,411	(207)	93,204
Recognition of equity-settled share-based payments	–	–	–	57,404	–	–	–	–	57,404	–	57,404
Issue of convertible bond/note	–	–	16,352	–	–	–	–	–	16,352	–	16,352
Conversion of convertible bond	18	15,317	(8,605)	–	–	–	–	–	6,730	–	6,730
Arising from acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	364	364
Dividend paid	–	–	–	–	–	–	–	(14,542)	(14,542)	–	(14,542)
Transfer to statutory reserve	–	–	–	–	6,339	–	–	(6,339)	–	–	–
At 30 June 2019 and 1 July 2019 (restated)	2,926	366,578	7,747	63,606	14,744	(16,634)	(99)	107,998	546,866	(4,168)	542,698
Profit for year	–	–	–	–	–	–	–	137,097	137,097	5,073	142,170
Other comprehensive expenses for the year, net of tax	–	–	–	–	–	(23,053)	–	–	(23,053)	(58)	(23,111)
Total comprehensive income/ (expense) for the year	–	–	–	–	–	(23,053)	–	137,097	114,044	5,015	119,059
Recognition of equity-settled share-based payments	–	–	–	14,864	–	–	–	–	14,864	–	14,864
Share options lapsed during the year	–	–	–	(14,614)	–	–	–	14,614	–	–	–
Issue of convertible bond/note	–	–	9,682	–	–	–	–	–	9,682	–	9,682
Conversion of convertible bond/notes	118	97,481	(17,429)	–	–	–	–	–	80,170	–	80,170
Release upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	4,325	4,325
Dividend paid *(Note 14)*	–	–	–	–	–	–	–	(73,145)	(73,145)	–	(73,145)
Transfer to statutory reserve	–	–	–	–	6,319	–	–	(6,319)	–	–	–
At 30 June 2020	3,044	464,059	–	63,856	21,063	(39,687)	(99)	180,245	692,481	5,172	697,653

The accompanying notes form an integral part of these consolidated financial statements.

Notes:

(a) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than Hong Kong dollars which are dealt with in accordance with the accounting policies as set out in Note 3 to the consolidated financial statements.

(b) Other reserve

Other reserve represented the difference between the Group's share of nominal value of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon completion of reorganisation on 3 October 2013.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	**2020 HK$'000**	2019 HK$'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		**210,220**	194,567
Adjustments for:			
Depreciation of property, plant and equipment	*16*	**1,894**	3,157
Depreciation of right-of-use assets	*17*	**8,191**	–
Amortisation of intangible assets	*18*	**10,561**	8,577
Gain on disposal of intangible asset	*9*	**–**	(15)
Write-off of property, plant and equipment	*9*	**84**	19
Exchange losses/(gains)	*9*	**634**	(531)
Net (gain)/loss on financial assets at fair value through profit or loss	*9*	**(8,679)**	30,009
Financing income	*7*	**(57,805)**	(31,698)
Interest income	*8*	**(456)**	(738)
Interest expenses	*11*	**37,988**	22,665
Net (gain)/loss on change in fair value of contingent consideration payables	*9*	**(97,465)**	23,255
Gain on derecognition of a subsidiary	*9*	**(2)**	–
Loss on disposal of subsidiaries	*9*	**2,818**	–
Gain on derecognition of lease	*9*	**(251)**	–
Impairment loss on goodwill	*9*	**38,144**	–
Impairment loss on intangible assets	*9*	**4,520**	–
Impairment losses under expected credit loss model	*10*	**38,186**	–
Equity-settled share-based payment expenses	*9*	**14,864**	57,404
Wavier of amount due from an associate		**–**	21
Operating cash flows before movement in working capital		**203,446**	306,692
Increase in amounts due from an associate		**–**	(9)
(Increase)/decrease in inventories		**(3,710)**	1,113
Increase in trade receivables		**(51,807)**	(66,522)
Increase in factoring receivables		**(62,685)**	(310,879)
Increase in lease receivables		**(81,332)**	–
Decrease/(increase) in prepayments, deposits and other receivables		**30,064**	(52,071)
Increase in trade payables		**33,435**	17,411
Increase in receipts in advance		**1,724**	2,555
Increase/(decrease) in contract liabilities		**16,979**	(10,224)
(Decrease)/increase in accruals, deposits received and other payables		**(8,046)**	12,589
Cash generated from/(used in) operations		**78,068**	(99,345)
Tax paid		**(89,424)**	(70,327)
Financing interest received		**56,787**	30,398
Net cash generated from/(used in) operating activities		**45,431**	(139,274)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the year ended 30 June 2020

	Notes	**2020 HK$'000**	2019 HK$'000 (Restated)
INVESTING ACTIVITIES			
Interest received		**456**	738
Payment for acquisition of subsidiaries		**–**	(39,460)
Purchase of property, plant and equipment		**(872)**	(1,966)
Proceeds from disposal of property, plant and equipment		**–**	167
Proceeds from disposal of intangible asset		**–**	115
Acquisition of unlisted investment fund		**–**	(30,000)
Proceeds from disposal of unlisted investment fund		**30,000**	–
Purchase of equity securities listed in Hong Kong		**(20,049)**	–
Proceeds from disposal of equity securities listed in Hong Kong		**2,004**	–
Net cash outflow on disposal of subsidiaries	*37*	**(99)**	–
Net cash generated from/(used in) investing activities		**11,440**	(70,406)
FINANCING ACTIVITIES			
Capital element of lease rentals paid		**(7,671)**	–
Interest element of lease rentals paid		**(1,428)**	–
Dividends paid to owners of the Company		**(73,145)**	(14,542)
Interest paid		**(45,575)**	(29,415)
Net proceeds from issue of corporate bonds		**–**	298,510
Net cash (used in)/generated from financing activities		**(127,819)**	254,553
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(70,948)**	44,873
Cash and cash equivalents at the beginning of the year		**212,951**	171,175
Effect of foreign currency exchange rate changes		**(4,572)**	(3,097)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*27*	**137,431**	212,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands and is listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is Suites 911–912, Level 9, One Pacific Place, 88 Queensway, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 20.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate. All values are rounded to the nearest thousand, unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the above new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 Leases ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 16 Leases ("HKFRS 16") *(Continued)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16 C8(b)(ii) transition.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 10.39%.

	At 1 July 2019
	HK$'000
Operating lease commitments disclosed as at 30 June 2019	23,612
Less: Lease liabilities discounted at relevant incremental borrowing rates	(2,702)
Recognition exemption – short-term leases	(2,962)
Lease with term commencing after 1 July 2019	(1,454)
Lease liabilities as at 1 July 2019	16,494
Analysed as	
Current	7,703
Non-current	8,791
	16,494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 16 Leases ("HKFRS 16") *(Continued)*

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 July 2019
	HK$'000	HK$'000	HK$'000
Non-current asset			
Right-of-use assets	–	16,494	16,494
Current liability			
Lease liabilities	–	7,703	7,703
Non-current liability			
Lease liabilities	–	8,791	8,791

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 June 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 July 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Sale-leaseback transactions

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The Group acting as a buyer-lessor

Upon application of HKFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of HKFRS 16 as a sale. During the year, sales-leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under HKFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

The following new and amendments to HKFRSs have been issued but are not yet effective and have not been early adopted by the Group in preparing these consolidated financial statements:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 3	Reference to Conceptual Framework[6]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[6]
Amendments to HKFRS 37	Onerous Contracts – Cost of Fulfilling a Contract[6]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendment to HKFRS 16	COVID-19 Related Rent Concessions[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle[6]

1 Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

2 Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 June 2020, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRSs, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange ("**Listing Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 July 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("**CGU(s)**") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in production or supply of goods or services, or for administrative purpose are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the lease terms
Computer equipment	10%–33%
Furniture, fixtures and equipment	20%–50%
Motor vehicles	20%

The residual values and estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives.

Exhibition holding right	5 years
Trademarks and brands	37–116 months

Both the period and method of amortisation are reviewed annually.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGU, with the recoverable amount of the group of CGU. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGU. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financials assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to collect contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- The financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling in the near term; or
- On initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net loss on financial assets at fair value through profit or loss" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, deposits and other receivables, factoring receivables, lease receivables and cash and cash equivalents) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises a lifetime ECL for trade receivables under simplified approach. The ECL on these receivables are assessed individually for debtors with significant balances. For factoring receivables and lease receivables, the ECLs are based on the 12m ECL. When there has been a significant increase in credit risk since recognition, the allowance will be based on the lifetime ECLs.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 240 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through an impairment allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liabilities is contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss, instead, they are transferred to retained earnings upon derecognition of the financial liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bonds/convertible notes

The component parts of compound instruments (convertible bonds/convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is subsequently recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds/convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds/convertible notes using the effective interest method.

Financial liabilities at amortised cost

Other financial liabilities (including trade payables, accruals, deposits received and other payables and corporate bonds) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of inventories are determined on first-in, first-out method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand, cash at bank and other financial institutions which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to data relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or services before that good or services is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for the specified goods or services to be provided by the other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Retirement benefits cost

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held by separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As stipulated by the rules and regulations of the People's Republic of China (the "**PRC**"), the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post retirement benefits beyond the annual contribution.

The costs of employee retirement benefits are recognised as expenses in profit or loss in the period in which they are incurred.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revised its estimates of the number of equity instruments that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve transferred to retained profits.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in the share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basic over the periods in which the Group recognised as expense the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit/loss before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

(i) A person or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control of the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or a parent of the Group.

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

(1) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) both entities are joint ventures of the same third party.

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(6) the entity is controlled or jointly-controlled by a person identified in (i).

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

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

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

(c) dependants of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(Continued)*

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease payments change due to changes in market rental rates, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessee (prior to 1 July 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Sale and leaseback transactions (upon application of HKFRS 16 in accordance with transitions in note 2)

The Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sales and leaseback transactions equal to the transfer proceeds within the scope HKFRS 9.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker ("**CODM**") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have most significant effect on the amounts recognised in the consolidated financial statements.

Determining whether the Group is acting as a principal or as an agent in trading of goods

Management of the Group considered that the Group is acting as a principal in this business because it obtains control of the products sold before they are transferred to customers. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, gross amount of the sales and cost of sales are recorded. In determining whether the Group is acting as a principal or as an agent, management is required to exercise significant judgements and to consider all relevant facts and circumstances of the business.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

The Group is subject to income taxes in various tax authorities. Significant judgement is required in determining the provision for income taxes and the timing of payment of the related tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

Depreciation and amortisation

Property, plant and equipment, right-of-use assets and intangible assets (see Notes 16, 17 and 18 to the consolidated financial statements respectively) are depreciated and amortised on a straight-line basis over their estimated useful lives. The Group annually reviews the useful life of an asset and its residual value, if any. The useful life is based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs (or group of CGU) to which goodwill has been allocated, which is the higher of the value-in-use or fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. As at 30 June 2020, the carrying amount of goodwill was approximately HK$276,397,000 (2019: approximately HK$314,541,000), net of accumulated impairment loss of approximately HK$38,144,000 (2019: Nil).

Fair values of identifiable intangible assets arising from the business combination

The acquired identifiable assets and liabilities had to be measured at their respective fair values as at the date of acquisition. The difference between the cost of acquisition and the fair value of the Group's share of net assets so acquired should be recognised as goodwill at the end of the reporting period or recognised in the consolidated statement of profit or loss and other comprehensive income. In order to determine the fair values of assets acquired and liabilities assumed, the directors of the Company had made their estimates with reference to the valuation results produced by an independent professional valuer.

Impairment of property, plant and equipment and right-of-use assets

Determining whether an item of property, plant and equipment and right-of-use assets are impaired requires an estimate of the recoverable amount of the relevant cash-generating unit to which the asset belongs, which is the higher of the value in use or fair value less costs to disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from cash-generating unit and suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise.

Impairment of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. As at 30 June 2020, the carrying amount of intangible assets was approximately HK$14,291,000 (2019: approximately HK$30,344,000) after taking into account the impairment loss of approximately HK$4,520,000 (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Deferred tax assets

At 30 June 2020, a deferred tax asset of approximately HK$805,000 (2019: approximately HK$1,465,000) in relation to the timing differences on revenue recognition has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK$2,697,000 (2019: approximately HK$12,397,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxation profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Allowance for inventories

At the end of the reporting period, the Group reviews its inventories and considers to make allowance for obsolete and slow-moving inventory items identified that are no longer marketable or suitable for sell. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions.

Provision of ECL

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires significant judgement and estimation, in particular, the assessment of a significant increase in credit risk and credit-impaired financial assets as well as the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Details of the key assumptions and inputs used are set out in Note 5.

Fair value measurements of other financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages an independent professional valuer to perform the valuation. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 5(c) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value.

Fair value of profit guarantee

The fair value of profit guarantee for acquisition was determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions, including the discount rates, estimation of post-acquisition performance of the acquired subsidiaries and the probability of meeting each profit target. It is subsequently re-measured to fair value at the end of each reporting periods. Change in assumption used could materially affect the fair value of the balances and as a result affect the Group's financial condition and results of operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Fair value of contingent consideration payable

The fair value of contingent consideration payables were determined by using valuation techniques. The Group's management uses its judgement to select a variety of methods and make assumptions, including the discount rates and estimation of future performance. Change in assumptions used could materially affect the fair value of the balances and as a result affect the Group's financial condition and results of operation. At 30 June 2020, the carrying amount of contingent consideration payable amounted to approximately HK$9,611,000 (2019: approximately HK$170,341,000).

