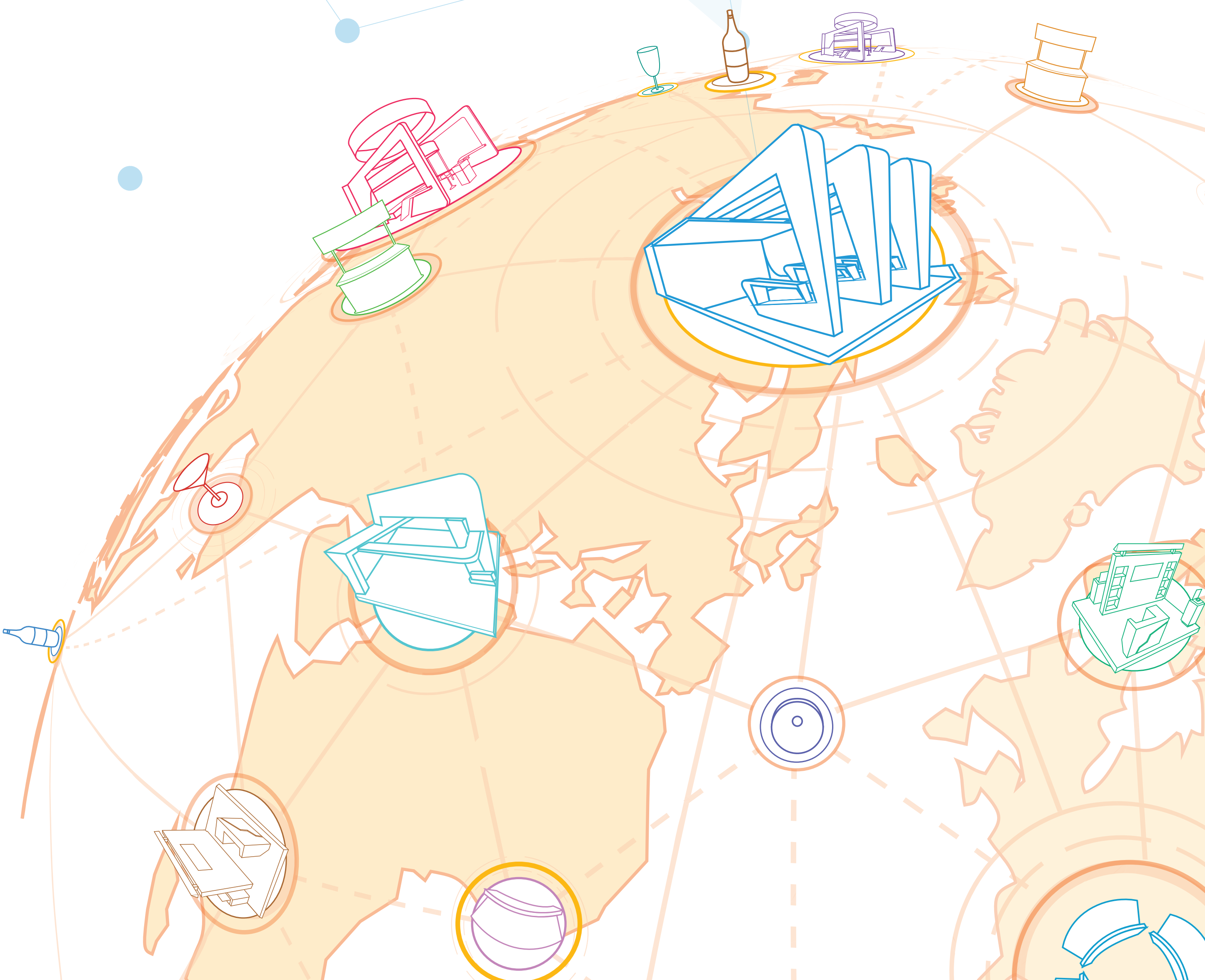
MEGA EXPO HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability (Stock Code: 1360)

2017/18

ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Deng Zhonglin *(Chairman)*
(Resigned as *Chief Executive Officer* on 21 June 2018)
Mr. Xu Feng *(Chief Executive Officer)*
(Appointed on 21 June 2018)
Mr. Lu Linyu (Resigned on 6 December 2017)
Mr. Au-Yong Shong Samuel
(Appointed on 13 December 2017 and resigned on 21 June 2018)
Ms. Zhang Jun (Resigned on 27 April 2018)

Independent Non-executive Directors

Mr. Choi Hung Fai
Mr. Tsang Wing Ki
Dr. Wong Kong Tin, *JP*
(Appointed on 13 December 2017)
Mr. Yang Bo (Ceased on 7 December 2017)

AUDIT COMMITTEE

Mr. Tsang Wing Ki *(Chairman)*
Mr. Choi Hung Fai
Dr. Wong Kong Tin, *JP*
(Appointed on 13 December 2017)
Mr. Yang Bo (Ceased on 7 December 2017)

REMUNERATION COMMITTEE

Dr. Wong Kong Tin, *JP (Chairman)*
(Appointed on 13 December 2017)
Mr. Deng Zhonglin
Mr. Tsang Wing Ki
Mr. Yang Bo (Ceased on 7 December 2017)

NOMINATION COMMITTEE

Mr. Deng Zhonglin *(Chairman)*
Mr. Choi Hung Fai
Dr. Wong Kong Tin, *JP*
(Appointed on 13 December 2017)
Mr. Yang Bo (Ceased on 7 December 2017)

COMPANY SECRETARY

Mr. Tung Tat Chiu Michael
(Appointed on 27 August 2018)
Mr. Lau Wing Chuen (Resigned on 27 August 2018)

AUTHORISED REPRESENTATIVES

Mr. Deng Zhonglin
Mr. Tung Tat Chiu Michael
(Appointed on 27 August 2018)
Mr. Lau Wing Chuen (Resigned on 27 August 2018)

AUDITORS

HLM CPA Limited
Certified Public Accountants

LEGAL ADVISER AS TO HONG KONG LAW

Tung & Co.

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
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

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
PO Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
22/F, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1360

CORPORATE WEBSITE

http://www.megaexpoholdings.com

FINANCIAL HIGHLIGHTS

	Year ended 30 June 2018 HK$'000	Year ended 30 June 2017 HK$'000	Year ended 30 June 2016 HK$'000
Results			
Revenue			
Exhibition business, events planning and related service income	**105,848**	102,938	160,289
Brand management and brand management related downstream business income	**26,075**	–	–
Contracting services and entertainment equipment solution income	**83,264**	–	–
Promotion and consulting service income	**37,741**	–	–
Loan interest income	**1,123**	–	–
	254,051	102,938	160,289
Profit/(loss) for the year	**90,705**	(39,317)	(68,711)
Profit/(loss) attributable to owners of the Company	**90,706**	(36,411)	(67,346)

	At 30 June 2018 HK$'000	At 30 June 2017 HK$'000	At 30 June 2016 HK$'000
Consolidated statement of financial position			
Total assets	**643,051**	170,326	204,340
Total liabilities	**(253,183)**	(28,296)	(115,358)
Net assets	**389,868**	142,030	88,982

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Mega Expo 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 2018 to all shareholders and investors.

BUSINESS PROSPECTS AND OUTLOOK

The People's Republic of China (the "**PRC**") is gradually catching up with rich economies and moving towards becoming a high-income economy. According to McKinsey & Co, by 2020 more than three-quarters of China's urban consumers will earn RMB60,000 to RMB229,000 per year. That translates into nearly 400 million people who will be considered to fall into the middle-class category. The contribution of consumption expenditure to economic growth would keep surging and the impact on Chinese consumers from a trade war would not alter this trend fundamentally. Consumption will continue to contribute as one of the primary drivers of economic growth and the increasing volume and quality of consumption will create new demand for culture and other entertainment needs.

The cultural and entertainment industries potentially offer numerous advantages in the present stage of Chinese economic transformation. These advantages include urban renewal, facilitation of domestic consumption, and provision of local tax revenues. The Group believes that cultural and entertainment industries that potentially offers all these advantages, a strong generator of local taxes, a provider of jobs and a cultural clustering point that facilitates tourism.

To expand the Group's income source and explore any synergistic development opportunities that may help capitalise on the growing consumption capacities in the PRC, the Group extended its business operations into cultural and entertainment industries to provide comprehensive entertainment services and solutions. In March 2018, the Group has successfully acquired a limited liability company established in the PRC with its membership platform known as "NOD Union" (transliterated as "諾笛聯盟") that provides comprehensive business consulting, membership services and event planning services to members of clubs, bars, lounges and alcoholic beverage suppliers in the entertainment industry.

NOD Union has the ambition to streamline the supply chain operations in the entertainment industry by cutting out of the middlemen. Since 2016, NOD Union has engaged in organising promotion events for two leading multinational alcoholic beverage suppliers, which possess certain finest and luxurious brands of wine, whisky and champagne across the globe. On the other hand, by joining the NOD Union membership, members may enjoy different combination of privileges and services include ad-hoc consultancy services and comprehensive up-to-date market information of alcoholic beverage, artist agency, venue design, equipment supply via the platform of NOD Union. NOD Union may help members to pinpoint where problems are occurring along their operation processes and thereby providing value added business solutions, included but not limited to all kind of event planning to tackle their operation needs. During the year, we recorded a sound performance from membership subscription income, provision of operation consultancy services and income from promotional events organised for and on behalf of these multinational alcoholic beverage suppliers.

CHAIRMAN'S STATEMENT
(Continued)

The Group believes that one of the keys to success in the entertainment industry is linked to the notability of brands, the brands who enjoy the highest brand awareness, brand loyalty and market penetration will survive among the intense competition. More bars and restaurants were interested in becoming our brands' licensees and we therefore recorded a soaring revenue from our licensing and brand management services. To build a stronger brand portfolio, the Group will continue to fine-tune our brand portfolio by bringing new brands, renovating our existing brands and strive to develop and promote our brands that can offer premium and high-end clubbing and entertainment experience in the PRC.

Aiming to enhance the quality and expand the scope of our services in exhibition and entertainment industries, the Group has embarked its own contracting and entertainment equipment solution services in the PRC. Comprehensive event contracting and supplying services including booth design, equipment procurement and installation are provided to our customers. Overall, this segment is off to a good start in the reporting year: we are not only to build sustainable relationship with our customers, we are also able to bring out the synergy from this segment to supplement the growth of our brand management and exhibition business.

In July 2018, the Group has acquired a finance leasing company that may conduct the finance leasing business in the PRC. Such finance leasing company may carry out business by means such as direct leasing, sub-leasing and sale-leaseback. By providing a source of funding for players in the cultural and entertainment industries, we believe a full ecosystem consists of inventory sourcing, operational consulting, marketing, brand licensing, contracting and equipment financing is built to serve our customers comprehensively. Capitalising on the comparative advantages offered on this unique ecosystem, the Group is optimistic about its future business development in the cultural and entertainment industries in the PRC.