Equity-settled share-based payment

The Group recognises equity-settled share-based payment expenses on options granted. Equity-settled share-based payment expenses is based on the estimated fair value of each option at its grant date, the estimation of which requires the directors of the Company to make assumptions about future volatility of the Group's stock price, future interest rates and the timing with respect to exercise of the options. The effects of a change in one or more of these variables could result in a materially different fair value.

5. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade receivables	**178,868**	171,327
– Factoring receivables	**358,195**	307,557
– Lease receivables	**80,360**	–
– Other receivables, deposits (exclude prepayment)	**7,179**	18,574
– Cash and cash equivalents	**137,431**	212,951
Financial assets at FVTPL		
– Profit guarantees	**24,581**	10,634
– Early redemption right from corporate bonds	**3,280**	16,230
– Equity securities listed in Hong Kong	**25,727**	–
– Unlisted investment fund	**–**	30,000
	815,621	767,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Categories of financial instruments *(Continued)*

	2020 HK$'000	2019 HK$'000
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	**58,590**	26,445
– Accruals, deposits received and other payables	**20,119**	33,129
– Corporate bonds	**312,268**	324,525
– Convertible bonds/notes	**–**	23,345
– Lease liabilities	**7,411**	–
Financial liabilities at FVTPL		
– Contingent consideration payables	**9,611**	170,341
	407,999	577,785

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, factoring receivables, lease receivables, deposits, other receivables, cash and cash equivalents, financial assets at FVTPL, trade payables, accruals, deposits received and other payables, convertible bonds/notes, corporate bonds, lease liabilities and contingent consideration payables. The details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, currency risk and price risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties equal to the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In respect of trade receivables, in order to minimise the credit risk, Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by individual customer. Receivables due from customers are due within the settlement period commonly adopted by the relevant market convention, which is usually within 90 days except for contracting services and entertainment equipment solution and trading of goods which settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. Normally, the Group does not hold any collateral or other credit enhancement over its trade receivables balances. Other monitoring procedures are in place to ensure the follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon the application of HKFRS 9 at the end of each reporting period to ensure that adequate impairment losses are made. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

In respect of factoring receivables and lease receivables from customers, the objective of the Group's measure to manage credit risk is to control the potential exposure to the recoverability problem. The Group manages and analyses the credit risk for each of their new and existing customers before payment terms and conditions are concluded by assessing the credit quality of the customer, taking into account its financial position, past settlement experience and other factors. Factoring receivable and lease receivable balances are monitored on an on-going basis, management reviews the recoverable amount at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. Interest income are usually billed on monthly or quarterly basis. The factoring receivables and lease receivables are also guaranteed by directors of the customers as additional security for shortfalls on collect outs due to dispute or breach of contract for which the guarantor is liable. Other monitoring procedures are in place to ensure the follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon the application of HKFRS 9 at the end of each reporting period to ensure that adequate impairment losses are made. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks and other financial institutions which are reputable in the opinion of management.

Impairment assessment policies

The Group's policy requires the review of individual outstanding amounts regularly depending on individual circumstance or market condition.

The management is responsible in developing and maintaining the processes for measuring ECL, the impairment requirements under HKFRS 9. The Group applies simplified approach to measure ECL on trade receivables and general approach to measure ECL on factoring receivables, lease receivables and other financial assets classified at amortised cost. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12m ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

For such financial assets classified as Stage 1 and 2, the management assesses loss allowances using the risk parameter modelling approach that incorporates key parameters, including probability of default ("**PD**"), loss given default ("**LGD**") and exposure at default ("**EAD**"). For credit-impaired financial assets classified as Stage 3, the management assesses the credit loss allowances by estimating the future cash flows expected to arise from the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Measurement of ECL

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and customer's creditworthiness (e.g. the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

(i) Criteria for judging significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, credit rating grade, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Quantitative criteria: At the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition.

- Qualitative criteria: Significant adverse change in debtor's operation or financial status.

For factoring receivables and lease receivables, the number of days past due and loan-to-collateral value were used to estimate significant increase in credit risk. Other financial assets at amortised cost use number of days past due as determinant of credit risk.

(ii) Definition of credit-impaired financial asset

- Internal rating of the debtor indicating default or near-default;

- Significant financial difficulty of the issuer or the customer;

- The debtor leaves any of the receivables of the Group overdue for more than 365 days;

- It is becoming probable that the customer will enter bankruptcy or other financial restructuring;

- The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Measurement of ECL *(Continued)*

(iii) Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include PD, LGD and EAD. The Group takes into account the quantitative analysis of historical statistics (such as internal rating grade, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. For factoring receivables and lease receivables, the Group estimates PD by the internal credit ratings. For other financial assets at amortised cost the PD is adjusted based on the credit rating of comparable companies operating in similar business;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, past default experience and the realisation of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

(iv) Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk exposure

Trade receivables

The Group performs impairment assessment under ECL model on trade receivables individually or based on a provision matrix.

The provision rates based on days past due for groupings of various customers segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about credit risk exposure on the Group's trade receivables using a provision matrix:

At 30 June 2020

	Expected loss rate %	Gross carrying amount excluding specific trade receivables HK$'000	Expected credit losses excluding specific trade receivable HK$'000	Gross carrying amount of specific trade receivable HK$'000	Impairment allowance specific trade receivable HK$'000	Total impairment allowance HK$'000
Current	2.77	60,828	(1,684)	–	–	(1,684)
0–30 days past due	2.83	22,804	(646)	–	–	(646)
31–60 days past due	4.37	11,050	(483)	–	–	(483)
61–90 days past due	17.19	21,132	(3,632)	–	–	(3,632)
91–180 days past due	28.10	50,466	(14,179)	–	–	(14,179)
181–365 days past due	30.58	47,844	(14,632)	–	–	(14,632)
Over 365 days past due	100.00	–	–	1,973	(1,973)	(1,973)
		214,124	(35,256)	1,973	(1,973)	(37,229)

The impairment of trade receivables included the amount of specific trade receivable which is considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full.

At 30 June 2020, the Group provided HK$37,229,000 (2019: Nil) impairment allowance for trade receivable, based on the provision matrix.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk exposure *(Continued)*

Factoring receivables and lease receivables

The Group performs impairment assessment under ECL model on factoring receivables and lease receivables individually.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Basis of recognition of ECL provision
Stage 1	There has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.	12m ECL
Stage 2	There has been a significant increase in credit risk since initial recognition but are not credit-impaired.	Lifetime ECL – not credit impaired
Stage 3	There have been one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime ECL – credit-impaired
Stage 4	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The directors of the Company estimate the estimated loss rates based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort as well as the fair vale of the collateral pledged by the customers to the factoring receivables and lease receivables.

Based on assessment by the directors of the Company, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals for secured factoring receivables and lease receivables and the directors of the Company consider the ECL for the factoring receivables and lease receivables is significantly mitigated by the collaterals held.

At 30 June 2020, the Group provided HK$435,000 and HK$124,000 (2019: Nil and Nil) impairment allowance for factoring receivables and lease receivables, respectively.

The following table shows the exposure of ECL for factoring receivables under general approach:

	2020			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Gross carrying amount	**358,630**	–	–	**358,630**
Impairment allowance	**435**	–	–	**435**
Expected loss rate	**0.12%**	–	–	**0.12%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk exposure *(Continued)*

Factoring receivables and lease receivables (Continued)

The following table shows the exposure of ECL for lease receivables under general approach:

	2020			
	Stage 1 HK$'000	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Total HK$'000**
Gross carrying amount	**80,484**	–	–	**80,484**
Impairment allowance	**124**	–	–	**124**
Expected loss rate	**0.15%**	–	–	**0.15%**

Other receivables and deposits

For the other receivables and deposits, the directors of the Company make periodic individual assessment on the recoverability of the other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 months expected losses method.

At 30 June 2020 and 2019, the Group assessed that the expected credit loss rate is immaterial under 12 months expected losses method. Thus, no loss allowance for other receivables and deposits was recognised.

Other financial assets

Other financial assets at amortised cost include bank balances and cash held on behalf of clients. The Group accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected loss rates, the Group considers historical loss rates for each category of the other financial assets and adjusts for forward looking macroeconomic data.

At 30 June 2020 and 2019, the Group assessed that the expected credit loss rate is immaterial under 12 months expected losses method. Thus, no loss allowance for the financial assets at amortised cost was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the respective reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

At 30 June 2020

	Weighted average interest rate	**Carrying amount HK$'000**	**On demand HK$'000**	**Within 1 year HK$'000**	**1–2 years HK$'000**	**2–5 years HK$'000**	**Total undiscounted cash flows HK$'000**
Trade payables	**–**	**58,590**	**47,380**	**11,210**	**–**	**–**	**58,590**
Accruals, deposits received and other payables	**–**	**20,119**	**20,119**	**–**	**–**	**–**	**20,119**
Contingent consideration payables	**–**	**9,611**	**–**	**6,105**	**3,506**	**–**	**9,611**
Lease liabilities	**10.39%**	**7,411**	**–**	**7,044**	**505**	**209**	**7,758**
Corporate bonds	**14.78%**	**312,268**	**–**	**318,402**	**5,250**	**1,000**	**324,652**
		407,999	**67,499**	**342,761**	**9,261**	**1,209**	**420,730**

At 30 June 2019

	Weighted average interest rate	Carrying amount HK$'000	On demand HK$'000	Within 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total undiscounted cash flows HK$'000
Trade payables	–	26,445	–	26,445	–	–	26,445
Accruals, deposits received and other payables	–	33,129	33,129	–	–	–	33,129
Contingent consideration payables	–	170,341	–	83,061	83,892	3,388	170,341
Convertible note	10.02%	23,345	–	–	–	34,000	34,000
Corporate bonds	14.78%	324,525	–	45,618	318,402	6,250	370,270
		577,785	33,129	155,124	402,294	43,638	634,185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed coupon rate corporate bonds and lease liabilities. The Group is also exposed to cash flow interest rate risk relating to the Group's variable-rate bank balances.

The Group's exposure to interest rates on bank balances is considered insignificant and the interest rate on corporate bond is shown in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rate in Hong Kong and the PRC. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. A 50 basis points (2019: 50 basis points) increase or decrease represents management's assessment of the reasonable possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's profit before tax for the year would decrease/increase by approximately HK$911,000 (2019: decrease/increase by approximately HK$675,000).

Currency risk

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("**RMB**") and US dollars ("**US$**"). Currency risk arises from the foreign currency denomination of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

Price risk

The Group is exposed to equity price risk through its investment in equity securities measured at FVTPL. For equity securities measured at FVTPL quoted in The Stock Exchange of Hong Kong Limited, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. If the prices of the respective equity instruments had been 5% (2019: Nil) higher/lower, the profit before tax for the year ended 30 June 2020 would increase/decrease by HK$1,286,000 (2019: increase/decrease by HK$Nil) as a result of the changes in fair value of equity securities listed in Hong Kong.

(c) Fair value measurement of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with net assets value or generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amount of other financial assets and liabilities carried at amortised cost in the consolidated financial statements approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined.

Description	Fair value as at 30 June 2020 HK$'000	Fair value as at 30 June 2019 HK$'000	Fair value hierarchy	Valuation technique
Financial assets				
Financial assets at FVTPL:				
Early redemption right from corporate bonds	**3,280**	16,230	Level 3	Hull-white model
Equity securities listed in Hong Kong	**25,727**	–	Level 1	Quoted bid prices in an active market
Unlisted investment fund	**–**	30,000	Level 3	Black–Scholes model
Profit guarantees	**24,581**	10,634	Level 3	Monte Carlo simulation model
Financial liabilities				
Contingent consideration payables	**9,611**	170,341	Level 3	Crank–Nicolson finite-difference or discounted cash flow and Monte Carlo simulation

There was no transfer between Level 1, 2 and 3 during the year.

Financial assets

Reconciliation of assets measured at fair value based on Level 3:

	Unlisted investment fund HK$'000	Early redemption right HK$'000	Profit guarantees HK$'000	Total HK$'000
At 1 July 2018	–	–	16,785	16,785
Arising from acquisition of subsidiaries	–	–	9,468	9,468
Issue of corporate bond	–	30,620	–	30,620
Investment in private fund	30,000	–	–	30,000
Loss on change in fair value	–	(14,390)	(15,619)	(30,009)
At 30 June 2019 and 1 July 2019	30,000	16,230	10,634	56,864
Disposal of unlisted investment fund	(30,000)	–	–	(30,000)
Loss on derecognition of profit guarantee	–	–	(1,345)	(1,345)
(Loss)/gain on change in fair value	–	(12,950)	15,292	2,342
At 30 June 2020	**–**	**3,280**	**24,581**	**27,861**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets (Continued)

The valuation techniques and inputs used in Level 3 fair value measurement are as follows:

Description	Valuation technique	Significant unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 30 June 2020 HK$'000	2019 HK$'000
Profit guarantee of Sparkle Mass Group *(Note i)*	Monte Carlo simulation	(i) Volatility	N/A (2019: 39.69%)	Increase	–	1,345
		(ii) Discount rates	N/A (2019: 10.32%)	Decrease		
Profit guarantee of Fortune Selection Group *(Note i)*	Monte Carlo simulation	(i) Volatility	N/A (2019: 33.62%)	Increase	–	–
		(ii) Discount rates	N/A (2019: 10.32%)	Decrease		
Profit guarantee of Cheer Sino Group *(Note i)*	Monte Carlo simulation	(i) Volatility	86.02% (2019: 33.62%–39.44%)	Increase	–	–
		(ii) Discount rates	12.09% (2019: 10.78%–10.89%)	Decrease		
Profit guarantee of Shanghai Mijia Hemao *(Note i)*	Monte Carlo simulation	(i) Volatility	54.42% (2019: 39.01%)	Increase	24,581	9,289
		(ii) Discount rates	14.27–14.51% (2019: 12.10%–12.45%)	Decrease		
Early redemption right from corporate bond *(Note ii)*	Hull-white model	(i) Discount rates	12.05% (2019: 10.82%)	Decrease	3,280	16,230
Unlisted investment fund *(Note iii)*	Black–Scholes model	(i) Volatility	N/A (2019: 24.93%)	Increase	–	30,000
		(ii) Discount rates	N/A (2019: 15.8%)	Decrease		

Notes:

(i) The Group appointed an independent professional valuer, Peak Vision Appraisals Limited ("**Peak Vision**"), to determine the fair value of profit guarantees using the Monte Carlo simulation model. The Monte Carlo simulation model relies on the probability weighted distribution of the possible outcomes and factors the volatility of these outcomes. The fair value is then determined based on the present value of the expected cash flow that are discounted at appropriate discount rates.

(ii) The Group appointed Peak Vision to determine the fair value of early redemption right using the Hull-white model. The Hull-white model predicts the evolution of short rate using multi-factors such as time to maturity, prevailing interest rates, mean reversion and volatility of rate changes, etc.

(iii) The Group appointed an independent professional valuer to determine the fair value of unlisted investment fund using the Black–Scholes model. The Black–Scholes model requires input of subjective assumptions such as probability of redemption, volatility, marketability discount and minority discount, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial liabilities

Reconciliation of liabilities measured at fair value based on Level 3:

	Contingent consideration payables HK$'000
At 1 July 2018	182,421
Arising from acquisition of subsidiaries	10,643
Reclassified to convertible bonds/convertible note and convertible bonds reserve upon fulfilment of profit guarantees	(45,978)
Net loss on change in fair value	23,255
At 30 June 2019 and 1 July 2019	170,341
Reclassified to convertible bond/convertible note and convertible bond/convertible note reserve upon fulfilment of profit guarantees	(63,265)
Net gain on change in fair value *(Note 9)*	(97,465)
At 30 June 2020	**9,611**

The valuation techniques and inputs used in Level 3 fair value measurement are as follows:

Description	**Valuation technique**	**Significant unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value as at 30 June 2020** **HK$'000**	**2019** HK$'000
Contingent consideration payable of Fortune Selection Group *(Note i)*	Crank–Nicolson finite-difference	(i) Volatility	N/A (2019: 62.33%)	Increase	–	17,816
		(ii) Discount rates	N/A (2019: 10.89%)	Decrease		
		(iii) Share price as at 30 June 2020 and 2019	N/A (2019: HK$2.06 per share)	Increase		
Contingent consideration payable of Cheer Sino Group *(Note i)*	Crank–Nicolson finite-difference	(i) Volatility	146.08% (2019: 46.70%)	Increase	**6,105**	141,935
		(ii) Discount rates	12.16% (2019: 10.72%)	Decrease		
		(iii) Share price as at 30 June 2019	HK$0.147 per share (2019: HK$2.06 per share)	Increase		
Contingent consideration payable of Shanghai Mijia Hemao *(Note ii)*	Discounted cash flow and Monte Carlo simulation	(i) Volatility	54.42% (2019: 39.01%)	Increase	**3,506**	10,590
		(ii) Discount rates	14.27–14.41% (2019: 12.10%–12.37%)	Decrease		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial liabilities (Continued)

The valuation techniques and inputs used in Level 3 fair value measurement are as follows:

Notes:

(i) The Group appointed Peak Vision to determine the fair value of contingent consideration payables using partial differential equations, specifically the Crank–Nicolson finite-difference method (i.e. convertible bonds/notes to be issued upon fulfilment of profit guarantees). The fair value is determined based on a numerical solution of convertible bond pricing by solving the partial difference equations.

(ii) The Group appointed Peak Vision to determine the fair value of contingent consideration payable using the discounted cash flow and Monte Carlo simulation method.

(d) Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes was made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is total debt divided by total assets. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each reporting period are as follows:

	2020 **HK$'000**	2019 HK$'000
Total debt	**312,268**	347,870
Total assets	**1,157,370**	1,172,372
Gearing ratio	**26.98%**	29.67%

Note: Total debt comprises of corporate bonds and convertible bonds/convertible notes which are disclosed in Notes 34 and 35 to the consolidated financial statements, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

6. SEGMENT INFORMATION

Business segment

Information reported to the management of the Group, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performances focuses on types of services provided.

The operating and reportable segments are as follows:

Exhibition and events	Organisation and sponsorship of trade shows, exhibitions and events, provision of event planning, sub-contracting, management and ancillary services
Cultural and entertainment	Operation of cultural and entertainment comprehensive services platform, including brand management, solution and consulting services, contracting services and entertainment solution, trading of goods, artist agency services and products promotion services
Financing	Provision of money lending, finance leasing and credit factoring services

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 30 June

	Exhibition and events		Cultural and entertainment		Financing		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Revenue								
Segment revenue	**46,297**	35,398	**475,006**	537,907	**57,805**	31,698	**579,108**	605,003
Inter-segment revenue	**–**	(1,124)	**(27,996)**	(27,759)	**–**	–	**(27,996)**	(28,883)
Revenue from external customers	**46,297**	34,274	**447,010**	510,148	**57,805**	31,698	**551,112**	576,120
Results								
Segment results	**(4,613)**	15,651	**246,977**	281,923	**52,254**	27,963	**294,618**	325,537
Net gain/(loss) on financial assets at FVTPL							**(5,268)**	(14,390)
Unallocated income and other gains and losses							**34**	693
Unallocated administrative expenses							**(41,745)**	(94,608)
Finance costs							**(37,419)**	(22,665)
Profit before tax							**210,220**	194,567
Taxation							**(68,050)**	(88,514)
Profit for the year							**142,170**	106,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

At 30 June

	Exhibition and events		Cultural and entertainment		Financing		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Assets								
Segment assets	**86,051**	112,875	**544,971**	508,728	**461,062**	449,670	**1,092,084**	1,071,273
Unallocated corporate assets							**65,286**	101,099
							1,157,370	1,172,372
Liabilities								
Segment liabilities	**6,815**	28,666	**119,140**	242,748	**6,735**	6,021	**132,690**	277,435
Unallocated corporate liabilities							**327,027**	352,239
							459,717	629,674

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets; and
- all liabilities are allocated to reportable segments other than corporate liabilities.

Other segment information

	Exhibition and events		Cultural and entertainment		Financing		Unallocated		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Depreciation of property, plant and equipment	**(103)**	(56)	**(376)**	(1,672)	**(37)**	(3)	**(1,378)**	(1,426)	**(1,894)**	(3,157)
Depreciation of right-of-use assets	**(798)**	–	**(2,102)**	–	**–**	–	**(5,291)**	–	**(8,191)**	–
Capital expenditures	**(148)**	(54)	**(661)**	(1,631)	**(36)**	(18)	**(27)**	(263)	**(872)**	(1,966)
Net gain/(loss) on financial assets at FVTPL	**13,947**	1,126	**–**	(16,745)	**–**	–	**(5,268)**	(14,390)	**8,679**	(30,009)
Net gain/(loss) on change in fair value of contingent consideration payables	**7,084**	53	**90,381**	(23,308)	**–**	–	**–**	–	**97,465**	(23,255)
Write-off of property, plant and equipment	**–**	(19)	**(84)**	–	**–**	–	**–**	–	**(84)**	(19)
Impairment losses under expected credit loss model	**(10,245)**	–	**(27,376)**	–	**(565)**	–	**–**	–	**(38,186)**	–
Impairment loss on goodwill	**(29,694)**	–	**(7,650)**	–	**(800)**	–	**–**	–	**(38,144)**	–
Impairment loss on intangible assets	**(4,520)**	–	**–**	–	**–**	–	**–**	–	**(4,520)**	–
Amortisation of intangible assets	**(3,558)**	(1,263)	**(7,003)**	(7,314)	**–**	–	**–**	–	**(10,561)**	(8,577)

Note: Capital expenditures included additions to property, plant and equipment, and excluded additions by acquisition of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

6. SEGMENT INFORMATION *(Continued)*

Geographical segments

The Group's operations are located in Hong Kong and other parts of the People's Republic of China (the "**PRC**").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	Year ended 30 June		As at 30 June	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)
Hong Kong	**3,245**	4,207	**21,989**	19,840
The PRC	**547,867**	571,913	**417,573**	345,845
	551,112	576,120	**439,562**	365,685

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

There is no customer of the Group whose transactions have exceeded 10% of the Group's revenue for the year ended 30 June 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

7. REVENUE

(i) Disaggregation of revenue

	2020 HK$'000	2019 HK$'000
Organisation and sponsorship of exhibitions, event planning and related services	**46,297**	34,274
Contracting services and entertainment equipment solution	**95,002**	198,486
Brand management	**19,791**	34,893
Promotion and consulting services	**195,658**	276,769
Trading of goods	**136,559**	–
Financing income		
– Credit factoring services	**37,082**	13,217
– Finance leasing services	**19,323**	14,275
– Money lending services	**1,400**	4,206
Total	**551,112**	576,120
Timing of revenue recognition		
At point in time	**362,067**	346,858
Over time	**131,240**	197,564
Revenue from contracts with customers	**493,307**	544,422
Revenue from other sources	**57,805**	31,698
Total	**551,112**	576,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

7. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers

Organisation and sponsorship of exhibitions, events planning and related services

The Group provides service in the design, planning, coordination and management of exhibitions and events. Revenue from providing services is recognised when the services are rendered. The normal credit term ranged from 1 month to 3 months.

Contracting services and entertainment equipment solution

The Group sells entertainment equipment and provides entertainment equipment solution to restaurants, bars, lounges and other stores.

For sales of entertainment equipment, revenue is recognised when control of the goods were transferred, being at the point in time when the goods were delivered and accepted by the customers. The normal credit term is 8 months.

For provision of entertainment equipment solution, revenue is recognised when the services are rendered. Payment of the contract price is due immediately at the point in time when the services are rendered.

Promotion and consulting services

The Group provides promotion and consultancy services to alcoholic beverages suppliers, bars, restaurants, lounges and others. Revenue is recognised when the services are rendered. The normal credit term ranged from 1 to 3 months.

Brand management and related services

The Group provides brand management services to bars and restaurants. Revenue is recognised when the services are rendered. The normal credit term is 1 month.

Trading of goods

The Group sells wine and liquor and daily supplies to entertainment stores and NOD Union members. Revenue is recognised when control of goods were transferred, being at the point in time when goods were delivered and accepted by the customers. The normal credit term range from 1 to 6 months.

8. OTHER INCOME

	2020 **HK$'000**	2019 HK$'000
Sponsor for exhibition	**–**	2
Non-refundable trade deposits forfeited	**244**	5,338
Government grants *(Note)*	**26,765**	10,084
Interest income	**456**	738
Sundry income	**209**	1,150
	27,674	17,312

Note:

The government grants represent subsidy income received from various government authorities as incentives to certain subsidiaries of the Group in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2020 HK$'000	2019 HK$'000 (Restated)
Staff costs:		
Employee benefit expenses (including directors' emoluments)		
– Salaries, allowance and other benefits	**22,941**	17,540
– Retirement benefit scheme contributions	**3,251**	2,874
– Equity-settled share-based payment expenses *(Note i)*	**14,864**	57,404
	41,056	77,818
Other items:		
Depreciation of property, plant and equipment *(Note 16)*	**1,894**	3,157
Depreciation of right-of-use assets *(Note 17)*	**8,191**	–
Amortisation of intangible assets *(Note 18)*	**10,561**	8,577
Auditor's remuneration		
– Audit services	**1,500**	2,800
– Non-audit services	**300**	300
Net (gain)/loss on change in fair value of contingent consideration payables *(Note 33)*	**(97,465)**	23,255
Cost of inventories recognised in cost of sales	**182,605**	135,378
Expense relating to short-term leases and other lease with lease terms ending within 12 months from the date of initial application of HKFRS 16	**2,793**	–
Operating lease charges in respect of rented premises	**–**	15,407
Net (gain)/loss on financial assets at FVTPL:		
Proceeds on sales	**(32,004)**	–
Cost of sales	**31,983**	–
Net realised gain on disposal of financial assets at FVTPL	**(21)**	–
Unrealised gain on fair value change of financial assets at FVTPL *(Note 26)*	**(7,661)**	–
Loss on fair value change of early redemption right *(Note 26)*	**12,950**	14,390
Loss on derecognition of profit guarantee *(Note 26)*	**1,345**	–
Net (gain)/loss on fair value change of profit guarantees *(Note 26)*	**(15,292)**	15,619
Net (gain)/loss on financial assets at FVTPL	**(8,679)**	30,009
Other (gains) and losses:		
Exchange losses/(gains), net	**634**	(531)
Gain on derecognition of lease	**(251)**	–
Impairment loss on goodwill *(Note 19)*	**38,144**	–
Impairment loss on intangible asset *(Note 18)*	**4,520**	–
Gain on disposal of intangible asset	**–**	(15)
Write-off of property, plant and equipment	**84**	19
Loss on disposal of subsidiaries *(Note 37)*	**2,818**	–
Gain on derecognition of a subsidiary *(Note ii)*	**(2)**	–
Others	**–**	21
	45,947	(506)

Notes:

(i) Included in the equity-settled share-based payment expenses of approximately HK$14,864,000 (2019: approximately HK$57,404,000) are the amount of approximately HK$3,425,000 (2019: approximately HK$12,445,000) attributable to the directors which are also included in the directors' emoluments, with the remaining amount of approximately HK$11,439,000 (2019: approximately HK$44,959,000) attributable to the staff of the Group.