Apart from our development in cultural and entertainment industries, we recorded a satisfactory result from our exhibition segment during the year. The Group has completed a number of medium-sized event planning projects in the PRC. Overall, the Group considers the prospects of the PRC exhibition market is promising. On the other hand, to relieve the Group's exhibition income in Hong Kong which overly relies on one exhibition event, other events and exhibitions were organised to diversify during the year. In addition to our traditional Mega Show Series, we delivered a number of public events in Hong Kong, including the Beyond 35th anniversary exhibition show (an influential band in Hong Kong); the football master invitational tournament (football matches between legend football players from Manchester United, Arsenal football club and the Hong Kong League football players); and the "Back to Faith" concert of Ms. Naiwen Yang, a Taiwanese musician. Looking forward, we will continue to diversify our income stream and enhance our earning profile through exploring investment opportunities in the PRC which help capitalising on any growth opportunities and thereon enhance our shareholders' value.

APPRECIATION

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

Deng Zhonglin
Chairman

Hong Kong, 21 September 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

During the year, the Group achieved satisfactory results from key business segments and our expansion strategy in China recorded promising growth. For the year ended 30 June 2018, the Group recorded a total revenue of approximately Hong Kong dollars ("**HK$**") 254,051,000 (year ended 30 June 2017: approximately HK$102,938,000), representing an increase of approximately 146.8% or HK$151,113,000.

For the year ended 30 June 2018, income before tax from continuing operations was approximately HK$113,140,000 (year ended 30 June 2017: loss before tax from continuing operations of approximately HK$20,243,000), representing an increase of approximately 658.9% or HK$133,383,000, apart from contributions from key business segments (details of which can be referred to the section headed "Business Segment Review" below), the improvement was primarily due to the effect of (i) an one off disposal gain of a subsidiary of the Company of approximately HK$14,130,000; (ii) a reversal of an impairment loss on other receivables of approximately HK$11,500,000; and (iii) reduced expenses as a result of a tighter cost control strategy.

For the year ended 30 June 2018, administrative expenses mainly consist of staff salaries, rental expenses, professional fee, entertainment expenses and other office related expenses which were approximately HK$40,209,000 (year ended 30 June 2017: approximately HK$46,174,000 (restated)), representing a decrease of approximately 12.9% or HK$5,965,000. The improvement was primarily due to the effect of reduced entertainment expenses as a result of a tighter cost control strategy.

BUSINESS SEGMENT REVIEW

Operation of Exhibition Business, Events Planning and Related Services

During the year, we delivered services in more than 130 exhibition events to our customers in the PRC. The major events we organised like the product launch events, sales promotion events, music awards ceremony and art exhibitions were successful and received the general recognition from the market. Looking forward, the Group will continue to develop its project management team, sharpen its expertise as an event service provider and build its reputation within the industry.

Traditionally, Mega Show Series was marshaled to be the Group's flagship consumer expo in Asia, with intense competition from comparable events and decreasing participants, the Group showed its mettle to get out of the status quo. Apart from tapping into the exhibition market in the PRC last year, the Group broadened its services to organise events in Hong Kong, we delivered the Beyond 35th anniversary exhibition show, the football master invitational tournament, and the "Back to Faith" concert of Ms. Naiwen Yang. The Group continues from time to time to seek new business partners and opportunities in Hong Kong and the PRC that could enhance corporate development and strengthen the income base of the Group's exhibition business, events planning and related services segment. As a result of our effort, revenue from this segment recorded approximately HK$105,848,000 (2017: approximately HK$102,938,000), represented an increase of approximate 2.8% as compared to the corresponding period last year.

During the year under review, revenue in the exhibition business, events planning and related services segment accounted for approximately 41.7% (2017: 100%) of the Group's total revenue. Profit in this segment was approximately HK$40,979,000 (2017: approximately HK$41,991,000).

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Operation of Contracting Services and Entertainment Equipment Solution

In response to the phenomenon in exhibition and entertainment industries where the overwhelming contracting suppliers were unable to deliver customised contracting services to meet the customers' demand, the Group has commenced during the year its own one-stop contracting and entertainment equipment solution services. Capitalising on the client network from the other business segments, the Group has successfully provided interactive light and sound art installation projects for the players in the cultural and entertainment industries and a satisfactory performance was recorded.

During the year under review, revenue in the contracting services and entertainment equipment solution segment accounted for approximately HK$83,264,000 (2017: Nil) or 32.8% (2017: 0%) of the Group's total revenue. Profit in this segment was approximately HK$16,914,000 (2017: Nil).

Operation of Brand Management and Brand Management Related Downstream Businesses

The Group has acquired a brand management and related service group, namely Fortune Selection Limited and its subsidiaries (the "**Fortune Selection Group**") on 13 July 2017 (Details can be referred to the section headed "Material Acquisition and Disposal" below). The Fortune Selection Group has its portfolio of brands under the name of "PHEBE", "MT", "DrOscar" and "U.CLUB" in various cities in the PRC, including Shanghai, Suzhou, Yixing, Hefei, Nantong, Beihai etc. The acquisition of the Fortune Selection Group has enabled the Group to secure a list of licensees operating under the acquired brands, which allows the Group to gain sharing of income from licensing, brand management and provision of management services during the year. In addition to earning licensing income, the brand management segment also delivers management advisory services in entertainment industry, such as visual identity system on store front signboard and brand training to bars and restaurants.

During the year under review, revenue in the brand management and brand management related downstream businesses segment accounted for approximately HK$26,075,000 (2017: Nil) or 10.3% (2017: 0%) of the Group's total revenue. Profit in this segment was approximately HK$17,249,000 (2017: Nil).

Financing Business

The Group has acquired a Hong Kong company holding a money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in October 2017. Immediately after the acquisition, two loans were lent out to independent third parties. As at 30 June 2018, the loans lent out were fully repaid and there were no outstanding loans as at 30 June 2018.

In July 2018, the Group has acquired a finance leasing company that may conduct the finance leasing business in the PRC. The acquisition was a strategic step of the Group in introducing financing services to our existing customers and potentially, the players in the cultural and entertainment industries. We believe the finance leasing business, in collaboration with contracting and other advisory services we deliver, has built a unique ecosystem in provision of comprehensive services to players in the cultural and entertainment industries.

During the year under review, revenue in financing business segment was mainly derived from the money lending business in Hong Kong, it accounted for approximately HK$1,123,000 (2017: Nil) or 0.4% (2017: 0%) of the Group's total revenue. Profit in this segment was approximately HK$724,000 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Operation of Promotion and Consulting Services

The Group has acquired an event planning, consulting and marketing group based in Shanghai, namely Cheer Sino Investment Holdings Limited and its subsidiaries (the "**Cheer Sino Group**") on 8 March 2018 (Details can be referred to the section headed "Material Acquisition and Disposal" below). The Cheer Sino Group operates under the name of NOD Union and is mainly engaged in organising promotion events for leading alcoholic beverage suppliers; provision of consulting and membership services to clubs, bars, lounges and other entertainment industry-related downstream suppliers which joined NOD Union; and ad-hoc consultancy services for the clients in the entertainment industry.

During the year under review, revenue in the promotion and consulting services segment accounted for approximately HK$37,741,000 (2017: Nil) or 14.8% (2017: 0%) of the Group's total revenue. Profit in this segment was approximately HK$21,381,000 (2017: Nil).

MATERIAL ACQUISITION AND DISPOSAL

On 7 April 2017, Super Team Developments Limited ("**Super Team**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Vendor, an individual and an independent third party not connected with the Company and its connected person as at the date of entering into the sale and purchase agreement. Pursuant to the sale and purchase agreement, Super Team agreed to purchase the entire equity interest of Fortune Selection Group from vendor at a consideration of HK$48,024,000, which shall be satisfied by the issuance of four tranches of convertible bonds (the "**CB(s)**") of the Company (the "**Fortune Selection Acquisition**"). The CBs in the aggregate principal amount of HK$48,024,000 will be convertible into a maximum of 52,200,000 new ordinary shares (the "**CB Conversion Share(s)**") based on the initial conversion price of HK$0.92 (the "**CB Conversion Price**") per CB Conversion Share. The Fortune Selection Acquisition was completed on 13 July 2017 and the first CB with principal amount of HK$24,012,000 was released to vendor at completion. Pursuant to the sale and purchase agreement, vendor guarantees to Super Team that the net profit of Fortune Selection Group in its consolidated audited financial statements for each of the financial year ended 31 December 2017, 31 December 2018 and 31 December 2019 shall not be less than HK$10 million, HK$11 million and HK$12 million respectively. If there is a shortfall on the net profit of Fortune Selection Group in each of the above period, there will be an adjustment on the amount of remaining CBs to be issued to vendor. As presented in the consolidated audited financial statements of Fortune Selection Group for the year ended 31 December 2017, the net profit has exceeded the guaranteed amount of HK$10 million and hence the second CB with principal amount of HK$8,004,000 was issued. On 27 July 2017 and 6 June 2018, a total number of 26,100,000 and 8,700,000 CB Conversion Shares have been allotted and issued to vendor at the CB Conversion Price for the exercise of the conversion rights attached to the first and second CB. As at 30 June 2018, the Group had no other CBs issued to vendor save as the remaining third and fourth tranche of CB to be delivered if, the guaranteed net profit of the Fortune Selection Group for the financial year ending 31 December 2018 and 31 December 2019 has been met, details of which can be referred to the announcements of the Company dated 7 April 2017, 12 July 2017, 27 July 2017, 29 March 2018 and 6 June 2018.

On 28 June 2017, Integral Wealth Limited ("**Integral Wealth**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ever Genesis Limited ("**Ever Genesis**"), an entity wholly-owned by an individual and an independent third party not connected with the Company and its connected person as at the date of entering into the sale and purchase agreement. Pursuant to the sale and purchase agreement, Integral Wealth agreed to sell the entire equity interest of Up Huge Corporation Limited ("**Up Huge**") to Ever Genesis at a consideration of HK$50 million cash (the "**Up Huge Disposal**"). Up Huge was an investment vehicle of the Company holding an exclusive, non-transferable sub-license to use the "Ultraman" all intellectual properties from television programs and movies produced from 1996 to 2016 ("**Sub-Licensed Rights**") at roadshows, events and exhibitions in Hong Kong, Macau and Taiwan. Immediately after the completion of Up Huge Disposal on 10 July 2017, Up Huge is no longer a subsidiary of the Company, details of which can be referred to the announcement of the Company dated 28 June 2017 in relation to the Up Huge Disposal.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

On 31 October 2017, Greatest Best Limited ("**Greatest Best**"), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "**MOU**") with Great Honour Capital Limited ("**Great Honour**"), an independent third party not connected with the Company and its connected persons as at the date of entering into the MOU. Pursuant to the MOU, Great Honour intended to set up and manage a private equity fund (the "**PE Fund**") and Greatest Best intended to subscribe for interest in the PE Fund once it is set up and its interest being offered (the "**PE Subscription**"). A refundable earnest money of HK$30 million was deposited into an escrow account in accordance with the terms of the MOU. On 30 April 2018, as no legally binding document in relation to the PE Subscription has been entered, the MOU lapsed accordingly and the earnest money of HK$30 million was refunded, details of which can be referred to the announcements of the Company dated 31 October 2017 and 2 May 2018.