(ii) The amount represents the cumulative exchange differences included in exchange reserve released upon deregistration of a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2020 HK$'000	2019 HK$'000
Impairment losses recognised on trade receivables *(Note 22)*	**37,621**	–
Impairment losses recognised on factoring receivables *(Note 23)*	**440**	–
Impairment losses recognised on lease receivables *(Note 24)*	**125**	–
	38,186	–

11. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Effective interest on convertible bonds/notes *(Note 35)*	**3,242**	449
Effective interest on corporate bonds *(Note 34)*	**33,300**	22,216
Effective interest on lease liabilities	**1,428**	–
Interest on a margin securities account	**18**	–
	37,988	22,665

12. TAXATION

	2020 HK$'000	2019 HK$'000
Current tax:		
– Hong Kong Profits Tax	**68**	1,220
– PRC Enterprise Income Tax	**64,573**	82,798
	64,641	84,018
Underprovision/(overprovision) in prior years:		
– Hong Kong Profits Tax	**1,381**	(97)
– PRC Enterprise Income Tax	**1,414**	(5)
	2,795	(102)
Deferred tax:		
– Current year *(Note 21)*	**614**	4,598
Total	**68,050**	88,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

12. TAXATION *(Continued)*

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Group in the PRC is 25% for the years ended 30 June 2020 and 2019.

Pursuant to the EIT Law and its implementation rules, dividends declared in respect of profit earned by the PRC subsidiaries, and royalty receivable by non-PRC corporate residents from the PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements.

A reconciliation of the taxation applicable to profit before tax using the statutory rate for the location in which the Company is domiciled for tax purpose to the tax expense at the effective tax rate are as follows:

	2020	2019
	HK$'000	HK$'000
		(Restated)
Profit before tax	**210,220**	194,567
Tax expenses at the Hong Kong Profits Tax rate 16.5%	**34,686**	32,103
Tax effect of expenses not deductible for tax purpose	**30,270**	31,627
Tax effect of income not taxable for tax purpose	**(18,074)**	(545)
Tax effect on temporary differences not recognised	**3**	–
Tax effect of tax losses not recognised	**–**	48
Effect of tax reduction	**(68)**	(20)
Effect of tax concession	**(1,829)**	(450)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**20,267**	25,853
Underprovision/(overprovision) in respect of prior years	**2,795**	(102)
Tax charge for the year	**68,050**	88,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

13. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES EMOLUMENTS

(i) Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The aggregate amounts of emoluments payable to directors and chief executive of the Company during the year are as follows:

	2020 HK$'000	2019 HK$'000
Fee	**960**	894
Other emoluments:		
Salaries, allowance and benefits in kind	**1,084**	1,080
Retirement benefit scheme contributions	**12**	–
Equity-settled share-based payment expenses	**3,425**	12,445
Total	**5,481**	14,419

Directors' and chief executive's emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of directors) Regulation are as follows:

	Fee		**Salaries, allowance and benefits in kind**		**Retirement benefit scheme contributions**		**Equity-settled share-based payment expenses**		**Total emoluments**	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Executive directors										
Mr. Deng Zhonglin	**–**	–	**561**	600	**2**	–	**1,896**	6,888	**2,459**	7,488
Mr. Xu Feng	**–**	–	**523**	480	**10**	–	**1,529**	5,557	**2,062**	6,037
Independent non-executive directors										
Mr. Tsang Wing Ki	**240**	240	**–**	–	**–**	–	**–**	–	**240**	240
Mr. Choi Hung Fai	**240**	240	**–**	–	**–**	–	**–**	–	**240**	240
Dr. Wong Kong Tin, *JP*	**240**	240	**–**	–	**–**	–	**–**	–	**240**	240
Mr. Qiu Peiyuan *(Note a)*	**240**	174	**–**	–	**–**	–	**–**	–	**240**	174
	960	894	**1,084**	1,080	**12**	–	**3,425**	12,445	**5,481**	14,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

13. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES EMOLUMENTS *(Continued)*

(i) Benefits and interests of directors *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Notes:

(a) Mr. Qiu Peiyuan was appointed as the independent non-executive director of the Company on 11 October 2018.

(b) During the year ended 30 June 2020, no bonus (2019: no bonus) was paid to the executive directors of the Company. In addition, no emoluments were paid by the Group to the executive directors and independent non-executive directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office.

(c) In prior years, share options were granted to directors in respect of their services to the Group, further details of which are included in the disclosures in Note 38 to the consolidated financial statements.

(b) Directors' retirement benefits

During the year ended 30 June 2020, the directors received retirement benefits of HK$12,000 (2019: Nil).

(c) Directors' termination benefits

None of the directors received any termination benefits during the year (2019: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 30 June 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporates and connected entities with such directors

During the year ended 30 June 2020, there was no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2019: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

13. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES EMOLUMENTS *(Continued)*

(ii) Five highest paid employees emoluments

The five highest paid employees of the Group during the year ended 30 June 2020 included two (2019: two) directors, details of whose emoluments have been set out above. The emoluments of the remaining three (2019: three) individuals are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	**1,518**	1,669
Retirement benefit scheme contributions	**45**	170
Equity-settled share-based payment expenses	**8,012**	29,115
Total	**9,575**	30,954

The number of the highest paid employees who are not the directors and the chief executive officer of the Company whose emoluments fell within the following bands is as follows:

	2020	2019
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$6,000,000	**3**	3
Total	**3**	3

No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during years ended 30 June 2020 and 2019.

During the year and in prior year, share options were granted to non-director highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 38 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above highest paid employees' emoluments disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

14. DIVIDEND

	2020 HK$'000	2019 HK$'000
Cash dividend proposed:		
Nil (2019: HK5.0 cents per share)	–	73,145

The Directors do not recommend payment of a final dividend for the year ended 30 June 2020 (2019: HK5.0 cents per share).

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2020 HK$'000	2019 HK$'000 (Restated)
Earnings		
Profit attributable to owners of the Company	**137,097**	106,251
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,474,678,000**	1,455,630,000
Effect of dilutive potential ordinary shares:		
Share options	–	37,583,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,474,678,000**	1,493,213,000

For the year ended 30 June 2020, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of the share options were higher than the average market price of shares, nor the conversion of the convertible bonds since their conversion would result in an increase in earnings per share. The basic and diluted earnings per share were the same for the year ended 30 June 2020.

For the year ended 30 June 2019, the computation of diluted earnings per share assumes the exercise of the Company's outstanding share options as the exercise prices of the share options were lower than the average market price of the shares. The computation of diluted earnings per share does not assume the conversion of convertible bonds/notes since their conversion would result in an increase in earnings per share.

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For the year ended 30 June 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 July 2018	3,588	3,565	953	6,731	14,837
Acquisition of subsidiaries	–	133	40	–	173
Additions	1,332	442	192	–	1,966
Disposals	–	–	(167)	–	(167)
Write-off	(1,181)	(1,237)	(583)	–	(3,001)
Exchange realignment	(50)	(89)	(14)	–	(153)
At 30 June 2019 and 1 July 2019	3,689	2,814	421	6,731	13,655
Additions	**507**	**303**	**62**	**–**	**872**
Write-off	**(89)**	**(204)**	**(155)**	**–**	**(448)**
Exchange realignment	**(81)**	**(96)**	**(12)**	**–**	**(189)**
At 30 June 2020	**4,026**	**2,817**	**316**	**6,731**	**13,890**
Accumulated depreciation and impairment					
At 1 July 2018	3,409	3,000	778	1,670	8,857
Acquisition of subsidiaries	–	4	1	–	5
Charge for the year	1,206	510	95	1,346	3,157
Write-off	(1,163)	(1,237)	(582)	–	(2,982)
Exchange realignment	(43)	(69)	(8)	–	(120)
At 30 June 2019 and 1 July 2019	3,409	2,208	284	3,016	8,917
Charge for the year	**257**	**219**	**72**	**1,346**	**1,894**
Write-off	**(43)**	**(199)**	**(122)**	**–**	**(364)**
Exchange realignment	**(69)**	**(71)**	**(10)**	**–**	**(150)**
At 30 June 2020	**3,554**	**2,157**	**224**	**4,362**	**10,297**
Carrying amounts					
At 30 June 2020	**472**	**660**	**92**	**2,369**	**3,593**
At 30 June 2019	280	606	137	3,715	4,738

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(Continued)

For the year ended 30 June 2020

17. RIGHT-OF-USE ASSETS

	2020 HK$'000
Carrying amount	
Properties leased for own use	7,155
For the year ended 30 June 2020	
Carrying amount at initial recognition	16,494
Additions	3,228
Depreciation	(8,191)
Write-off	(4,174)
Exchange realignment	(202)
	7,155

	2020 HK$'000
Expense relating to short-term leases and other leases with lease terms ending within 12 months from the date of initial application of HKFRS 16	2,793
Variable lease payments not included in the measurement of lease liabilities	–
Total cash outflow for leases *(note i)*	11,892

Note i: Amount includes payments of principal and interest portion of lease liabilities, short-term leases, low value assets and payments of lease payments on or before lease commencement date. These amounts could be presented in operating, investing or financing cash flows.

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed terms of 6 months to 5 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group early terminated certain leases for properties for the year ended 30 June 2020 and resulting in a gain on derecognition of lease of approximately HK$251,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

18. INTANGIBLE ASSETS

	Exhibition holding right HK$'000 (Restated)	Trademarks and brands HK$'000	Total HK$'000 (Restated)
Cost			
At 1 July 2018	–	29,791	29,791
Acquisition of a subsidiary	17,876	–	17,876
Disposals	–	(115)	(115)
Exchange realignment	(538)	(1,219)	(1,757)
At 30 June 2019 and 1 July 2019	17,338	28,457	45,795
Exchange realignment	**(618)**	**(1,014)**	**(1,632)**
At 30 June 2020	**16,720**	**27,443**	**44,163**
Accumulated amortisation and impairment			
At 1 July 2018	–	7,280	7,280
Charge for the year	1,263	7,314	8,577
Eliminated on disposals	–	(15)	(15)
Exchange realignment	(17)	(374)	(391)
At 30 June 2019 and 1 July 2019	1,246	14,205	15,451
Charge for the year *(Note 9)*	**3,558**	**7,003**	**10,561**
Impairment loss recognised in profit or loss *(Note 9)*	**4,520**	**–**	**4,520**
Exchange realignment	**(81)**	**(579)**	**(660)**
At 30 June 2020	**9,243**	**20,629**	**29,872**
Carrying amounts			
At 30 June 2020	**7,477**	**6,814**	**14,291**
At 30 June 2019	16,092	14,252	30,344

Intangible assets comprise of exhibition holding right, and trademarks and brands. The exhibition holding right was purchased as part of a business combination during the year ended 30 June 2019. In addition, trademarks and brands were obtained from a subsidiary acquired and additions from third parties during the year ended 30 June 2018.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Exhibition holding right	5 years
Trademarks and brands	37–116 months

The recoverable amounts of intangible assets have been determined based on a value-in-use calculation by Peak Vision. The calculation used cash flow projections based on financial forecasts approved by the directors of the Company covering a three-year period.

The directors of the Company assessed the impairment loss on the intangible assets by applying the same key assumptions as the impairment test of the goodwill detailed in Note 19 below. The present value of the estimated free cash flow arising from the Shanghai Mijia cash generating unit ("**Shanghai Mijia CGU**") and Fortune Selection Group cash generating unit ("**Fortune Selection CGU**") were extracted from the valuation reports prepared by Peak Vision to determine the impairment loss on the intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

19. GOODWILL

	2020 HK$'000	2019 HK$'000 (Restated)
Cost		
At the beginning of the year	**314,541**	290,982
Arising from acquisition of subsidiaries	**–**	23,559
At the end of the year	**314,541**	314,541
Impairment		
At the beginning of the year	**–**	–
Impairment loss recognised in profit or loss *(Note 9)*	**38,144**	–
At the end of the year	**38,144**	–
Carrying amounts	**276,397**	314,541

Goodwill acquired in business combinations is allocated to relevant CGUs that is expected to benefit from the business combinations. The carrying amounts of goodwill are allocated according to the relevant CGUs as follows:

	2020 HK$'000	2019 HK$'000 (Restated)
Organisation of exhibitions, events planning and related services	**29,429**	59,123
Brand management and related services	**38,354**	46,004
Promotion and consulting services	**208,180**	208,180
Financing	**434**	1,234
	276,397	314,541

Organisation of exhibitions, events planning and related services

The recoverable amounts of the (i) Sparkle Mass Group cash-generating unit ("**Sparkle Mass CGU**") and (ii) Shanghai Mijia CGU have been determined based on value-in-use calculation by Peak Vision. The calculation used cash flow projections based on the financial forecasts approved by the directors of the Company covering a three-year period. The discount rates applied to the cash flow projections are 14.90% (2019: 15.81%). The growth rate used to extrapolate the cash flows beyond the three-year period is 3.00% (2019: 3.00%).