On 24 November 2017, the Company and a vendor entered into a sale and purchase agreement, pursuant to which the Company has agreed to acquire and the vendor has agreed to sell, subject to certain conditions precedent as stated in the sale and purchase agreement, the entire issued share capital of the Cheer Sino Group at the consideration of HK$268 million (the "**Cheer Sino Acquisition**"), of which HK$168 million shall be settled by the issue of convertible notes (the "**CN(s)**") and HK$100 million shall be settled in cash. The CNs in the aggregate principal amount of HK$168 million will be convertible into a maximum of 91,803,278 new ordinary shares (the "**CN Conversion Share(s)**") based on the initial conversion price of HK$1.83 (the "**CN Conversion Price**") per CN Conversion Share. To procure the payment of HK$100 million cash for the Cheer Sino Acquisition, the Company entered into a placing agreement (the "**Placing Agreement**") with Kingston Securities Limited (the "**Placing Agent**"), pursuant to which the Company has agreed to appoint the Placing Agent as the placing agent to place and the Placing Agent has agreed to procure, not less than six independent, institutional or other professional investors to subscribe for, subject to certain conditions precedent as set out in the Placing Agreement, up to 68,600,000 new ordinary shares (the "**Placing Share(s)**") at the price of HK$1.5 per Placing Share (the "**Placing Price**") on a best effort basis (the "**Placing**"). The completion of the Cheer Sino Acquisition and the Placing are inter-conditional and an extraordinary general meeting ("**EGM**") of the Company was convened on 9 February 2018 to consider the sale and purchase agreement in relation to the Cheer Sino Acquisition, the Placing Agreement, the issue and allotment of the CN Conversion Shares and the Placing Shares. Those resolutions were duly approved during the EGM and accordingly, the Cheer Sino Acquisition was completed on 8 March 2018. Pursuant to the sale and purchase agreement, the vendor guarantees to the Company that the net profit of Cheer Sino Group in its consolidated audited financial statements shall not be less than HK$27 million, HK$73 million and HK$133 million for each of the relevant periods covering the year ending 31 December 2018, the two years ending 31 December 2019 and the three years ending 31 December 2020. If there is a shortfall on the guaranteed net profit of the Cheer Sino Group, there will be an adjustment on the amount of CNs to be transferred to the vendor , details of which can be referred to the announcements of the Company dated 24 November 2017, 8 March 2018 and circular of the Company dated 19 January 2018. As a full accounting reference period of the Cheer Sino Group did not end on 30 June 2018, no CNs were issued to the vendor as at 30 June 2018.

On 28 June 2018, Expand Trade Investment Limited ("**Expand Trade**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an individual and independent third party not connected with the Company and its connected person as at the date of entering into the sale and purchase agreement. Pursuant to the sale and purchase agreement, Expand Trade agreed to sell the entire equity interest of Mega Expo (Hong Kong) Limited, i-MegAsia Limited, Mega Expo (U.S.A) Limited, Mega Expo Operations Management Limited, Mega Expo (Berlin) Limited, Mega Expo Travel Limited, New Heyday Investments Limited, Mega Expo (China) Limited and Profit Topmark Limited to buyer based on net asset value ("**NAV**") at a consideration of approximately HK$188,000 in cash. The above mentioned companies are investment holding companies with no business operation and the disposal is in line with the streamlining of the Group's operation.

On 5 July 2018, the Group has acquired a finance leasing company that may conduct the finance leasing business in the PRC. The acquisition was a strategic step of the Group in introducing financing services to our existing customers and potentially, the players in the cultural and entertainment industries.

Save as disclosed above, the Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures during the year and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

SIGNIFICANT INVESTMENTS

A net loss of approximately HK$23,974,000 (2017: net loss of approximately HK$2,909,000) was recognised for the Group's financial assets at fair value through profit or loss during the year. Such net loss comprised of (i) loss on fair value change of profit guarantee of approximately HK$24,760,000 (2017: approximately HK$210,000) and (ii) realised gain on financial assets at fair value through profit or loss of approximately HK$786,000 (2017: realised loss of approximately HK$2,699,000). Details can be referred to Note 9 of this report.

Pursuant to the terms of sale and purchase agreement in relation to the acquisition of Sparkle Mass Limited and its subsidiaries (the "**Sparkle Mass Group**"), the vendor of the Sparkle Mass Group undertakes that the net profit of the Sparkle Mass Group in its consolidated audited financial statements for each of the financial year ended 31 December 2017, 31 December 2018 and 31 December 2019 shall not be less than HK$13 million, HK$14 million and HK$15 million respectively. If there is a shortfall on the profit of the Sparkle Mass Group in each of the above period, there will be cash compensation of the shortfall from the vendor to the Group. As illustrated in the consolidated audited financial statements of the Sparkle Mass Group for the year ended 31 December 2017, the net profit has exceeded HK$13 million and hence the guaranteed profit has been met, details of which can be referred to the announcement of the Company dated 10 February 2017 and 28 March 2018.

Pursuant to the terms of sale and purchase agreement in relation to the acquisition of the Fortune Selection Group, the vendor of the Fortune Selection Group undertakes that the net profit of the Fortune Selection Group in its consolidated audited financial statements for each of the financial year ended 31 December 2017, 31 December 2018 and 31 December 2019 shall not be less than HK$10 million, HK$11 million and HK$12 million respectively. If there is a shortfall on the net profit of Fortune Selection Group in each of the relevant periods, there will be an adjustment on the amount of CBs to be transferred to the vendor. As presented in the consolidated audited financial statements of Fortune Selection Group for the year ended 31 December 2017, the net profit has exceeded HK$10 million and hence the second CB with principal amount of HK$8,004,000 was issued to the vendor.

Pursuant to the terms of sale and purchase agreement in relation to the acquisition of the Cheer Sino Group, the vendor of the Cheer Sino Group undertakes that the net profit of the Cheer Sino Group in its consolidated audited financial statements shall not be less than HK$27 million, HK$73 million and HK$133 million for each of the relevant periods covering the year ending 31 December 2018, the two years ending 31 December 2019 and the three years ending 31 December 2020. If there is a shortfall on the net profit of Cheer Sino Group, there will be an adjustment on the amount of remaining CNs to be transferred to the vendor.

The fair value of the above guaranteed profits were based on a valuation conducted by an independent firm of professional valuer after assessing the possibility of meeting the guaranteed profits and certain assumptions of market conditions. If the probability of meeting the guaranteed profits becomes higher, the necessity of requiring compensation from each of the above vendors becomes lower and hence its fair value of the guaranteed profits. During the year ended 30 June 2018, the Group recognised a loss on fair value change of profit guarantee of approximately HK$24,760,000 (2017: approximately HK$210,000).

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

	2018 HK$'000	2017 HK$'000
Financial assets at fair value through profit or loss – Guaranteed Profit	16,785	3,540

Details of realised and unrealised gain/loss on financial assets at fair value through profit or loss for the year ended 30 June 2018 and year ended 30 June 2017 are as follows:

Top 5 gains/(losses) for the year ended 30 June 2018

Name of stock listed on the Stock Exchange of the Hong Kong Limited (the "Stock Exchange")	Stock code	Realised gain/(loss) for the year ended 30 June 2018	Unrealised gain/(loss) for the year ended 30 June 2018	Dividend received for the year ended 30 June 2018
		HK$'000	HK$'000	HK$'000
Tracker Fund of Hong Kong	2800	741	–	–
Link Real Estate Investment Trust	823	76	–	36
China Wan Tong Yuan (Holdings) Limited	8199	69	–	–
Genes Tech Group Holdings Company Limited	8257	52	–	–

Name of unlisted investment	Realised gain/(loss) for the year ended 30 June 2018	Unrealised gain/(loss) for the year ended 30 June 2018	Dividend received for the year ended 30 June 2018
	HK$'000	HK$'000	HK$'000
Qilu Jiacheng Preferred Income Fund ORDINARY HKD CLASS B	(159)	–	82

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Top 5 gains/(losses) for the year ended 30 June 2017

Name of stock listed on the Stock Exchange	Stock code	Realised gain/(loss) for the year ended 30 June 2017 HK$'000	Unrealised gain/(loss) for the year ended 30 June 2017 HK$'000	Dividend received for the year ended 30 June 2017 HK$'000
Ding He Mining Holdings Limited	705	(2,273)	–	–
Asia Television Holdings Limited	707	(480)	–	–
Hong Kong Life Sciences and Technologies Group Limited	8085	(2,098)	–	–
Sino Haijing Holdings Limited	1106	215	–	–
Leyou Technologies Holdings Limited	1089	1,191	–	–

Name of unlisted investment	Realised gain/(loss) for the year ended 30 June 2017 HK$'000	Unrealised gain/(loss) for the year ended 30 June 2017 HK$'000	Dividend received for the year ended 30 June 2017 HK$'000
KKC Capital High Growth Fund Segregated Portfolio	782	–	–

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

As at 30 June 2018, the Group's total current assets and current liabilities, exclusive of asset classified as held for sale, were approximately HK$302,908,000 (30 June 2017: approximately HK$85,002,000) and approximately HK$114,147,000 (30 June 2017: approximately HK$28,296,000) respectively, while the current ratio was about 2.7 times (30 June 2017: about 3.0 times).

As at 30 June 2018, the Group maintained cash and cash equivalents of approximately HK$171,175,000 (30 June 2017: approximately HK$54,583,000). The cash and cash equivalents of the Group as at 30 June 2018 was mainly denominated in HK$ and Renminbi ("**RMB**").

As at 30 June 2018 and 30 June 2017, the Group did not pledge any of its assets and had no material capital commitment and contingent liabilities. The Group did not have any charges on its assets as at 30 June 2018 and 30 June 2017.

Capital Structure

As at 30 June 2018, the total equity of the Group was approximately HK$389,868,000 (2017: approximately HK$142,030,000). The increase was mainly attributable to the combined effect of (i) increase in share capital and share premium of approximately HK$137,000 and HK$100,190,000, respectively from the issuance of 68,600,000 ordinary shares at the price of HK$1.5 per share on 8 March 2018 (details of which can be referred to the Cheer Sino Acquisition in section headed "Material Acquisition and Disposal" above); (ii) increase in share capital and share premium of approximately HK$69,000 and HK$54,265,000, respectively from the conversion of first CB and second CB with total principal amount of HK$32,016,000 (details of which can be referred to the Fortune Selection Acquisition in section headed "Material Acquisition and Disposal" above); and (iii) profit for the year ended 30 June 2018 of approximately HK$90,705,000.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

As at 30 June 2018, the Company's issued share capital was approximately HK$2,908,000 (2017: approximately HK$2,701,000) with 1,454,200,000 (2017: 1,350,800,000) ordinary shares of HK$0.002 each in issue. The increase in the issued number of shares was primarily due to (i) the issuance of 68,600,000 ordinary shares for Cheer Sino Acquisition and; (ii) the issuance of 34,800,000 ordinary shares upon the exercise of conversion rights attached to the convertible bonds with total principal amount of HK$32,016,000.