Brand management and related services

The recoverable amounts of the Fortune Selection CGU has been determined based on value-in-use calculation by Peak Vision. The calculation used cash flow projections based on the financial forecasts approved by the directors of the Company covering a three-year period. The discount rates applied to the cash flow projections are 13.54% (2019: 14.34%). The growth rate used to extrapolate the cash flows beyond the three-year period is 3.00% (2019: 3.00%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

19. GOODWILL *(Continued)*

Promotion and consulting services

The recoverable amounts of the Cheer Sino Group cash-generating unit ("**Cheer Sino CGU**") has been determined based on value-in-use calculation by Peak Vision. The calculation used cash flow projections based on the financial forecasts approved by the directors of the Company covering a three-year period. The discount rates applied to the cash flow projections are 13.54% (2019: 14.34%). The growth rate used to extrapolate the cash flows beyond the three-year period is 3.00% (2019: 3.00%).

Financing

The recoverable amounts of the (i) i-Lend cash-generating unit ("**i-Lend CGU**"), (ii) CIS Group cash generating unit ("**CIS CGU**") and (iii) Hananhal Group cash-generating unit ("**Hananhal CGU**") have been determined based on value-in-use calculation by Peak Vision. The calculation used cash flow projections based on the financial forecasts approved by the directors of the Company covering a three-year period. The discount rates applied to the cash flow projections are 13.95%–20.00% (2019: 13.37%–17.10%). The growth rate used to extrapolate the cash flows beyond the three-year period is 3.00% (2019: 3.00%).

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The terminal growth rate used is with reference to the long term average growth rates and expected market development.

Other assumptions for the value-in-use calculation related to the estimation of the cash inflows/outflows which included budgeted revenue and profit margin. Such estimation is based on past performance, existing sales contracts and management expectations for the market development.

During the year ended 30 June 2020, impairment loss of approximately HK$6,135,000, HK$23,559,000, HK$7,650,000 and HK$800,000 (2019: Nil, Nil, Nil and Nil) were recognised on goodwill arising from Sparkle Mass CGU, Shanghai Mijia CGU, Fortune Selection CGU and i-Lend CGU, respectively as their recoverable amounts were determined to be lower than their carrying amounts.

While the management has taken a conservative estimate in performing the impairment assessment, the recoverable amount of the Sparkle Mass CGU, Shanghai Mijia CGU, Fortune Selection CGU and i-Lend CGU equals to their carrying amounts as at 30 June 2020. Therefore, any unfavourable possible change in the key assumptions indicated above on which the management had based its determination of the CGUs' recoverable amount may cause further impairment loss during the year ended 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

20. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's significant subsidiaries as at 30 June 2020 are set out as follow:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity and voting power attributable to the Group Directly 2020	Directly 2019	Indirectly 2020	Indirectly 2019	Principal activities
Asia Pacific Top 100 DJ Limited	HK	Ordinary HK$10,000	**–**	–	**100%**	100%	Provision of artist agency services
Dazhi Ruoyu Entertainment Information Technology (Hainan) Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB50,000,000	**–**	–	**100%**	100%	Trading of goods, provision of promotion services
Faithful Progress Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Provision of bar brand services
Furuida Financial Leasing (Shenzhen) Co., Ltd.* *(Note 2)*	PRC	Registered capital US$10,000,000	**–**	–	**100%**	100%	Provision of finance lease services
Great Getter Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Provision of operating services
Greatest Best Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Great Wisdom-entertainment International Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Provision of promotion services
i-Lend Finance Limited	Hong Kong	Ordinary HK$10,000	**–**	–	**100%**	100%	Provision of loan and financing
Mega Entertainment & Fair (Hong Kong) Limited	Hong Kong	Ordinary HK$1,000,000	**–**	–	**100%**	100%	Organisation of exhibitions and events
Mega Expo (Hong Kong) Limited	Hong Kong	Ordinary HK$1	**–**	–	**–**	100%	Organisation of exhibitions and trade shows and providing ancillary services
Nod (Shanghai) Culture Development Ltd. *(Note 1)*	PRC	Registered capital RMB1,180,000	**–**	–	**100%**	100%	Provision of brand identity design services
Nod (Shanghai) Management Communication Co., Ltd.* *(Note 2)*	PRC	Registered capital US$1,500,000	**–**	–	**100%**	100%	Provision of bar and club membership, wine and liquor promotion, event planning and comprehensive consulting services
NOVA (HK) Yachting Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Phebe (Shanghai) Brand Management Limited* *(Note 1)*	PRC	Registered capital RMB1,180,000	**–**	–	**100%**	100%	Provision of brand management and related downstream services
Shanghai Bayu E-commerce Limited Liability Company *(Note 1)*	PRC	Registered capital RMB1,180,000	**–**	–	**100%**	100%	Provision of software and technology services
Shanghai Chongya Business Development Co., Ltd.* *(Note 1)*	PRC	Registered capital RMB10,000,000	**–**	–	**100%**	100%	Trading of wine and liquor
Shanghai Dazhi Ruoyu Information Technology Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB15,000,000	**–**	–	**100%**	100%	Provision of software and technology services
Shanghai Lin Yun Exhibition Service Limited Liability Company* *(Note 1)*	PRC	Registered capital RMB1,000,000	**–**	–	**100%**	100%	Organisation of exhibition and trade shows
Shanghai Mijia Expo Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB10,000,000	**–**	–	**100%**	100%	Organisation of exhibition and trade shows
Shanghai Mijia Hemao Expo Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB1,000,000	**–**	–	**51%**	51%	Organisation of exhibition and trade shows
Shanghai Phebe Food & Beverage Management Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB5,000,000	**–**	–	**100%**	100%	Provision of brand management and related downstream services
Shanghai Shouxin Commercial Factoring Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB100,000,000	**–**	–	**100%**	100%	Provision of credit factoring services
Shanghai Shuomeng Culture Development Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB10,000,000	**–**	–	**100%**	100%	Provision of contracting and entertainment equipment solution services
Shenzhen Qianhai Yuanchen Culture Development Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB50,000,000	**–**	–	**100%**	100%	Provision of contracting and entertainment equipment solution services
Yamiao (Shanghai) Cultural Development Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB100,000,000	**–**	–	**100%**	100%	Provision of contracting and entertainment equipment solution services

* The English names of these companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

Notes:

(1) Limited liability company registered in the PRC.

(2) Wholly foreign-owned enterprise registered in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

20. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Group, which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive lengths.

The Group had no subsidiaries which have material non-controlling interests for the years ended 30 June 2020 and 2019.

None of the subsidiaries had any debt securities and outstanding during both years at 30 June 2020 and 2019.

21. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:

	Deferred revenue HK$'000
At 30 June 2018	5,525
Adjustment on adoption of HKFRS 15	747
At 1 July 2018	6,272
Exchange realignment	(209)
Charge to the consolidated profit or loss for the year	(4,598)
At 30 June 2019 and 1 July 2019	1,465
Exchange realignment	(46)
Charge to the consolidated profit or loss for the year *(Note 12)*	(614)
At 30 June 2020	**805**

As at 30 June 2020, the Group had unused estimated tax losses under jurisdiction in Hong Kong of approximately HK$2,697,000 (2019: approximately HK$12,397,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

22. TRADE RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Trade receivables from contracts with customers	**216,097**	171,327
Less: allowance for credit losses	**(37,229)**	–
	178,868	171,327

As at 1 July 2018, trade receivables from contracts with customers amounted to HK$109,793,000.

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(Continued)

For the year ended 30 June 2020

22. TRADE RECEIVABLES *(Continued)*

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for contracting services and entertainment equipment solution which credit terms is normally 8 months and for trading of goods which credit terms is normally 1 to 6 months. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. The Group does not hold any collateral or other credit enhancement over its trade receivables balances. The ageing analysis of trade receivables based on dates when services are rendered/invoice dates is as follows:

	2020 **HK$'000**	2019 HK$'000
0–30 days	**17,574**	83,636
31–60 days	**6,744**	26,852
61–90 days	**6,056**	18,222
91–180 days	**30,023**	30,213
181–365 days	**118,471**	12,404
	178,868	171,327

The ageing analysis of the trade receivables which are past due but not yet impaired is as follows:

	2020 **HK$'000**	2019 HK$'000
0–30 days	**22,158**	14,315
31–60 days	**10,567**	4,614
61–90 days	**17,500**	4,717
91–180 days	**36,287**	872
181–365 days	**33,212**	–
	119,724	24,518

The movements in allowance for credit losses on trade receivables are as follows:

	2020 **HK$'000**	2019 HK$'000
At the beginning of the year	**–**	–
Amounts recognised during the year *(Note 10)*	**37,621**	–
Exchange realignment	**(392)**	–
At the end of the year	**37,229**	–

Details of impairment assessment of trade receivables are set out in Note 5(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

23. FACTORING RECEIVABLES

	2020 HK$'000	2019 HK$'000
Factoring receivables	**357,718**	306,271
Interest receivables from factoring receivables	**912**	1,286
Less: allowance for credit losses	**(435)**	–
	358,195	307,557
Analysed for reporting purposes as:		
Non-current assets	**66,627**	–
Current assets	**291,568**	307,557
	358,195	307,557

As of the end of the reporting period, the ageing analysis of factoring receivables, based on the maturity date of the contracts, is as follows:

	2020 HK$'000	2019 HK$'000
0–30 days	**1,211**	37,705
31–90 days	**7,960**	85,181
91–365 days	**282,397**	184,671
Over 365 days	**66,627**	–
	358,195	307,557

The factoring receivables granted to customers are measured at amortised cost and generally for a period of 5 months to 3 years. The effective interest rates of factoring receivables as to 30 June 2020 range from 7.76% to 11.13% (2019: 15.00%) per annum.

The allowance for credit losses was measured at an amount equal to 12m ECL under general approach for factoring receivables. As at 30 June 2020 and 2019, no factoring receivables were past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

23. FACTORING RECEIVABLES *(Continued)*

The movements in allowance for credit losses on factoring receivables are as follows:

	2020 **HK$'000**	2019 HK$'000
At the beginning of the year	**–**	–
Amounts recognised during the year *(Note 10)*	**440**	–
Exchange realignment	**(5)**	–
At the end of the year	**435**	–

Details of impairment assessment of factoring receivables are set out in Note 5(b) to the consolidated financial statements.

24. LEASE RECEIVABLES

	2020 **HK$'000**	2019 HK$'000
Lease receivables from sale-leaseback transactions	**80,484**	–
Less: allowance for credit losses	**(124)**	–
	80,360	–
Analysed for reporting purposes as:		
Current assets	**23,386**	–
Non-current assets	**56,974**	–
	80,360	–

As of the end of the reporting period, the ageing analysis of lease receivables from sale-leaseback transactions, based on the maturity date of the contracts, is as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**23,386**	–
More than one year but not exceeding two years	**35,150**	–
More than two years but not exceeding three years	**21,824**	–
	80,360	–

All leases are denominated in RMB. Lease receivable from sale-leaseback transactions are measured at amortised cost and generally for a period of 1 to 3 years. The effective interest rate of the lease receivables from sale-leaseback transactions as at 30 June 2020 range from 7.98% to 10.02% per annum.

Upon application of HKFRS 16, the Group, acting as a buyer-lessor, does not recognise the transferred asset if the sale-leaseback transaction does not satisfy the requirements of HKFRS 15 as a sale but accounts for as financing arrangement under HKFRS 9.

The allowance for credit losses was measured at an amount equal to 12m ECL under general approach for lease receivables from sale-leaseback transactions. As at 30 June 2020, no lease receivables from sale-leaseback transactions were past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

24. LEASE RECEIVABLES *(Continued)*

Leasing arrangements

The movements in allowance for credit losses on lease receivables from sale-leaseback transactions are as follows:

	2020 HK$'000	2019 HK$'000
At the beginning of the year	**–**	–
Amounts recognised during the year *(Note 10)*	**125**	–
Exchange realignment	**(1)**	–
At the end of the year	**124**	–

Details of impairment assessment of lease receivables are set out in note 5(b) to the consolidated financial statements.

There was no unguaranteed residual value in connection with lease arrangements or contingent lease arrangements of the Group that needed to be recorded as at the end of the reporting period.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Current assets		
Prepayments	**1,118**	4,288
Payment in advance *(Note a)*	**18,110**	31,094
Deposits	**2,922**	3,972
Other receivables	**4,257**	12,921
	26,407	52,275
Non-current assets		
Prepayment *(Note b)*	**14,525**	14,381
Rental deposits	**–**	1,681
	14,525	16,062
Total	**40,932**	68,337

As at 30 June 2020, the directors of the Company consider the credit risk of other receivables to be low, therefore the impact of ECL is considered as immaterial.

Notes:

a. During the year, the Group has prepaid approximately HK$12,579,000 to several event planning companies for providing wine & liquor brand promotion services.

b. In April 2019, an indirectly wholly-owned subsidiary of the Company entered into a yacht building contract (the "**Contract**") with a ship building company, an independent third party. According to the Contract, the amount of approximately HK$14,381,000 was paid as a first instalment for the yacht building. Details of capital commitments are set out in the Note 42 to the consolidated financial statements.

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(Continued)

For the year ended 30 June 2020

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **HK$'000**	2019 HK$'000
Profit guarantees *(Note a)*	**24,581**	10,634
Early redemption right of corporate bonds *(Note b)*	**3,280**	16,230
Equity securities listed in Hong Kong *(Note b)*	**25,727**	–
Unlisted investment fund *(Note b)*	**–**	30,000
	53,588	56,864
Analysed for reporting purposes as:		
Current assets	**29,007**	48,887
Non-current assets	**24,581**	7,977
	53,588	56,864

Notes:

(a) Details of the profit guarantees are as follows:

Profit guarantees	**Sparkle Mass Group** HK$'000	**Fortune Selection Group** HK$'000	**Cheer Sino Group** HK$'000	**Shanghai Mijia Hemao** HK$'000	**Total** HK$'000
At 1 July 2018	40	330	16,415	–	16,785
Arising from acquisition of subsidiaries	–	–	–	9,468	9,468
Gain/(loss) on change in fair value	1,305	(330)	(16,415)	(179)	(15,619)
At 30 June 2019 and 1 July 2019	1,345	–	–	9,289	10,634
Loss on derecognition of profit guarantee	(1,345)	–	–	–	(1,345)
Gain on change in fair value	–	–	–	15,292	15,292
At 30 June 2020	**–**	**–**	**–**	**24,581**	**24,581**

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For the year ended 30 June 2020

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

During the year ended 30 June 2017, the Group acquired 100% equity interest in Sparkle Mass Limited and its subsidiaries (the "**Sparkle Mass Group**").