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 2018, the Group's borrowing, being the amount of the borrowing was HK$2,594,000 (30 June 2017: Nil).

	As at 30 June 2018 HK$'000	As at 30 June 2017 HK$'000
Borrowing		
Over 2 years and within 5 years	**2,594**	–
Total	**2,594**	–

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 2018, the borrowing of HK$2,594,000 was an unsecured and a fixed interest rate bearing debt security.

The gearing ratio is the ratio of total debt divided by total assets. As at 30 June 2018, the gearing ratio was 0.4% (2017: 0%).

SUBSEQUENT EVENTS

On 5 July 2018, an indirect wholly-owned subsidiary of the Company completed the acquisition transaction of 100% equity interest of CIS Industrial Co., Limited and its subsidiary (collectively referred to as "**CIS Industrial Group**") at a consideration of HK$330,000, which was satisfied by cash. CIS Industrial Group may conduct finance leasing business in the PRC.

On 6 August 2018, the Company entered into a placing agreement for placing of bonds of up to an aggregate principal amount of HK$100,000,000. The interest rate is up to 6.75% per annum, payable semi-annually in arrears. The net proceeds from the bond placing will be used by the Company (i) for development of existing exhibition and related business, brand management, financing business, entertainment promotion and consultancy business; and (ii) for investment activities when such suitable investment opportunities arise, with any remaining balance to be used as general working capital of the Group. Details can be referred to the announcement of the Company dated 6 August 2018. As at the date of this report, bonds of an aggregate principal amount of HK$5,000,000 were subscribed for by three placees.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group will continue to explore investment opportunities in the PRC to enhance its income source, which may or may not include any assets and/or business acquisitions or disposals by the Group. Any such plans will be subject to review and approval by the Board and compliance with the applicable requirements under the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") where appropriate. The Group may also implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable investment opportunities arise.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

Date of announcements	Fund raising activity	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
24 November 2017, 19 January 2018, 8 March 2018	Placing of new shares under specific mandate	HK$100.3 million	Cash payment in the sum of HK$100 million for the Cheer Sino Acquisition	Used as Intended
11 June 2018, 6 August 2018	Placing of bonds	up to HK$100 million (maximum gross proceeds)	(i) Development of existing exhibition and related business, brand management, financing business, entertainment promotion and consultancy business; (ii) Investment activities when such suitable investment opportunities arise; and (iii) General working capital of the Group	Used as Intended

The Placing, details of which can be referred to the Cheer Sino Acquisition in the section headed "Material Acquisition and Disposal" above, was completed on 8 March 2018 and raised net proceeds of approximately HK$100,327,000, which is intended to be used for the cash payment of the Cheer Sino Acquisition in the sum of HK$100,000,000. The net price per Placing Share was approximately HK$1.46 after deduction of relevant expenses of the Placing. The Placing Shares had a market value of approximately HK$124,166,000 based on the closing price of the shares of the Company of HK$1.81 on 24 November 2017 (being the date on which the terms of the Placing were fixed) and a nominal value of HK$137,200.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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 had not employed any financial instruments for hedging purpose.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2018, the Group had a total of 75 full-time employees in Hong Kong and the PRC (2017: 23 full-time employees). The remuneration payable to its employees included salaries, discretionary bonus and commission. 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 of the Company is pleased to present the corporate governance report for the year ended 30 June 2018. 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 (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has applied the principles and complied with all applicable code provisions except for the following deviations:

- Under code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. From 12 May 2017 to 21 June 2018, the roles of chairman of the Board (the "**Chairman**") and chief executive officer of the Company (the "**CEO**") were performed by Mr. Deng Zhonglin. Although Mr. Deng Zhonglin assumed both the roles of the Chairman and the CEO, the Board was appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders. The Board believed that in view of rapid development of the Group, vesting the roles of both the Chairman and the CEO in the same person provided the Company with strong and consistent leadership and allowed for effective and efficient planning and implementation of business decisions and strategies. However, for the purpose of achieving better corporate governance, Mr. Deng Zhonglin ceased to be the CEO and Mr. Xu Feng was appointed as an executive Director and the CEO with effect from 21 June 2018. With the resignation of Mr. Deng Zhonglin and the appointment of Mr. Xu Feng as the CEO, the Company has complied with code provision A.2.1 of the CG Code.

- Under code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Yang Bo, being an independent non-executive Director, could not attend the annual general meeting of the Company held on 7 December 2017 because of his other business commitments; aiming for compliance with this code provision, the Company will continue to furnish all Directors with appropriate information on 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.

- Under code provision A.7.1, an agenda and accompanying board papers should be sent, in full, to the Directors at least three days before the intended date of a Board or Board committee meeting. For practical reasons, an agenda and accompanying board papers may not be sent in full three days in advance of the meeting concerned, especially in case of meetings held on an ad hoc basis. The Company will endeavour to send the agenda and accompanying board papers in full to the Board and Board committees three days in advance to the extent practicable.

CORPORATE GOVERNANCE REPORT
(Continued)

- Rules 3.10(1), 3.21, 3.25 of the Listing Rules and code provision A.5.1 of the CG Code stipulate that (i) every board of Directors must include at least three independent non-executive Directors; (ii) the audit committee must comprise a minimum of three members, be chaired by an independent non-executive Director and the majority must be independent non-executive Directors; (iii) the remuneration committee must be chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors; and (iv) the nomination committee must be chaired by the chairman of the Board or an independent non-executive Director and comprising a majority of independent non-executive Directors. Upon the resignation of Mr. Yang Bo as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and the nomination committee with effect from 7 December 2017, the number of independent non-executive Directors was less than three as required under Rule 3.10(1) of the Listing Rules; the number of members of the audit committee was less than three as required under Rule 3.21 of the Listing Rules; the remuneration committee did not comprise of a majority of independent non-executive Directors and hence was not in compliance with Rule 3.25 of the Listing Rules; and the nomination committee did not comprise of a majority of independent non-executive Directors, the Company was not in compliance with code provision A.5.1 of the CG Code. Following the appointment of Dr. Wong Kong Tin, *JP* to fill the vacant positions caused by Mr. Yang Bo with effect from 13 December 2017, the Board had a total of three independent non-executive Directors, which is in compliance with Rule 3.10(1) of the Listing Rules; the audit committee comprises three independent non-executive Directors, which is in compliance with Rule 3.21 of the Listing Rules; the remuneration committee comprises three Directors, a majority of whom are independent non-executive Directors and is chaired by an independent non-executive Director, which is in compliance with Rule 3.25 of the Listing Rules; and the nomination committee comprises three Directors, a majority of whom are independent non-executive Directors which is in compliance with code provision A.5.1 of the CG Code in Appendix 14 to the Listing Rules.

Except for the above deviations from the CG Code, the Board is of the view that the Company has complied with the CG Code for the year ended 30 June 2018. The Company reviews its corporate governance practices regularly to ensure compliance with the CG code.

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 specific enquiry made by the Company, each of the Directors confirmed that he/she had complied with the Model Code during the year ended 30 June 2018.

CONSTITUTIONAL DOCUMENTS

Subsequent to the adoption of the articles of association of the Company (the "**Articles**") 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 memorandum of association of the Company and the Articles was made.

CORPORATE GOVERNANCE REPORT
(Continued)

BOARD OF DIRECTORS

Board Composition

As at 30 June 2018, the Board comprised two executive Directors and three independent non-executive Directors. The composition of the Board and its changes during the year and up to date of this annual report are as follows:

Executive Directors
Mr. Deng Zhonglin *(Chairman)* (Resigned as *Chief Executive Officer* on 21 June 2018)
Mr. Xu Feng *(Chief Executive Officer)* (Appointed on 21 June 2018)
Mr. Au-Yong Shong, Samuel (Appointed on 13 December 2017 and resigned on 21 June 2018)
Ms. Zhang Jun (Resigned on 27 April 2018)
Mr. Lu Linyu (Resigned on 6 December 2017)

Independent Non-executive Directors
Mr. Choi Hung Fai
Mr. Tsang Wing Ki
Dr. Wong Kong Tin, *JP* (Appointed on 13 December 2017)
Mr. Yang Bo (Ceased on 7 December 2017)

The biographical details, relationships among them and the terms of appointment of the Directors (including the independent non-executive Directors) as at 30 June 2018 are set out in the section headed "Biographical Details of Directors" of this annual report.

The Board believes that it has a balanced composition of executive Directors and independent non-executive Directors and there is a strong independent element on the Board, which can effectively exercise independent judgment. As at 30 June 2018, the Company had three independent non-executive Directors who provide the Group with adequate check and balance. Each of them is considered to be independent and has complied with the provisions set out in 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, approval of business plans, evaluation of its performance, overseeing the management and in charge of corporate governance function. It is also responsible for promoting the success of the Group and its 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. 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 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 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

From 12 May 2017 to 21 June 2018, Mr. Deng Zhonglin held the offices of the Chairman and the CEO. The Board believes that vesting the roles of both the Chairman and the CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

Mr. Deng Zhonglin ceased to be the CEO with effect from 21 June 2018 and Mr. Xu Feng was appointed as an executive Director and the CEO on the same date to fill the vacant position from Mr. Deng Zhonglin. Following the resignation of Mr. Deng Zhonglin as the CEO, the roles of the Chairman and the CEO are separate and are exercised by different individuals. The Chairman is responsible for leadership of the Board to ensure it works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. 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.

CORPORATE GOVERNANCE REPORT
(Continued)

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 agreed thereafter. All 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 non-executive Directors are covered by respective letters of appointment.

Pursuant to the Articles, any Director appointed by the Board shall hold office until the next 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 year, the Board met regularly to review the financial and operating performance of the Company and to discuss future strategy. Directors may participate either in person or through electronic means of communications.

For the year ended 30 June 2018, 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 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.

CORPORATE GOVERNANCE REPORT
(Continued)

To ensure a competent Board operation, all Directors gave sufficient time and attention to the affairs of the Group. During the year, 20 Board meetings (excluding delegated committees' meetings) were held and attendance records of each Director is set out as follows:

	Number of attendance	
Name of Director	**Board meetings Attendance/ Held**	**General meetings Attendance/ Held**
Executive Directors		
Mr. Deng Zhonglin *(Chairman)* (Resigned as *Chief Executive Officer* on 21 June 2018)	20/20	2/2
Mr. Xu Feng *(Chief Executive Officer)* (Appointed on 21 June 2018)	0/0	0/0
Mr. Au-Yong Shong, Samuel (Appointed on 13 December 2017 and resigned on 21 June 2018)	9/10	1/1
Ms. Zhang Jun (Resigned on 27 April 2018)	6/15	1/2
Mr. Lu Linyu (Resigned on 6 December 2017)	7/19	0/0
Independent Non-executive Directors		
Mr. Choi Hung Fai	18/20	2/2
Mr. Tsang Wing Ki	17/20	2/2
Dr. Wong Kong Tin, *JP* (Appointed on 13 December 2017)	10/10	1/1
Mr. Yang Bo (Ceased on 7 December 2017)	3/9	0/1

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 are recorded in sufficient detail of the matters considered and decisions reached. Draft and final versions of minutes of Board meetings are sent to all Directors for their comments and records.

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.

CORPORATE GOVERNANCE REPORT

(Continued)

Details of the continuous professional development participated by the Directors during the year are as follow:

Name of Director	Reading materials	Attending courses, seminars or conferences
Executive Directors		
Mr. Deng Zhonglin *(Chairman)* (Resigned as *Chief Executive Officer* on 21 June 2018)	✔	✔
Mr. Xu Feng *(Chief Executive Officer)* (Appointed on 21 June 2018)	✔	✔
Mr. Au-Yong Shong, Samuel (Appointed on 13 December 2017 and resigned on 21 June 2018)	✔	✔
Ms. Zhang Jun (Resigned on 27 April 2018)	✔	✔
Mr. Lu Linyu (Resigned on 6 December 2017)	✔	✔
Independent Non-executive Directors		
Mr. Choi Hung Fai	✔	✔
Mr. Tsang Wing Ki	✔	✔
Dr. Wong Kong Tin, *JP* (Appointed on 13 December 2017)	✔	✔
Mr. Yang Bo (Ceased on 7 December 2017)	✔	✔

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 skill. During the year, all the Directors were provided with regular updates and presentations on 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 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 which are set out in 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, review the financial information and material advice in respect of financial reporting and oversee the financial reporting system, risk management and internal control systems of the Company.

During the year, the Audit Committee has reviewed the consolidated financial statements for the year ended 30 June 2017 and consolidated financial statements for the six months ended 31 December 2017, 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 2017 and has recommended the Board to re-appoint HLM CPA Limited as the auditor of the Company for the year ended 30 June 2018. 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 itself that the disclosures of the financial information in this annual report comply with the applicable accounting standards and Appendix 16 to the Listing Rules.

From 1 July 2017 to 7 December 2017, the Audit Committee comprised three Independent non-executive Directors, namely Mr. Tsang Wing Ki (chairman of the Audit Committee), Mr. Choi Hung Fai and Mr. Yang Bo. Subsequent to Mr. Yang Bo's resignation and his cessation to be a member of the Audit Committee with effect from 7 December 2017, the Audit Committee comprised two members, namely, Mr. Tsang Wing Ki and Mr. Choi Hung Fai. Subsequent to Dr. Wong Kong Tin, *JP's* appointment as a member of the Audit Committee with effect from 13 December 2017, the Audit Committee comprised three members, namely, Mr. Tsang Wing Ki, Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*. During the year ended 30 June 2018, save as the period from 7 December 2017 to 12 December 2017, the number of members of the Audit Committee was three, 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.

CORPORATE GOVERNANCE REPORT
(Continued)

During the year, 3 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:

Audit Committee	**Number of meetings Attendance/ Held**
Independent Non-executive Directors	
Mr. Tsang Wing Ki *(Chairman)*	3/3
Mr. Choi Hung Fai	3/3
Dr. Wong Kong Tin, *JP* (Appointed on 13 December 2017)	2/2
Mr. Yang Bo (Ceased on 7 December 2017)	1/1

Remuneration Committee

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

The primary duties of the Remuneration Committee include to make recommendations to the Board on the Company's policy and structure for 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 payment comprising any compensation payable for loss or termination of their office or appointment, to make recommendations to the Board on the remuneration of non-executive Directors.

From 1 July 2017 to 7 December 2017, the Remuneration Committee comprised three members, namely Mr. Yang Bo (chairman of the Remuneration Committee), Mr. Tsang Wing Ki and Mr. Deng Zhonglin. Subsequent to Mr. Yang Bo's resignation and his cessation to the chairman of the Remuneration Committee with effect from 7 December 2017, the Remuneration Committee comprised two members, namely, Mr. Tsang Wing Ki and Mr. Deng Zhonglin. Subsequent to Dr. Wong Kong Tin, *JP's* appointment as the chairman of the Remuneration Committee with effect from 13 December 2017, the Remuneration Committee comprised three members, namely, Dr. Wong Kong Tin, *JP*, Mr. Tsang Wing Ki and Mr. Deng Zhonglin. During the year ended 30 June 2018, save as the period from 7 December 2017 to 12 December 2017, the Remuneration Committee was chaired by an independent non-executive Director and comprised a majority of independent non-executive Directors, the Company has complied with Rule 3.25 of the Listing Rules.

CORPORATE GOVERNANCE REPORT
(Continued)

During the year, 2 committee meetings were held for (1) reviewing the remuneration policy and structure for Directors and senior management and (2) proposing remuneration recommendations to the Board on newly appointed Directors. The attendance records of each member as to such meeting is set out as follows:

Remuneration Committee	**Number of meetings Attendance/ Held**
Independent Non-executive Directors	
Dr. Wong Kong Tin, *JP (Chairman)* (Appointed on 13 December 2017)	1/1
Mr. Tsang Wing Ki	2/2
Mr. Yang Bo (Ceased on 7 December 2017)	0/1
Executive Director	
Mr. Deng Zhonglin	1/2

Details of the Directors' emoluments, retirement benefits and remuneration payable to members of senior management are disclosed in the Note 12 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 with appropriate modification when necessary, which state clearly its authority and duties.

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 individuals to serve as Directors, to assess the independence of 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.

From 1 July 2017 to 7 December 2017, the Nomination Committee comprised three members, namely Mr. Deng Zhonglin (chairman of the Nomination Committee), Mr. Choi Hung Fai and Mr. Yang Bo. Subsequent to Mr. Yang Bo's resignation and his cessation to be a member of the Nomination Committee with effect from 7 December 2017, the Nomination Committee comprised two members, namely, Mr. Deng Zhonglin and Mr. Choi Hung Fai. Subsequent to Dr. Wong Kong Tin, *JP's* appointment as a member of the Nomination Committee with effect from 13 December 2017, the Nomination Committee comprised three members, namely, Mr. Deng Zhonglin, Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*. During the year ended 30 June 2018, save as the period from 7 December 2017 to 12 December 2017, the Nomination Committee comprised a majority of independent non-executive Directors, the Company has complied with code provision A.5.1 of the CG Code.

CORPORATE GOVERNANCE REPORT
(Continued)

During the year, 1 committee meetings were 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 recommendation to the Board on the appointment of Directors. The attendance records of each member as to such meeting is set out as follows:

Nomination Committee	**Number of meetings Attendance/ Held**
Executive Directors	
Mr. Deng Zhonglin *(Chairman)*	1/1
Independent Non-executive Directors	
Mr. Choi Hung Fai	1/1
Dr. Wong Kong Tin, *JP* (Appointed on 13 December 2017)	0/0
Mr. Yang Bo (Ceased on 7 December 2017)	0/1

COMPANY SECRETARY

On 27 August 2018, Mr. Tung Tat Chiu Michael ("**Mr. Tung**") was appointed as the Company Secretary to replace Mr. Lau Wing Chuen after his resignation as the Company Secretary on the same day. Mr. Lau was a full time employee of the Company during his tenure of office and has relevant academic or professional qualifications and adequate working experience to discharge the functions of Company Secretary. Mr. Tung is an external service provider engaged by us as our Company Secretary and Mr. Deng Zhonglin, our 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 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" in 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 complete the elimination of 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 year, the Board through the Audit Committee, conducted an annual review of both 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 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 effectiveness of the Group's risk management and internal control system for the year ended 30 June 2018. The findings and areas for improvement were reported to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defects 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 internal control of the Group and for reviewing its effectiveness.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) ("**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 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 year, the Group's external auditor provided the following services to the Group:

	HK$'000
Audit services	1,600
Non-audit services	866
Total	2,466

CHANGE IN AUDITOR IN PRECEDING 3 YEARS

As disclosed in the announcements of the Company dated 31 March 2017 and 12 April 2017, HLB Hodgson Impey Cheng Limited ("**HLB**") has resigned as auditors of the Group with effect from 31 March 2017 and HLM CPA Limited has been appointed as the new auditors of the Group with effect from 12 April 2017 to fill the causal vacancy following the resignation of HLB.

CORPORATE GOVERNANCE REPORT
(Continued)

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 senior management, where appropriate, also respond to inquiries from shareholders and investors on a timely basis. The Company's annual general meeting 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.

Shareholders' Rights to Convene Extraordinary General Meeting and 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 Stock Exchange, the same information will be made available on the Company's website. During the 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")

OVERVIEW

The Group herein discloses the ESG Report which is prepared in accordance with Appendix 27 – Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") of the Listing Rules. This is the second ESG Report prepared by the Group, which continues to follow the principles of materiality, quantitative, balance and consistency as recommended by the ESG Guide. Apart from introducing the Group's policies and measures regarding material environmental and social areas and aspects which are considered to have significant impact and are relevant to the Group's business and stakeholders, the Group also reports our environmental and social obligation performance for this reporting period, from 1 July 2017 to 30 June 2018.

The Group's main business is the organization of trade exhibitions, events management, brand management promotion and related consultancy services. It is engaged in the planning, management and execution of the exhibition organization process including initial exhibition theme planning with relevant feasibility studies, presales preparation, sale of booths, marketing and advertising, and on-site management of the exhibition and post-exhibition review. It is also engaged in the provision of brand management, promotion and related consultancy services. Other activities include investment in securities, liquor and wine promotion, provision of club membership services and consulting, and provision of entertainment equipment solution in PRC. The Group's head office is located on Hong Kong island, a branch sales administrative office is set up in Kowloon Bay for sales and administrative purpose, and we have offices in Shanghai, the PRC, controlling and managing our rapidly developing PRC exhibition and events management business.

ESG VISION, COMMITMENTS AND ACTIONS

The Group targets to be a leading exhibition and events organizer and manager which, while providing returns to our shareholders, also ensures that our staff enjoy a satisfying and equitable workplace, whilst pursuing development in a sustainable and eco-friendly way to the benefit of our community as a whole.

The Group firmly believes that the ESG areas and aspects listed in the ESG Guide are significant considerations for our short and long-term business operations. The Group respects opinions and views of its stakeholders and has assigned the Board and its senior management to constantly review and to communicate with its stakeholders including but not limited to its employees, investors, suppliers, business partners to have an understanding and insights on ESG material aspects in the reporting period. The Group identified the following material aspects and has managed them strictly in accordance with the Group's policies and guidelines and in compliance with the relevant legal and regulatory standards.

- Environmental Protection Against Potential Pollution;
- Employment Development and Benefits;
- Working Safety during Exhibitions and Events;
- Raw Materials Supply and Procurement;
- Quality of Products and Services;
- Privacy Information Protection; and
- Bribery and Corruption.

The Group is committed to conducting its business in a transparent, equitable, legally and socially responsible manner, and continues to care about the impact of its daily operation on the environment, employees and community, and to make efforts to meet the interests of all stakeholders, environment, society and corporate governance, and to achieve a balanced position among all.

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

(Continued)

ESG MANAGEMENT AND APPROACH

The day-to-day management including the effective implementation of the overall strategies and initiatives adopted by the Board on operations, financial, environmental and social issues and obligations, has been delegated to the CEO.