During the year ended 30 June 2018, the Group acquired 100% equity interest in Fortune Selection Limited and its subsidiaries (the "**Fortune Selection Group**"), Cheer Sino Investment Holdings Limited and its subsidiaries (the "**Cheer Sino Group**").

During the year ended 30 June 2019, the Group acquired 51% equity interest in 上海米伽合貿展覽有限公司 (transliterated as "**Shanghai Mijia Hemao Expo Co., Ltd**") (the "**Shanghai Mijia Hemao**").

Pursuant to the acquisition agreements, the vendors warranted and guaranteed ("**Profit Guarantees**") to the Group that the net profit for the relevant periods ("**Relevant Periods**") will not be less than the following amounts ("**Guaranteed Profits**"):

Relevant Periods	**Sparkle Mass Group** HK$'000	**Fortune Selection Group** HK$'000
First Relevant Period (1 January 2017 to 31 December 2017)	13,000	10,000
Second Relevant Period (1 January 2018 to 31 December 2018)	14,000	11,000
Third Relevant Period (1 January 2019 to 31 December 2019)	15,000	12,000

Relevant Periods	**Cheer Sino Group** HK$'000
For the year ended 31 December 2018	27,000
For the two years ended 31 December 2019	73,000
For the three years ending 31 December 2020	133,000

Relevant Periods	**Shanghai Mijia Hemao** RMB'000
First Relevant Period (1 January 2019 to 31 December 2019)	9,287
Second Relevant Period (1 January 2020 to 31 December 2020)	11,909
Third Relevant Period (1 January 2021 to 31 December 2021)	13,161

On 23 April 2020, a wholly-owned subsidiary, Shanghai Mijia Hemao and the vendor from the acquisition of Shanghai Mijia Hemao entered into a shareholder co-operation agreement (the "**Co-operation Agreement**"). Pursuant to the Co-operation Agreement, the Relevant Periods of profit guarantee provided by the vendor was extended due to the outbreak of COVID-19. Below are the revised Relevant Periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2020

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

Relevant Periods	**Shanghai Mijia Memao** RMB'000
First Relevant Period (1 January 2019 to 31 December 2019)	9,287
Second Relevant Period (1 January 2021 to 31 December 2021)	11,909
Third Relevant Period (1 January 2022 to 31 December 2022)	13,161

The modification did not constitute a derecognition of financial liabilities as the terms are not substantially different.

As at 30 June 2020, the aggregate fair value of these Profit Guarantees was approximately HK$24,581,000 (2019: approximately HK$10,634,000), resulting in a gain on change in fair value of approximately HK$15,292,000 (2019: loss on change in fair value of approximately HK$15,619,000).

The fair value of these Profit Guarantees was determined by the directors of the Company with reference to the valuations carried out by Peak Vision at the end of the reporting periods.

(b) Details of other financial assets at fair value through profit or loss are as follow:

	Early redemption right HK$'000	**Equity securities listed in Hong Kong** HK$'000	**Unlisted investment fund** HK$'000	**Total** HK$'000
At 1 July 2018	–	–	–	–
Arising from the issue of corporate bonds	30,620	–	–	30,620
Addition	–	–	30,000	30,000
Loss on change in fair value	(14,390)	–	–	(14,390)
At 30 June 2019 and 1 July 2019	16,230	–	30,000	46,230
Addition	–	20,049	–	20,049
Disposal	–	(1,983)	(30,000)	(31,983)
Gain/(loss) on change in fair value	(12,950)	7,661	–	(5,289)
At 30 June 2020	**3,280**	**25,727**	**–**	**29,007**

The fair value of early redemption right was determined by the directors of the Company with reference to the valuations carried out by Peak Vision at the date of issue and at the end of the reporting periods.

The fair value of listed securities was determined by the directors of the Company with reference to quoted price in active markets.

The fair value of unlisted investment fund was determined by the directors of the Company by making reference to the valuations carried out by an independent professional valuer at 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2020

27. CASH AND CASH EQUIVALENTS

	2020 **HK$'000**	2019 HK$'000
Cash and cash equivalents	**137,431**	212,951

At 30 June 2020, the Group's bank balances and cash denominated in RMB amounted to approximately HK$124,481,000 (2019: approximately HK$162,888,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Bank balances carry interest ranging from 0.1% to 0.35% (2019: from 0.001% to 0.03%) per annum.

28. TRADE PAYABLES

	2020 **HK$'000**	2019 HK$'000
Trade payables	**58,590**	26,445

The following is an ageing analysis of trade payables presented on the basis of the dates of the invoices:

	2020 **HK$'000**	2019 HK$'000
0–30 days	**10,987**	23,952
31–60 days	**3,938**	1,933
61–90 days	**2,829**	560
91–180 days	**3,249**	–
181–365 days	**31,932**	–
Over 1 year	**5,655**	–
	58,590	26,445

The average credit period ranged from 0–180 days.

29. RECEIPTS IN ADVANCE

As at 30 June 2020, approximately HK$4,144,000 was the service fees received in advance (2019: HK$2,528,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

30. CONTRACT LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Organisation and sponsorship of exhibitions, events planning and related services	**–**	2,795
Contracting services and entertainment equipment solution	**–**	2,229
Brand management and related services	**9,313**	16,284
Promotion and consulting services	**23,153**	1,398
Trading of goods	**6,118**	–
	38,584	22,706
Analysed for reporting purposes as:		
Current liabilities	**36,616**	13,210
Non-current liabilities	**1,968**	9,496
	38,584	22,706

As at 1 July 2018, contract liabilities amounted to HK$34,227,000.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2020 **HK$'000**	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Organisation and sponsorship of exhibitions, events planning and related services	**2,425**	–
– Contracting services and entertainment solution	**2,229**	2,774
– Brand management and related services	**7,158**	5,618
– Promotion and consulting services	**1,398**	22,718
– Trading of goods	**–**	–
At the end of the year	**13,210**	31,110

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Organisation and sponsorship of exhibitions, events planning and related services

The Group receives upfront lump sum payments from certain customers 1 month before the services are rendered. The upfront lump sum payment result in contract liabilities being recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

30. CONTRACT LIABILITIES *(Continued)*

Contracting services and entertainment equipment solution

For sales of entertainment equipment solution, the Group receives 10% of the contract value of deposits from customers when they sign the sales and purchase agreement. The deposits result in contract liabilities being recognised until the control of the goods has been transferred, being the goods been delivered and accepted by the customers.

Brand management and related services

The Group receives upfront lump sum payments from the customers before the commencement of use of license and monthly fee in advances for the brand management services rendered from the certain customers at the beginning of each month. The upfront lump sum and advance payment result in contract liabilities being recognised.

Promotion and consulting services

The Group receives upfront lump sum payments from the customers before the commencement of the membership and upfront lump sum payments from the certain customers before the promotion and consulting services rendered. The upfront lump sum payments result in contract liabilities being recognised.

Trading of goods

The Group receives upfront lump sum payments from certain customers before the goods are transferred to customers. The upfront lump sum payments result in contract liabilities being recognised until the control of the goods has been transferred, being the goods has been delivered and accepted by the customers.

31. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current reporting period and at the date of the transition to HKFRS 16:

	At 30 June 2020		At 1 July 2019 *(Note)*	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payment HK$'000
Within 1 year	**6,702**	**7,147**	7,703	9,503
After 1 year but within 2 years	**500**	**541**	8,142	8,872
After 2 years but within 5 years	**209**	**222**	649	821
	709	**763**	8,791	9,693
	7,411	**7,910**	16,494	19,196
Less: total future interest expenses		**(499)**		(2,702)
Present value of lease liabilities		**7,411**		16,494

Note: the Group has initially applied HKFRS16 using the modified retrospective approach to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Further details on the impact of the transition to HKFRS 16 are set out in Note 2 to the consolidated financial statement.

The incremental borrowing rate applied by the Group was 10.39% per annum for the year ended 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

32. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2020	2019
	HK$'000	HK$'000
Accruals	**3,823**	4,723
Deposits received	**2,064**	6,733
Other payables	**14,232**	21,673
	20,119	33,129

33. CONTINGENT CONSIDERATION PAYABLES

	Fortune Selection Group	**Cheer Sino Group**	**Shanghai Mijia Hemao**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
	(Note a)	*(Note b)*	*(Note c)*	
At 1 July 2018	30,442	151,979	–	182,421
Arising from acquisition of subsidiary, at fair value	–	–	10,643	10,643
Reclassified to convertible bonds/notes and convertible bonds/notes reserve				
– liabilities portion	(6,616)	(23,010)	–	(29,626)
– equity portion	(8,605)	(7,747)	–	(16,352)
Loss/(gain) on change in fair value	2,595	20,713	(53)	23,255
At 30 June 2019 and 1 July 2019	17,816	141,935	10,590	170,341
Reclassified to convertible bonds/notes and convertible bonds/notes reserve *(Note 35)*				
– liabilities portion	(7,954)	(45,629)	–	(53,583)
– equity portion	(5,191)	(4,491)	–	(9,682)
Gain on change in fair value *(Note 9)*	(4,671)	(85,710)	(7,084)	(97,465)
At 30 June 2020	**–**	**6,105**	**3,506**	**9,611**

Analysed for reporting purposes as:

	2020	2019
	HK$'000	HK$'000
Current liabilities	**6,105**	83,061
Non-current liabilities	**3,506**	87,280
Total	**9,611**	170,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

33. CONTINGENT CONSIDERATION PAYABLES *(Continued)*

Notes:

(a) The initial consideration is principal amount of HK$48,024,000 (subject to adjustments) of convertible bonds in accordance with the sale and purchase agreement for the acquisition of Fortune Selection Group. The consideration is valued at a fair value of approximately HK$81,430,000 at the completion date of the acquisition.

The first convertible bond ("**CB I**") with principal amount of HK$24,012,000 was issued to vendor at completion date of acquisition and the second convertible bond ("**CB II**"), the third convertible bond ("**CB III**") and the fourth convertible bond ("**CB IV**") with principal amount of HK$8,004,000 each were issued to vendor as Guaranteed Profits for the First Relevant Period, the Second Relevant Period and the Third Relevant Period have been met, details of the convertible bonds are set out in Note 35 to the consolidated financial statements.

(b) The initial considerations are HK$100,000,000 in cash upon completion and principal amount of HK$168,000,000 (subject to adjustments) of convertible notes in accordance with the sale and purchase agreement for the acquisition of Cheer Sino Group. The consideration is valued at a fair value of approximately HK$298,538,000 at the completion date of the acquisition.

The first convertible note ("**CN I**") and the second convertible note ("**CN II**"), with principal amount of HK$34,000,000 and HK$58,000,000, respectively, were issued to vendor as the Guaranteed Profits for the year ended 31 December 2018 and the two years ended 31 December 2019 have been met, respectively. Details of the convertible notes are set out in Note 35 to the consolidated financial statements. The remaining convertible note, the third convertible note ("**CN III**"), with principal amount of HK$76,000,000 will be issued upon fulfilment of the agreed Guaranteed Profits for the three years ending 31 December 2020.

(c) The initial considerations are approximately RMB34,236,000, equivalent to approximately HK$38,576,000 in cash upon completion and an amount of approximately RMB11,412,000 (subject to adjustments), equivalent to approximately HK$12,858,000, of contingent payment in accordance with the sales and purchase agreement for the acquisition of Shanghai Mijia Hemao. The consideration is valued at a fair value of approximately HK$50,847,000 at the completion date of the acquisition.

Pursuant to the sales and purchase agreement, the vendors guaranteed to the Group the audited net profit after tax of Shanghai Mijia Hemao for three Relevant Periods. If the net profit for Relevant Periods is less than the Guaranteed Profits for the Relevant Periods or there is a net loss in the Relevant Periods, the Group is entitled to deduct the three contingent payments with principal amount of approximately RMB3,652,000, RMB3,652,000 and RMB4,108,000 respectively, an amount equal to the adjustment as defined in the sales and purchase agreement.

The fair value of the contingent consideration payables were determined by the directors of the Company with reference to the valuations at the respective completion dates and year end date carried out by Peak Vision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

34. CORPORATE BONDS

The carrying amount of corporate bonds recognised at the end of the reporting period was calculated as follows:

	Unlisted bond ("Bond I") HK$'000 *(Note a)*	**Unlisted bond ("Bond II")** HK$'000 *(Note b)*	**Unlisted bond ("Bond III")** HK$'000 *(Note c)*	**Unlisted bond ("Bond IV")** HK$'000 *(Note d)*	**Unlisted bond ("Bond V")** HK$'000 *(Note e)*	**Total** HK$'000
At 1 July 2018	2,594	–	–	–	–	2,594
Principal value of the corporate bonds on initial recognition	–	1,000	2,000	2,000	–	5,000
Fair value of the corporate bonds on initial recognition	–	–	–	–	330,620	330,620
Direct transaction costs	–	(140)	(210)	(140)	(6,000)	(6,490)
	2,594	860	1,790	1,860	324,620	331,724
Effective interest expenses	277	79	140	120	21,600	22,216
Less: interest paid	(187)	(54)	(107)	(94)	(28,973)	(29,415)
At 30 June 2019 and 1 July 2019	2,684	885	1,823	1,886	317,247	324,525
Effective interest expenses	288	93	168	155	32,596	33,300
Less: interest paid	(187)	(63)	(125)	(120)	(45,062)	(45,557)
At 30 June 2020	**2,785**	**915**	**1,866**	**1,921**	**304,781**	**312,268**

Analysed for reporting purposes as:

	2020 **HK$'000**	2019 HK$'000
Current liabilities	**306,702**	–
Non-current liabilities	**5,566**	324,525
	312,268	324,525

Notes:

(a) In June 2018, the Group issued an unsecured corporate bond ("**Bond I**") with principal amount of HK$3,000,000, carrying interest at the rate of 6.25% per annum payable annually for a term of 4 years, which will be due on 11 June 2022. The effective interest rate is 10.21% per annum. The Company has the right to redeem the outstanding principal amount at agreed time before the optional redemption dates, which are 11 June 2019, 11 June 2020 and 11 June 2021 with at least 7 clear business days written notice, but the bondholder has no right to require the Company to redeem the corporate bond. The redemption right is not recognised in the consolidated financial statements since the directors of the Company consider that the probability of exercise of the redemption right is remote. The directors of the Company have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, the fair value of the redemption right was not accounted for in the consolidated financial statements as at 30 June 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

34. CORPORATE BONDS *(Continued)*

Notes: *(Continued)*

(b) In August 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK$1,000,000, carrying interest at the rate of 6.25% per annum payable semi-annually for a term of 4 years, which will be due on 16 August 2022 ("**Bond II**"). The effective interest rate is 10.46% per annum. The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond. The redemption right is not recognised in the consolidated financial statements since the directors of the Company consider that the probability of exercise of the redemption right is remote. The directors of the Company have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, fair value of the redemption right was not accounted for in the consolidated financial statements as at 30 June 2020 and 2019.

(c) In August 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK$2,000,000, carrying interest at the rate of 6.25% per annum payable semi-annually for a term of 3 years, which will be due on 23 August 2021 ("**Bond III**"). The effective interest rate is 9.13% per annum. The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond. The redemption right is not recognised in the consolidated financial statements since the directors of the Company consider that the probability of exercise of the redemption right is remote. The directors of the Company have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, fair value of the redemption right was not accounted for in the consolidated financial statements as at 30 June 2020 and 2019.

(d) In September 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK$2,000,000, carrying interest at the rate of 6% per annum payable semi-annually for a term of 2 years, which will be due on 16 September 2020 ("**Bond IV**"). The effective interest rate is 8.19% per annum. The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond. The redemption right is not recognised in the consolidated financial statements since the directors of the Company consider that the probability of exercise of the redemption right is remote. The directors of the Company have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, fair value of the redemption right was not accounted for in the consolidated financial statements as at 30 June 2020 and 2019.

(e) In November 2018, the Group issued unsecured corporate bonds through a placing agent with principal amount of HK$300,000,000, carrying interest at the rate of 15% per annum payable quarterly for a term of 2 years, which will be due on 7 November 2020 ("**Bond V**"). The fair value of the bonds at the date of issue was HK$330,620,000. The effective interest rate is 10.41% per annum. The Company may at any time before the maturity date of the bonds, redeem the bonds by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bonds together with payment of interest accrued thereon up to the date of redemption ("**Issuer's Early Redemption Right**"). Subject to the conditions of the bond instrument, the bondholders shall not have the right to request the Company to redeem the bond prior to the maturity date of the bonds. The fair value of the Issuer's Early Redemption Right at the date of issue amounted to HK$30,620,000. The embedded derivatives derived from Issuer's Early Redemption Right is classified as current asset and carried at fair value. Any changes in fair value will be recognised in profit or loss.

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35. CONVERTIBLE BONDS/NOTES

The equity component and liability component of convertible bonds/notes recognised at the end of the reporting period were calculated as follows:

	CB III	CB IV	CN I	CN II	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note a)	*(Note b)*	*(Note c)*	*(Note d)*	
Equity component					
At 1 July 2018	–	–	–	–	–
Reclassified from contingent consideration payables	8,605	–	7,747	–	16,352
Conversion of convertible bond	(8,605)	–	–	–	(8,605)
At 30 June 2019 and 1 July 2019	–	–	7,747	–	7,747
Reclassified from contingent consideration payables *(Note 33)*	–	5,191	–	4,491	9,682
Conversion of convertible bond/notes	–	(5,191)	(7,747)	(4,491)	(17,429)
At 30 June 2020	–	–	–	–	–
Liability component					
At 1 July 2018	–	–	–	–	–
Reclassified from contingent consideration payables	6,616	–	23,010	–	29,626
Effective interest expenses	114	–	335	–	449
Conversion of convertible bond	(6,730)	–	–	–	(6,730)
At 30 June 2019 and 1 July 2019	–	–	23,345	–	23,345
Reclassified from contingent consideration payables *(Note 33)*	–	7,954	–	45,629	53,583
Effective interest expenses	–	34	2,932	276	3,242
Conversion of convertible bond/notes	–	(7,988)	(26,277)	(45,905)	(80,170)
At 30 June 2020	–	–	–	–	–

Notes:

(a) The Guaranteed Profits for the year ended 31 December 2018 of Fortune Selection Group has been fulfilled. CB III has been reclassified from contingent consideration payable on 29 March 2019.

(b) The Guaranteed Profits for the year ended 31 December 2019 of Fortune Selection Group has been fulfilled. CB IV has been reclassified from contingent consideration payable on 19 March 2020.

(c) The Guaranteed Profits for the year ended 31 December 2018 of Cheer Sino Group has been fulfilled. CN I has been reclassified from contingent consideration payable on 8 May 2019.

(d) The Guaranteed Profits for the two years ended 31 December 2019 of Cheer Sino Group has been fulfilled. CN II has been reclassified from contingent consideration payable on 6 April 2020.

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For the year ended 30 June 2020

35. CONVERTIBLE BONDS/NOTES *(Continued)*

The Company issued CB III and CB IV with zero coupon rate with the principal amount of HK$8,004,000 each on 29 March 2019 and 19 March 2020 respectively. Under the terms of CB III and CB IV, CB III and CB IV can be converted into ordinary shares of the Company at conversion price of HK$0.92 per share for the period from the date of the issue of convertible bonds to the maturity date of 7 April 2020.

During the year ended 30 June 2019, CB III with the principal amount of HK$8,004,000 were fully converted into 8,700,000 new shares of the Company at a conversion price of HK$0.92 per share.

During the year ended 30 June 2020, CB IV with the principal amount of HK$8,004,000 were fully converted into 8,700,000 new shares of the Company at a conversion price of HK$0.92 per share.

The Company issued CN I and CN II with zero coupon rate with the principal amount of HK$34,000,000 and HK$58,000,000 on 8 May 2019 and 6 April 2020, respectively. Under the terms of CN I and CN II, CN I and CN II can be converted into ordinary shares of the Company at conversion price of HK$1.83 per share for the period from the date of the issue of convertible note to the maturity date of 7 March 2022.

During the year ended 30 June 2020, CN I and CN II with the principal amount of HK$34,000,000 and HK$58,000,000 were fully converted into 18,579,234 and 31,693,989 new shares of the Company respectively at a conversion price of HK$1.83 per share.

The convertible bonds/notes contain two components, liability and equity components. The equity component represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group. The liability component of the convertible bonds/notes is carried as liability on amortised cost basis until extinguished on conversion or redemption. The effective interest rate of the liability component of CB III, CB IV, CN I and CN II are 19.41%, 11.91%, 14.23% and 12.83% per annum, respectively.

The fair value of the convertible bonds/convertible notes at the date of issue was valued by Peak Vision, using the Binomial Model. The inputs into the model are as follows:

	CB III	CB IV	CN I	CN II
Risk-free rate (%)	1.85	0.64	2.03	0.63
Volatility (%)	39.79	29.99	61.77	56.15
Time to maturity (year)	1.77	0.05	3.69	1.92
Dividend yield (%)	0.23	3.29	0.24	3.19

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For the year ended 30 June 2020

36. SHARE CAPITAL

	Par value HK$	Number of ordinary shares	Nominal value of ordinary shares HK$'000
Authorised:			
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	0.002	**5,000,000,000**	**10,000**
Issued and fully paid:			
At 1 July 2018	0.002	1,454,200,000	2,908
Conversion of convertible bond *(Note a)*	0.002	8,700,000	18
At 30 June 2019 and 1 July 2019	0.002	1,462,900,000	2,926
Conversion of convertible bond/notes *(Note b)*	0.002	58,973,223	118
At 30 June 2020	0.002	**1,521,873,223**	**3,044**

Notes:

(a) On 2 May 2019, CB III with principal amount of HK$8,004,000 were converted into 8,700,000 shares at a conversion price of HK$0.92 per ordinary share. The convertible bond was issued to the vendor upon the fulfilment of profit guarantee for the year ended 31 December 2018 relating to the acquisition of the entire equity interests of Fortune Selection Group.

(b) On 1 April 2020, CB IV with principal amount of HK$8,004,000 were converted into 8,700,000 shares at a conversion price of HK$0.92 per ordinary share. The convertible bond was issued to the vendor upon the fulfilment of profit guarantee for the year ended 31 December 2019 relating to the acquisition of the entire equity interests of Fortune Selection Group.

On 22 April 2020, CN I and CN II with principal amounts of HK$34,000,000 and HK$58,000,000 were converted into 18,579,234 and 31,693,989 shares respectively, both at a conversion price of HK$1.83 per ordinary share. The convertible notes were issued to the vendor upon the fulfilment of profit guarantee for the year ended 31 December 2018 and the two years ended 31 December 2019 relating to the acquisition of the entire equity interests of Cheer Sino Group.

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(Continued)

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37. DISPOSAL OF SUBSIDIARIES

During the Reporting Period, a wholly-owned subsidiary of the Company disposed of its entire 100% equity interest in Mega Expo (Hong Kong) Limited and its subsidiary, at a consideration of HK$1. The loss arising from the disposal was calculated as follows:

Analysis of assets and liabilities over which control was lost

	HK$'000
Net assets disposed of	
Other receivables	95
Income tax receivables	3,030
Cash and cash equivalents	99
Contract liabilities	(368)
Other payables	(4,363)
Non-controlling interest	4,325
	2,818
Consideration received	–
Loss on disposal of subsidiaries *(Note 9)*	(2,818)
Net cash outflow arising on disposal	
Cash consideration	–
Less: cash and cash equivalents disposed of	(99)
	(99)

38. SHARE OPTION SCHEME

The Company adopted a share option scheme ("**Share Option Scheme**") by a resolution in writing passed by the shareholders on 18 October 2013, for the purpose of attracting, retaining and rewarding eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group.

The eligible persons of the Share Option Scheme include directors of the Company, employees, consultants or advisers, providers of goods or services, customers, holders of securities issued by the member of the Group and any other person who has contributed to the Group ("**Eligible Persons**").

The subscription price of the share options shall be a price determined by the Board of Directors and shall be at least the highest of (i) the closing price of share as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average of the closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; or (iii) the nominal value of the share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2020

38. SHARE OPTION SCHEME *(Continued)*

The Eligible Persons shall accept the offer at the date not later than 21 days from the offer date or otherwise be deemed to have declined it. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board of Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Board of Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme. After the refreshment of the limit of the Share Option Scheme with the approval of the shareholders on 10 May 2019, the maximum number of shares which may be issued upon the exercise of the refreshed limit of 146,290,000 options (being 10% of the issued share capital on 10 May 2019) together with all outstanding options as at the date of this annual report carrying the right to subscribe for 46,210,000 (2019: 100,000,000) Shares is 192,500,000 (2019: 245,420,000) shares, representing approximately 10.61% (2019: 16.13%) of the total number of shares in issue as at the date of this annual report.

Details of movements of the share options granted under the Share Option Scheme for the year ended 30 June 2020 are as follows:

Category of participants	Date of grant	Exercise price per share HK$	Exercise period *(Note a)*	Outstanding at 1 July 2019 '000	Granted during the year '000	Exercised '000	Cancelled/ Lapsed '000 *(Note b)*	Outstanding at 30 June 2020 '000
Executive directors								
Deng Zhonglin	1 June 2018	1.89	31 December 2018 to 31 May 2028	**12,000**	–	–	–	**12,000**
Xu Feng	1 June 2018	1.89	31 December 2018 to 31 May 2028	**9,680**	–	–	–	**9,680**
				21,680	–	–	–	**21,680**
Employees	1 June 2018	1.89	31 December 2018 to 31 May 2028	**78,320**	–	–	**(19,580)**	**58,740**
				100,000	–	–	**(19,580)**	**80,420**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

38. SHARE OPTION SCHEME *(Continued)*

Details of movements of the share options granted under the Share Option Scheme for the year ended 30 June 2019 are as follows:

Category of participants	Date of grant	Exercise price per share HK$	Exercise period *(Note a)*	Outstanding at 1 July 2018 '000	Granted during the year '000	Exercised '000	Cancelled/ Lapsed '000	Outstanding at 30 June 2019 '000
Executive directors								
Deng Zhonglin	1 June 2018	1.89	31 December 2018 to 31 May 2028	12,000	–	–	–	12,000
Xu Feng	1 June 2018	1.89	31 December 2018 to 31 May 2028	9,680	–	–	–	9,680
				21,680	–	–	–	21,680
Employees	1 June 2018	1.89	31 December 2018 to 31 May 2028	78,320	–	–	–	78,320
				100,000	–	–	–	100,000

Notes:

(a) The vesting of the options is conditional upon the fulfilment of certain performance targets relating to the Group. All the share options granted under the Share Option Scheme are subject to the following vesting period: 25% of the share options are exercisable from 31 December 2018 to 31 May 2028, 25% of the share options are exercisable from 30 June 2019 to 31 May 2028, 25% of the share options are exercisable from 31 December 2019 to 31 May 2028 and 25% of the share options are exercisable from 30 June 2020 to 31 May 2028.