Reporting to the CEO, an ESG Officer has been nominated to properly manage the Group's "Environmental and Social Obligations" pursuant to the ESG Guide and other relevant international and local laws, rules and regulations, and these responsibilities include to:

- Review, monitor and report the ESG issues on a regular basis; and

- Collect and compile data and statistics as well as Key Performance Indicators ("**KPIs**") on ESG related issues.

The CEO reviews regularly on any material changes, improvements and/or solutions on ESG related issues reported by the ESG Officer. As ESG strategies, policies and practices may change over time to reflect changes in technology, laws and regulations and environments, the Group will continue to provide adequate resources to monitor the ESG strategies, policies and practices on an ongoing basis, and maintain high ethical standards, transparency in conducting business, strictly comply with all relevant laws, rules and regulations as well as the ESG Guide to achieve sustainable development of the environment, society, employees and itself.

MATERIAL ENVIRONMENTAL AND SOCIAL AREAS, ASPECTS AND RELATED KPIS

(A) Environmental Aspects

As the Group only provides management services and its business activities are mostly confined to offices, therefore our only emissions are greenhouse gases, particularly carbon dioxide, indirectly generated from the consumption of electricity, and no polluted water nor wastes are produced. Nevertheless, as a responsible corporate citizen, we have a responsibility to the sustainable development of the environment and we constantly collect and monitor relevant data and information on the material environmental aspects as outlined by the ESG Guide so as to monitor the KPIs.

For the reporting period, the Group was not subject to any confirmed violation case relating to emissions and wastes, or other environmental issues having an adverse impact on the Group.

A1. Emissions

As the Group is mainly involved in the management of exhibitions, our activities are mostly general office activities, and as we also do not have any self-owned transportation fleet, we do not directly produce any emissions, discharges into water or land, or hazardous waste. We do however produce a small amount of waste from our office activities such as toner cartridges, ink boxes and batteries, which are environmentally disposed of by qualified contractors.

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

Our main emissions during our normal course of business and operation are indirect greenhouse gases, primarily carbon dioxide from energy consumption in our offices. We have introduced the KPI of "**CO_2 Emissions**" and in the year ended 30 June 2018 we indirectly generated 47.14 tonnes of greenhouse gases namely CO_2 emissions, by our headquarters and a branch sales administrative office in Hong Kong and the newly established PRC operations. Compared with last year, the Hong Kong headquarters had a 11.4% drop on indirect CO_2 emissions which was the direct result of lower electricity consumption. For our branch sales administrative office in Hong Kong, we had a relatively large reduction of 45.1% in indirect CO_2 emissions which was the direct result of streamlining of our office operations by merging two offices into one, which therefore achieved a significant reduction in electricity consumption and indirect CO_2 emissions. The overall reduction in indirect CO_2 emissions evidenced the effectiveness of our measures to reduce electricity consumption, which we will continue to implement in our newly established PRC offices.

Our offices have produced a small amount of waste such as toner cartridges, ink boxes and batteries, which require attention. We have introduced measures to ensure that they are collected properly and transferred to qualified organizations for environmentally friendly disposal.

For the year ended 30 June 2018, our operations in Hong Kong or PRC did not have any record of any penalty or warning related to air, water or waste pollution and discharges from any environmental department or alerts from any environmental agencies.

A2. Use of Resources

The Group is committed to saving energy, water, paper and resources for a low-carbon workplace and to promoting the sustainable development of its activities by raising the environmental awareness of its employees and business partners, and involving them in energy, water, paper and emissions saving, recycling and other improved efficiency activities.

The Group is only responsible for organizing and managing the exhibitions, and the provision of brand management, promotion and related consultancy services. The construction and decoration of the exhibition sites and booths is sub-contracted out to building contractors. Therefore, the Group does not use much construction or decoration materials. During the exhibition periods, no hazardous wastes are produced.

Electricity

Electricity is the main source of energy and resource used by our offices in our daily operations and in exhibition halls. When we operate exhibitions, the consumption of electricity in the exhibition halls will normally be higher, the costs of which are included in the halls' rental expenses, and we do not have respective records to report on the amount of electricity and tons of water used. However, as a responsible corporation, we regularly remind exhibitors to turn off all lights and all electrical items as soon as exhibition hours are over.

In our Hong Kong and the PRC offices, to reduce energy consumption, the Group regularly monitors its electricity and has implemented policies for employees to turn off lights, air-conditioning and computers when not in use including:

- Using energy-saving electrical appliances e.g. LED lights, refrigerator, etc.;
- Supporting the "Energy Saving Charter on Indoor Temperature" by maintaining a higher/lower temperature for summer and winter;
- Switching off lights, air-conditioners and other electrical appliances in a timely manner; and
- Conducting regular energy consumption checks.

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

(Continued)

For the year ended 30 June 2018, the Group consumed an aggregate of 55,638 kWh of electricity of which 13,896 kWh, 14,853 kWh and 26,889 kWh were for the Hong Kong head office and the branch sales administrative office in Hong Kong and the Shanghai operation respectively. Compared with last year, the Hong Kong head office electricity consumption was 11.4% less than last year, while the Hong Kong branch office had a substantial reduction of 45.1%. The reductions clearly showed an achievement of our energy saving measures. As this was the first full year record for the Shanghai operation, no performance comparison can be made. The Group will continue to implement its energy saving measures and to encourage employees to save more.

Water and Other Consumables

Other resources such as fresh water and consumables, namely paper and printing ink have also been used, but their volumes and/or quantities have been small. The Group does not consume material amounts of water or other consumables such as paper, toners etc. in its operations. As part of our effort to constantly reduce our environmental footprint, we have implemented and consistently monitor the following across our operations:

Paper Consumption Reduction:

- Applying electronic technology in communication and storage of documents;
- Avoiding unnecessary printing and print on both sides;
- Reusing paper-made products such as envelopes and folders;
- Setting up waste paper recycling trays nearby to photocopiers to collect excessive or wrongly printing paper; and
- Using recycled paper.

Effective Water Consumption:

- Posting water conservation signs to alert and avoid excessive usage of fresh water.

A3. The Environment and Natural Resources

The Group's business and operations do not directly generate any material hazardous emissions or waste or waste natural resources. We are, however, committed to being environmentally friendly and responsible. The Group constantly invests in upgrading systems and equipment and training and educating employees to improve their environmental footprint by reducing waste within the Group.

During the year ended 30 June 2018, the management was not alerted to any irregularities in the use of natural resources or major negative impacts on the environment by the Group.

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

(Continued)

(B) Social Employment and Labor Practices

The Group is primarily a service-based business and recognizes its employees as its most important asset. At all times we are committed to providing a fair, equal and harmonious environment for all our employees regardless of race, color, sex, orientation and religion to develop and grow. We are committed to providing equal and fair opportunities to all employees on recruitment, promotion, compensation and benefits and comply at all times with all the laws, rules and regulations regarding employment including the Labor Laws of PRC and the Employment Ordinance of the HKSAR. Our policies totally forbid the recruitment of child labor and forced labor.

Through employee-oriented policies we strive to strengthen human resources management by encouraging motivation and protecting the interests and legal rights of our employees, and ultimately to achieve a positive and harmonious relationship with our employees.

Our Human Resources Department maintain a number of summary records and KPIs which are monitored regularly including a breakdown of the total number of employees by sectors, gender and age, staff turnover, staff training hours and investment, and relevant health and safety issues.

For the year ended 30 June 2018, the Group did not have any complaint, violation or litigation related to employment and labor.

B1. Employment

We are committed to providing our staff with a satisfying and equitable workplace where our staff and our company can grow together.

The Human Resources Manager has been charged with the responsibility and duty to ensure all the statutory obligations of the Group have been fulfilled and complied with in a legitimate manner and the Group has adopted an Employee Handbook and company policies that cover a wide range of employment protection and benefits, and comply in all aspects with the relevant labour laws, rules and regulations of HKSAR and the PRC. The Human Resources Manager regularly meets with employee representatives to discuss issues relating to work, employment and health and safety issues and any employee grievances and complaints received will be treated in strictest confidence and will be handled independently by the senior management.

On employment, the Group has adopted a mixed policy of external recruitment and internal promotion for vacancies. All promotions, internal transfers and secondment decisions as well as new employment vacancies are open to all with equal opportunities, to be decided with no discrimination on religion, gender, age and disability, and to be selected on qualification, skill and competency basis. All successful employees must enter into proper and standardized contracts in writing between the respective employees and the Group before commencement of services. Employees' remuneration is determined with reference to the prevailing market level as well as their competence, qualifications and experience.

The Group provides and maintains statutory benefits to all qualified employees including but not limited to mandatory provident funds (for Hong Kong employees) and unemployment, retirement and housing insurance (for PRC employees), medical insurance, work injury insurance and compensation and statutory holidays pursuant to the requirements of the laws of PRC and HKSAR.

For the year ended 30 June 2018, the Group has honored all obligations to our employees including the payment of salaries and wages, holidays and leave, compensation, insurance and health benefits, without any dispute (2017: Nil).

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

The Human Resources Manager has prepared an "Employment Record" with breakdown of total number of employees in different levels and sectors based on gender and age distribution as a KPI for the management to monitor the Group's employment status regularly. For the year ended 30 June 2018, the Hong Kong and the PRC offices employed a total 23 and 54 employees respectively. The Hong Kong offices' total number of employees was 3 more than last year, which demonstrated that we had a stable employment team. Meanwhile new employees are hired for our newly developed offices in Shanghai. In our Hong Kong offices, 12 employees were male and 11 were female, and in Shanghai, 28 were male and 26 were female, which showed that the Group had a balanced gender mix of employees. Out of the total of 77 employees, all of them were full-time employees, except 2 were part-time employees working in Shanghai.

B2. Health and Safety

At all times, the Group undertakes to safeguard the health and safety of our employees. Our internal employee rules and regulations as well as employment contracts detail our health and safety policies and conditions and we ensure a healthy and safe workplace in accordance with the Occupational Safety and Health Ordinance and other labor laws and regulations of PRC and the Employment Ordinance of the HKSAR.

The Group offers medical insurance covering in-patient and out-patient benefits to employees in accordance with their seniority and grading. With doctors' approvals and recommendations, employees can take sick leave with pay. Travel insurance is provided to all employees travelling for business purposes. Employee compensation insurance for all employees has been arranged in compliance with local regulations. As the Group is regularly running exhibitions open to the public, third party liability insurance has been arranged as an extra precaution although all the sub-contractors are liable to arrange insurance for third parties' safety.

For the year ended 30 June 2018, same as last year, we did not record any claim, investigations or disputes regarding compensation or work-related injuries.

B3. Development and Training

The Group supports and encourages all employees to continue learning and improving their knowledge and job skills through a variety of means including the reimbursement of approved training course fees and the granting of leave to cover lesson, revision and examination times.