(b) The share options were cancelled due to resignation of employees during the year ended 30 June 2020.

The assessed fair value at grant date of options granted was HK$0.794 per option. The fair value of share options at grant date is assessed by Peak Vision using the Binomial Option Pricing model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying shares, the expected dividend yield the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

38. SHARE OPTION SCHEME *(Continued)*

The inputs used for the valuation of the options granted included:

	2018
Grant date	1 June 2018
Expiry date	31 May 2028
Spot stock price (HK$ per share)	1.85
Exercise price	1.89
Expected price volatility (%)	33.02
Risk-free interest rate (%)	2.21
Expected life of options (year)	10

On 1 June 2018, the Company granted an aggregate of 100,000,000 share options under the Share Option Scheme, at an exercise price of HK$1.89 per share. The share options granted to each grantee shall vest conditional upon the fulfilment of certain performance targets.

The Binomial Option Pricing model requires input of subjective assumptions such as the expected volatility. Change in the subjective input may materially affect the fair value estimates. The expected volatility is determined by calculating the historical volatility of the share price of listed companies with similar business as the Group.

During the year ended 30 June 2020, the Group recognised equity-settled share-based payment expenses of approximately HK$14,864,000 (2019: approximately HK$57,404,000) in relation to share options granted by the Company to the directors of the Company and employees of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

39. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable for financing activities HK$'000 *(Note 11)*	Lease liabilities HK$'000 *(Note 31)*	Contingent consideration payables HK$'000 *(Note 33)*	Corporate bonds HK$'000 *(Note 34)*	Convertible bonds/ convertible notes HK$'000 *(Note 35)*	Total HK$'000
At 1 July 2018	–	–	182,421	2,594	–	185,015
Financing cash (outflows)/inflows	–	–	–	298,510	–	298,510
Other changes:						
Arising from acquisition of subsidiaries	–	–	10,643	–	–	10,643
Reclassified from contingent consideration payables to convertible bonds						
– Liability component	–	–	(29,626)	–	29,626	–
– Equity component	–	–	(16,352)	–	–	(16,352)
Fair value of early redemption right on initial recognition	–	–	–	30,620	–	30,620
Loss on change in fair value recognised in profit or loss	–	–	23,255	–	–	23,255
Finance costs	–	–	–	22,216	449	22,665
Interest paid	–	–	–	(29,415)	–	(29,415)
Conversion during the year	–	–	–	–	(6,730)	(6,730)
At 30 June 2019	–	–	170,341	324,525	23,345	518,211
Adjustment upon application of HKFRS 16	–	16,494	–	–	–	16,494
As at 1 July 2019 (Restated)	–	16,494	170,341	324,525	23,345	534,705
Capital element of lease rental paid	–	(7,671)	–	–	–	(7,671)
Interest element of lease rental paid	–	(1,428)	–	–	–	(1,428)
Other changes:						
Reclassified from contingent consideration payables to convertible bonds						
– Liability component	–	–	(53,583)	–	53,583	–
– Equity component	–	–	(9,682)	–	–	(9,682)
Gain on change in fair value recognised in profit or loss	–	–	(97,465)	–	–	(97,465)
Finance costs	18	1,428	–	33,300	3,242	37,988
Interest paid	(18)	–	–	(45,557)	–	(45,575)
New lease entered	–	3,220	–	–	–	3,220
Lease terminated	–	(4,425)	–	–	–	(4,425)
Exchange realignment	–	(207)	–	–	–	(207)
Conversion during the year	–	–	–	–	(80,170)	(80,170)
At 30 June 2020	**–**	**7,411**	**9,611**	**312,268**	**–**	**329,290**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

40. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere to the consolidated financial statements, the Group had entered into the following related party transactions, which in the opinion of the directors of the Company, were carried out in accordance with terms negotiated between the parties and in the ordinary course of business of the Group.

Remuneration for key personnel management, including emoluments paid to the directors of the Company and certain employees of the Group, as disclosed in Note 13 to the consolidated financial statements, are as follows:

Key management personnel

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and benefits in kind	**4,001**	2,699
Retirement benefits scheme contributions	**34**	8
Equity-settled share-based payment expenses	**3,425**	12,445
Total compensation paid to key management personnel	**7,460**	15,152

41. OPERATING LEASE COMMITMENTS

The Group as lessee

	2019 HK$'000
Minimum lease payments paid under operating leases in respect of land and building during the year	14,991

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Within one year	13,087
In the second to fifth year inclusive	10,525
	23,612

Operating lease payments represent rentals payable by the Group for certain of its properties in Hong Kong and the PRC. Leases are negotiated for lease terms ranging from one to five years.

42. CAPITAL COMMITMENTS

	2020 **HK$'000**	2019 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the consolidated financial statements	**20,402**	21,155

In April 2019, an indirectly wholly-own subsidiary of the Company entered into the Contract in the sum of approximately RMB31,020,000 which is equivalent to approximately HK$35,536,000 with a ship building company, an independent third party. According to the Contract, the amount of approximately HK$14,381,000 was paid as a first instalment for the yacht ordered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

43. PLEDGE OF ASSETS

Equity securities listed in Hong Kong classified as financial assets at FVTPL with carrying amount of approximately HK$25,727,000 are placed in margin accounts with a regulated securities broker. No margin facility was utilised as at 30 June 2020.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020	2019
	HK$'000	HK$'000
Non-current asset		
Investments in subsidiaries	**298,640**	298,640
Current assets		
Prepayments and other receivables	**313**	307
Amounts due from subsidiaries	**451,618**	483,066
Financial assets at fair value through profit or loss	**3,280**	16,230
Cash and cash equivalents	**9,150**	11,390
	464,361	510,993
Current liabilities		
Accruals and other payables	**8,587**	1,365
Amounts due to subsidiaries	**154,701**	171,859
Contingent consideration payables	**6,105**	79,251
Corporate bonds	**306,702**	–
	476,095	252,475
Net current (liabilities) assets	**(11,734)**	258,518
Total assets less current liabilities	**286,906**	557,158
Non-current liabilities		
Convertible note	**–**	23,345
Contingent consideration payables	**–**	80,500
Corporate bonds	**5,566**	324,525
	5,566	428,370
NET ASSETS	**281,340**	128,788
Capital and reserves		
Share capital	**3,044**	2,926
Reserves *(Note 45)*	**278,296**	125,862
TOTAL EQUITY	**281,340**	128,788

The statement of financial position was approved and authorised for issue by the Board of Directors on 25 September 2020 and are signed on its behalf by:

Deng Zhonglin
Director

Xu Feng
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

45. RESERVES OF THE COMPANY

	Share premium HK$'000	Convertible bonds/notes reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2018	351,261	–	6,202	(162,297)	195,166
Loss and total comprehensive expense for the year	–	–	–	(135,230)	(135,230)
Issue of convertible bond/note	–	16,352	–	–	16,352
Conversion of convertible bonds	15,317	(8,605)	–	–	6,712
Recognition of equity-settled share-based payments	–	–	57,404	–	57,404
Dividend paid	–	–	–	(14,542)	(14,542)
At 30 June 2019 and 1 July 2019	366,578	7,747	63,606	(312,069)	125,862
Profit and total comprehensive income for the year	–	–	–	120,981	120,981
Issue of convertible bond/note	–	9,682	–	–	9,682
Conversion of convertible bond/notes	97,481	(17,429)	–	–	80,052
Recognition of equity-settled share-based payments	–	–	14,864	–	14,864
Share options lapsed during the year	–	–	(14,614)	14,614	–
Dividend paid	–	–	–	(73,145)	(73,145)
At 30 June 2020	**464,059**	**–**	**63,856**	**(249,619)**	**278,296**

Note:

Distributable reserves

Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to its shareholder provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

46. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 September 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

47. PRIOR YEAR ADJUSTMENTS

In preparing the consolidated financial statements for the year ended 30 June 2020, management of the Group has made corrections to the presentation and disclosure of certain transactions and balances in the consolidated financial statements for the year ended 30 June 2019. The corrections made are related to the recognition of intangible assets as goodwill in the consolidated statement of financial position as at 30 June 2019.

The Group has engaged an independent professional valuer, Peak Vision, in October 2019 to carry out the valuations of the intangible assets arising from the acquisition of 上海米伽合貿展覽有限公司 (transliterated as Shanghai Mijia Hemao Expo Co., Ltd.) at the completion date of the acquisition ("**Completion Date**") and the year ended 30 June 2019. Based on the valuation reports, the fair values of the intangible asset as at the Completion Date was approximately HK$17,876,000 (equivalent to RMB15,253,000).

Accordingly, the Company put through prior year adjustments to reclassify such amount from goodwill to intangible assets with the amortisation charge amounting to approximately HK$1,263,000 (equivalent to RMB1,096,000) to be recognised in the profit or loss for the year ended 30 June 2019.

As a result of the above adjustments, comparative figures have been restated and summarised below.

For the year ended 30 June 2019

(i) Consolidated Statement of Comprehensive Income

	For the year ended 30 June 2019 HK$'000
Profit for the year, as previously reported	107,316
Amortisation recognised as a result of recognition of intangible asset	(1,263)
Profit for the year, as restated	106,053
Basic earnings per share, HK cents, as previously reported	7.39
Basic earnings per share, HK cents, as restated	7.30
Diluted earnings per share, HK cents, as previously reported	7.20
Diluted earnings per share, HK cents, as restated	7.12
Other comprehensive expense	
Other comprehensive expense for the year, as previously reported	(12,328)
Exchange differences on translation of foreign operations	(521)
Other comprehensive expense for the year, as restated	(12,849)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2020

47. PRIOR YEAR ADJUSTMENTS *(Continued)*

For the year ended 30 June 2019 *(Continued)*

(ii) Consolidated Statement of Financial Position

	As at 30 June 2019		
	As previously reported HK$'000	**Adjustments** HK$'000	**As restated** HK$'000
Assets and liabilities			
– Goodwill	332,417	(17,876)	314,541
– Intangible assets	14,252	16,092	30,344
Total effect on assets and liabilities	346,669	(1,784)	344,885
Equity			
– Retained earnings	124,005	(1,263)	122,742
– Exchange reserve	(16,113)	(521)	(16,634)
Total effect on equity	107,892	(1,784)	106,108

48. COMPARATIVE FIGURES

Certain comparative figures have been adjusted and reclassified to conform with the disclosure requirement in respect of the prior year adjustments and segments reorganisation to the consolidated financial statements. The comparative figures in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and disclosure notes have been restated.

49. EVENTS AFTER THE REPORTING PERIOD

On 20 August 2020, a total of 292,500,000 shares have been placed by the placing agent to not less than six placees at the price of HK$0.13 per share pursuant to the terms and conditions of the placing agreement. References are made to the announcements of the Company dated 24 July 2020 and 20 August 2020.

On 11 September 2020, the Company executed a supplemental deed poll for the unsecured corporate bonds with principal amount of HK$300,000,000 to amend the maturity date from 7 November 2020 into two maturity dates, 7 November 2020 ("**1st Maturity Date**") and 7 November 2021 ("**2nd Maturity Date**"). The principal amount of the corporate bonds to be redeemed by the Company on the 1st Maturity Date shall be such amount, where the remaining balance of the outstanding principal amount of the corporate bonds immediately after redemption on the 1st Maturity Date shall not be more than HK$200,000,000, and the accrued but unpaid interest on such outstanding bonds will be due on the 1st Maturity Date. The aggregate principal amount of all the outstanding corporate bonds and any accrued but unpaid interest on such outstanding corporate bonds will be due on the 2nd Maturity Date. References are made to the announcements of the Company dated 16 October 2018, 5 November 2018, 8 November 2018 and 11 September 2020.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
Revenue	**551,112**	576,120	254,051	102,938	160,289
Profit/(loss) before tax from continuing operations	**210,220**	194,567	113,140	(20,243)	(63,457)
Income tax expenses	**(68,050)**	(88,514)	(22,435)	(5,664)	(4,167)
Profit/(loss) for the year from continuing operations	**142,170**	106,053	90,705	(25,907)	(67,624)
DISCONTINUED OPERATION					
Loss for the year from discontinued operation	**–**	–	–	(13,410)	(1,087)
PROFIT/(LOSS) FOR THE YEAR	**142,170**	106,053	90,705	(39,317)	(68,711)
Attributable to:					
Owners of the Company	**137,097**	106,251	90,706	(36,411)	(67,346)
Non-controlling interests	**5,073**	(198)	(1)	(2,906)	(1,365)
PROFIT/(LOSS) FOR THE YEAR	**142,170**	106,053	90,705	(39,317)	(68,711)

ASSETS AND LIABILITIES

	At 30 June				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Total assets	**1,157,370**	1,172,372	643,051	170,326	204,340
Total liabilities	**(459,717)**	(629,674)	(253,183)	(28,296)	(115,358)
Non-controlling interests	**(5,172)**	4,168	4,325	4,324	1,418
Total equity attributable to owners of the Company	**692,481**	546,866	394,193	146,354	90,400