The Human Resource Manager has maintained a record on the internal and external training programs provided to and sponsored for employees as a KPI for the senior management to monitor and to review their effectiveness in relation to the investment costs. For the reporting period, the Group increased its employees training expenses as a new office was developed in Shanghai. In the year ended 30 June 2018, the Group provided educational training allowances, of approximately HKD7,000 and HKD37,000 to sponsor the Hong Kong offices and the PRC offices employees to attend 9 and 360 hours of external training respectively. The Group also provided 471 hours of internal training to newly recruited employees in the PRC.

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

(Continued)

B4. Labor Standards

The Group has established a human resources policy on recruitment, dismissal, promotion, leave, holidays and benefits to support its management of manpower resources. We strictly comply with the Employment Ordinances of HKSAR and Labor Laws of PRC as well as all occupational health and safety standards and laws. We have adopted these respective standards, as well as local market practices, as our minimum labor standard on labor protection and welfare including recruitment, dismissal, promotion, leave, health and safety, holidays, benefits, as well as ensuring equal employment opportunities to all genders, ages, races and religions and preventing any form of forced or child labor.

The Group maintains private and confidential files on all employees which includes information such as the employees' personal background information and credentials including copies of ID and passport, academic qualifications and certificates, references, and performance assessment by seniors.

For the year ended 30 June 2018, same as last year, no labor disputes or litigation was reported and the Group paid all wages and salaries, benefits and compensation on time.

Operating Practices and Social Investment

With regard to our conduct of business, the Group has adopted and requires our employees to strictly comply with a code of conduct that adheres to the principle of integrity first and is in compliance with local and international laws.

B5. Supply Chain Management

Our main business involves arranging exhibition venues and the sourcing and leasing of exhibition booths. We have established detailed procedures for procurement of goods and services which are covered in our Internal Control and Procedures Manual under "Section III: Purchase Cycle" and are monitored by relevant departmental managers in Hong Kong and the PRC.

The Group conducts its sourcing and purchases on a strictly screened, monitored and transparent process. Relevant managers are required to compare quotations from different suppliers to ensure cost efficiency and quality guarantee and to check and ensure that all products and services purchased are in line with the terms and conditions of the purchase contracts signed.

For the year ended 30 June 2018, the Group continued the policy and practice to procure 100% supplies from local suppliers in Hong Kong and the PRC, as a means to support local economic development. A local supplier is defined as an organisation that provides a product or service to the Group and that is based in the same geographical market as the Group without transnational payments to the supplier made.

B6. Product Responsibility

Product (Service) Quality

The Group is deeply aware of the importance of providing quality and professional services in exhibition theme planning, booths design and the smooth and successful operation of our major exhibitions, and our brand management, promotion and consultancy businesses. A major part of our revenue is generated from the sale or sub-lease of exhibition spaces to customers who are product owners/sellers/manufacturers and we are committed to ensuring that they receive the best services to their utmost satisfaction.

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

We have established a sales policy under "Section II: Revenue Cycle" of the Internal Control and Procedures Manual to regulate and monitor the exhibitor sales and engagement process including customer screening, customer background checking, contract signing, payment receipts etc.

Also, during and throughout the course of exhibitions, the Group assigns duty managers, on-site technicians and subcontractors (who have undertaken separate liabilities for their relevant service provision) to manage the progress of events, to provide ongoing support services and to solve any unforeseen incidents and accidents that may occur.

For the year ended 30 June 2018, same as last year, the Group had no serious complaints from our clients regarding our services and products.

Intellectual Property Rights

The Group recognizes intellectual property rights and is the holder of many trademarks and patents itself in PRC. Our Internal Control and Procedures Manual clearly states that employees are to uphold and maintain intellectual property rights at all times and cannot engage or purchase counterfeit items or services from suppliers.

The Group did not receive any intellectual property rights complaints during the year ended 30 June 2018, same as last year.

Consumer Data Protection

The Group generates lots of private data from our trade exhibitors, partners and employees and at all times abide by the Personal Data (Privacy) Ordinance of Hong Kong and other relevant laws, regulations and requirements in both Hong Kong and the PRC. All data is kept under a secure system by our senior management, and use of this data is subject to strict rules and procedures. All employees are bound under their employment agreements to a "Confidentiality Undertaking" and are obligated not to disclose or leak any confidential information or data. The Group did not experience any private information leakage during the year ended 30 June 2018, same as last year.

B7. Anti-corruption

The Group strictly prohibits any form of bribery and corruption and all staff are required to comply with both all the relevant laws and regulations in the countries we operate in, and also the Internal Control and Procedures Manual which states all relevant obligations while employed by the Group. For the year ended 30 June 2018, same as last year, the Group reported no bribery or corruption cases.

B8. Community Investment

Under the guiding principle of "it is better to give than to receive", the Group encourages employees to provide voluntary services to, and participate in voluntary and charitable activities to support society such as youth mentoring programs.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The Company is 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 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.

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

Save as disclosed in the MD&A of this annual report under the sections headed "Material Acquisition and Disposal" and "Subsequent Events", there are no important events affecting the Group that have occurred since the end of the financial year ended 30 June 2018.

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 year is affected by the increase in competition in the industry and the volatility and uncertainty of macro-economic conditions in the 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 29 to 36 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 year ended 30 June 2018.

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 endeavor to maintain its established relationship with these existing suppliers and customers.

RESULTS

The results of the Group for the year ended 30 June 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 58 to 59.

DIVIDEND

The Board proposed to declare a final dividend of HK1.0 cent per share in cash, approximately HK$14.5 million in aggregate, for the year ended 30 June 2018 (2017: Nil), which is expected to be paid on 11 January 2019 to shareholders whose names appear on the register of members of the Company as at 17 December 2018, subject to shareholders' approval in the forthcoming annual general meeting of the Company expected to be held on 7 December 2018. The proposed final dividend will be paid in HK$ and there is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

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 144 of this annual report.

BORROWINGS

The Company issued a 6.25% debenture at a par value of HK$3,000,000 on 12 June 2018. After deducting the issuance costs, the Company received net consideration of HK$2,580,000 from the issuance. The net proceeds is intended to finance the expansion of the existing business and for general working capital of the Group. Details of borrowings are set out in Note 30 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 year are set out in Note 16 to the consolidated financial statements of the Group.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 32 to the consolidated financial statements of the Group.

DIRECTORS' REPORT
(Continued)

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 year ended 30 June 2018.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 40 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 2018 are set out in Note 40 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

No charitable and other donations were made by the Group during the year (2017: Nil).

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 year ended 30 June 2018 and as at the date of approval of this report of the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue generated from the Group's five largest customers accounted for about 40.3% (2017: 15.3%) of the Group's total revenue for the year and the revenue from the largest customer included therein accounted for about 13.4% (2017: 7.4%) of the Group's total revenue.

During the year, the fees paid to the Group's five largest suppliers accounted for about 40.7% (2017: 53.6%) of the Group's total direct operating cost and supplies from the largest supplier included therein accounted for about 11.7% (2017: 25.5%) 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 year ended 30 June 2018.

DIRECTORS' REPORT
(Continued)

DIRECTORS

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

Executive Directors
Mr. Deng Zhonglin *(Chairman)* (Resigned as *Chief Executive Officer* on 21 June 2018)
Mr. Xu Feng *(Chief Executive Officer)* (Appointed on 21 June 2018)
Mr. Au-Yong Shong, Samuel (Appointed on 13 December 2017 and resigned on 21 June 2018)
Ms. Zhang Jun (Resigned on 27 April 2018)
Mr. Lu Linyu (Resigned on 6 December 2017)

Independent Non-executive Directors
Mr. Choi Hung Fai
Mr. Tsang Wing Ki
Dr. Wong Kong Tin, *JP* (Appointed on 13 December 2017)
Mr. Yang Bo (Ceased on 7 December 2017)

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. Xu Feng and Dr. Wong Kong Tin, *JP* who were appointed by the Board after the last annual general meeting of the Company held on 7 December 2017, will retire at the forthcoming the AGM and, being eligible, offer themselves for re-election at the AGM.

In accordance with Article 105(A) of the Articles, at each annual general meeting 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 but not less than one-third, shall retire from office by rotation. Mr. Choi Hung Fai will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

All of the resigned Directors during the year and up to the date of this report (namely, Ms. Zhang Jun, Mr Lu Linyu and Mr. Au-Yong Shong, Samuel) have confirmed to the Company that they have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of shareholders of the Company.

INDEPENDENCE CONFIRMATIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 3.13 of the Listing Rules, 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 year ended 30 June 2018, 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' REPORT
(Continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for those disclosed in the section headed "Share Option Scheme" in this Directors' report in this annual report, at no time during the 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 Directors proposed for 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' 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 shareholders' approval at the AGM.

Particulars of the Directors' emoluments for the year ended 30 June 2018 are set out in Note 12 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 the year ended 30 June 2018 or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 30 June 2018, 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 37 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.

DIRECTORS' REPORT
(Continued)

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 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 ("**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 contribution 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 ("**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;

(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 class 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.

DIRECTORS' REPORT
(Continued)

(ii) Total number of Shares available for issue

The maximum number of Shares 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). The maximum number of Shares that may be granted under the Share Option Scheme was 100,000,000 shares of the Company of HK$0.002 each, representing 6.88% of the issued shares of the Company as at the date of this 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 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 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 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 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.

DIRECTORS' REPORT
(Continued)

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 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, (the "**Date of Grant**")	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)

Details of the share options granted under the Share Option Scheme as at 30 June 2018 are as follows:

Participants	Date of grant	Exercise price per share (HK$)	Exercisable Period	As at 1 July 2017	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	As at 30 June 2018
Directors								
Mr. Deng Zhonglin	1 June 2018	1.89	1 June 2018 to 31 May 2028	–	12,000,000	–	–	12,000,000
Mr. Xu Feng	1 June 2018	1.89	1 June 2018 to 31 May 2028	–	9,680,000	–	–	9,680,000
Other employees of the Group								
In aggregate	1 June 2018	1.89	1 June 2018 to 31 May 2028	–	78,320,000	–	–	78,320,000
Total				–	100,000,000	–	–	100,000,000

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 share option granted during the year ended 30 June 2018 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 33.0%, dividend yield of 0.0%, an expected share option life of 10 years and an annual risk-free interest rate of 2.2%. 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$6,202,000 was recognised as staff costs in the consolidated statement of profit or loss and other comprehensive income.

DIRECTORS' REPORT
(Continued)

EQUITY-LINKED AGREEMENTS

Convertible bonds

The Company issued a zero coupon convertible bonds at a par value of HK$24,012,000 on 13 July 2017. The bonds shall mature on 7 April 2020 at its nominal value of HK$24,012,000 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 26,100,000 shares and all of them were issued on 27 July 2017. The issuance of the convertible bonds of HK$24,012,000 was used to satisfy the partial consideration for the acquisition of Fortune Selection Group, details of which is set out in the MD&A of this annual report under the section headed "Material Acquisition and Disposal".

The Company issued a zero coupon convertible bonds at a par value of HK$8,004,000 on 29 March 2018. The bonds shall mature on 7 April 2020 at its nominal value of HK$8,004,000 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 6 June 2018. The issuance of the convertible bonds of HK$8,004,000 was used to satisfy the partial consideration for the acquisition of Fortune Selection Group, details of which is set out in the MD&A of this annual report under the section headed "Material Acquisition and Disposal".

Share options granted to Directors and selected employees

Details of the share options granted in current year is set out in Note 35 to the consolidated financial statements of the Group and "Share Option Scheme" section contained in this Directors' Report. For the share options granted during the year, no shares were issued during the year.

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 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise 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 Director	Capacity/ Nature of interest	Number of underlying shares	Approximate percentage of shareholding
Mr. Deng Zhonglin	Beneficial owner	12,000,000 *(Note 1)*	0.83%
Mr. Xu Feng	Beneficial owner	9,680,000 *(Note 2)*	0.67%

DIRECTORS' REPORT
(Continued)

Notes:

1. 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 under the Share Option Scheme.

2. 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 under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, to the best of the knowledge and belief of the Directors, the following person had interests or short positions in the Shares or 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 Shareholder	Capacity/ Nature of interest	Number of Shares/ underlying shares held	Approximate percentage of shareholding
Mr. Chen Chao	Beneficial owner	164,235,000 (L)	11.29%

Note: The letter "L" denotes the corporation/person's long position (as defined under Part XV of the SFO) in the Shares.

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 section headed "Corporate Governance Report" of this annual report.

DIRECTORS' REPORT
(Continued)

AUDIT COMMITTEE

The Audit Committee comprises all the 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 year ended 30 June 2018.

AUDITOR

The consolidated financial statements have been audited by HLM CPA Limited who will retire at the forthcoming Annual General Meeting 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, 21 September 2018

BIOGRAPHICAL DETAILS OF DIRECTORS

BOARD OF DIRECTORS

Executive Directors

Mr. Deng Zhonglin ("**Mr. Deng**"), aged 44, was appointed as an executive Director of the Company on 14 October 2016. Mr. Deng is currently the chairman of the Board. Mr. Deng has over 18 years of experience in corporate management and strategic planning. He is familiar with the exhibition industry and the operation of advertising business. He graduated from Shenzhen University in 1995. From 1999 to 2003, he 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 present, he has been serving 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 is mainly engaged in advertising, display and exhibition services as well as conference services.

Mr. Xu Feng ("**Mr. Xu**"), aged 42, was appointed as an executive Director and the chief executive officer of the Company on 21 June 2018. Mr. Xu is currently the chief operating officer 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

(Continued)

Independent Non-executive Directors

Mr. Choi Hung Fai ("**Mr. Choi**"), aged 33, was appointed as an independent non-executive Director of the Company on 17 July 2015. Mr. Choi is a member of each of the Audit Committee and the Nomination Committee. Mr. Choi has over 9 years of experience in securities trading, fundraising 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 a vice-president of corporate finance department in RHB Capital Hong Kong Limited and a licensed representative for Type 1 (dealing in securities) regulated activity and responsible officer for Type 6 (advising on corporate finance) regulated activity of RHB Capital Hong Kong Limited under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Choi is principally responsible for advising on corporate finance activities, initial public offerings, merger & acquisitions, fundraising activities and corporate restructurings for private and public companies in the PRC, Singapore, Malaysia and Hong Kong.

Mr. Tsang Wing Ki ("**Mr. Tsang**"), aged 56, was appointed as an independent non-executive Director of the Company on 9 March 2017. Mr. Tsang is the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Tsang has over 23 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 is a chief financial officer of Xin Dau Ji Limited from July 2015. 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 China Soft Power Technology Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 139) from November 2014 to June 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).

Dr. Wong Kong Tin, *JP* ("**Dr. Wong**"), aged 51, was appointed as an executive Director of the Company 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 25 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.

BIOGRAPHICAL DETAILS OF DIRECTORS
(Continued)

Dr. Wong's current community services include: the chairman of the Hong Kong Liquor Licensing Board, the vice chairman of the Association of Hong Kong Professionals, a member of the Solicitors Disciplinary Tribunal Panel, a member of the Panel of Adjudicators of the Obscene Articles Tribunal, 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)), 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.

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.

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, Guiyang.

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.

INDEPENDENT AUDITOR'S REPORT

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

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: info@hlm.com.hk

TO THE MEMBERS OF MEGA EXPO HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Mega Expo Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 58 to 143, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2018, 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 judgment, 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 trade and other receivables	
As set out in Notes 22 and 23 to the consolidated financial statements, the Group has trade and other receivables amounting to approximately HK$109,793,000 and HK$1,041,000 as at 30 June 2018, respectively. No impairment loss on trade and other receivables were provided in current year. We identified the impairment assessment on trade and other receivables as a key audit matter due to the inherent uncertainty and management judgements involved in determining impairment allowances and because of its significance to the financial results of the Group.	Our audit procedures in relation to management's impairment assessment of trade and other receivables included: – assessing the assumptions and estimates made by the management in determining the impairment of trade and other receivables; – verifying the balances of trade and other receivables by requesting and receiving confirmations on a sample basis; – testing the ageing analysis of the receivables, on a sample basis, to the source documents; and – reviewing the subsequent settlement of trade and other receivables and inspecting underlying documents relating to the payment received, on a sample basis. We considered that the judgement and assumptions made by management used in assessing impairment assessment of trade and other receivables is reasonable and appropriate.

INDEPENDENT AUDITOR'S REPORT
(Continued)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of intangible assets and goodwill	
As set out in Notes 17 and 18 to the consolidated financial statements, the Group recorded a balance of intangible assets and goodwill amounting to approximately HK$22,511,000 and HK$290,982,000 as at 30 June 2018, respectively. The management had made an assessment of the recoverable amount of cash-generating units ("**CGUs**") allocated to the intangible assets and goodwill with reference to valuations performed by an independent professional valuer and concluded that no impairment loss on intangible assets and goodwill is required. The recoverable amount of the CGUs was determined by the value in use calculation which used cash flow projections based on financial forecasts covering a three-year period, with reference to discount rate, market conditions and other relevant factors. We identified the impairment of intangible assets and goodwill as a key audit matter due to the quantum of the carrying value of intangible assets and goodwill and the risk relating to the key assumptions and assertions used by the management to support their assessment and judgement in determining the recoverable amount of the CGUs.	Our audit procedures in relation to management's impairment assessment of intangible assets and goodwill 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; – 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 amount of the intangible assets and goodwill; – checking the mathematical accuracy of the valuation; – obtaining an understanding of management's process of assessing the recoverable amount of CGUs and their value in use; and – challenging the cashflow forecasts used in the model against historical performance. We considered that the judgment and assumptions made by management in its impairment assessment for intangible assets and goodwill were supportable by the available evidences and information.

INDEPENDENT AUDITOR'S REPORT
(Continued)

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Business combination and valuation of profit guarantee and contingent consideration payables

The Group acquired Fortune Selection Limited and its subsidiaries, and Cheer Sino Investment Holdings Limited and its subsidiaries during the reporting period.

The considerations for the acquisitions include contingent consideration payables which would be settled upon fulfilment of profit guarantee of the subsidiaries as specified in the related acquisition agreement, details set out in Notes 24, 29 and 33 to the consolidated financial statements.

These transactions involved the determination of the fair value of total contingent consideration, the purchase price allocation to the identifiable assets acquired and liabilities assumed, and the treatment for the difference between the consideration and the fair value of the identifiable net assets of the acquiree in the business combination. The Group engaged an independent professional valuer to valuate the fair value of the contingent consideration and the fair value of the identifiable assets and liabilities of the acquiree on initial recognition and as at 30 June 2018.

We identified the valuation of profit guarantee and contingent consideration payables as key audit matters as the magnitude of the profit guarantee and contingent consideration payables are significant and the valuation involves management's estimates and judgements.

How our audit addressed the key audit matter

Our audit procedures in relation to the business combination and valuation of profit guarantee and contingent consideration payables included:

– evaluating the equity transfer agreement, the resolutions of shareholders' meeting and the Board of Directors meeting related to these transactions;

– checking whether the relevant legal procedures were completed, and discussing with management on the determination of acquisition date;

– evaluating the objectivity, independence and competence of the valuer;

– assessing the reasonableness of the valuation methodology, underlying key assumptions and judgements, including financial statements at the acquisition date and discount rate, exercised by management and the valuer;

– assessing the reasonableness of the allocation of purchase price to all identifiable assets acquired and liabilities assumed, and reviewing the accounting treatment of the business combinations; and

– evaluating the adequacy of the disclosure for the acquisitions in the consolidated financial statements.

We considered that the accounting treatment and disclosure of the business combination and the valuation of profit guarantee and contingent consideration payables to be reasonable and appropriate.

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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the 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 of the Company 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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 year 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, 21 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
Continuing operations			
Revenue	7	**254,051**	102,938
Cost of sales		**(137,787)**	(48,660)
Gross profit		**116,264**	54,278
Other income	8	**1,814**	464
Other gains and losses	9	**28,619**	(13,592)
Net loss on financial assets at fair value through profit or loss	9	**(23,974)**	(2,909)
Net gain on change in fair value of contingent consideration payables		**43,433**	–
Selling expenses		**(12,570)**	(12,310)
Administrative expenses		**(40,209)**	(46,174)
Operating profit/(loss)		**113,377**	(20,243)
Finance costs	10	**(237)**	–
Profit/(loss) before tax from continuing operations	9	**113,140**	(20,243)
Income tax expenses	11	**(22,435)**	(5,664)
Profit/(loss) for the year from continuing operations		**90,705**	(25,907)
Discontinued operation			
Loss for the year from discontinued operation	13	**–**	(13,410)
Profit/(loss) for the year		**90,705**	(39,317)
Other comprehensive (expenses)/income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(3,907)**	(39)
Release of exchange reserve upon deregistration of a subsidiary		**169**	–
Total comprehensive income/(expenses) for the year		**86,967**	(39,356)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
Profit/(loss) for the year attributable to owners of the Company arising from:			
Continuing operations		**90,706**	(23,001)
Discontinued operation		**–**	(13,410)
		90,706	(36,411)
Loss for the year attributable to non-controlling interests arising from:			
Continuing operations		**(1)**	(2,906)
Discontinued operation		**–**	–
		90,705	(39,317)
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		**86,968**	(36,450)
Non-controlling interests		**(1)**	(2,906)
		86,967	(39,356)
Earnings/(loss) per share attributable to owners of the Company:			
Basic and diluted *(HK cents)*	*15*		
– From continuing operations		**6.49**	(1.80)
– From discontinued operation		**–**	(1.05)
		6.49	(2.85)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**5,980**	10,368
Intangible assets	17	**22,511**	–
Goodwill	18	**290,982**	35,998
Financial assets at fair value through profit or loss	24	**13,430**	3,080
Interest in an associate	19	**12**	8
Deposits	23	**1,703**	–
Deferred tax assets	21	**5,525**	–
		340,143	49,454
Current assets			
Inventories		**3,400**	–
Trade receivables	22	**109,793**	3,880
Prepayments, deposits and other receivables	23	**14,954**	26,079
Financial assets at fair value through profit or loss	24	**3,355**	460
Income tax receivables		**231**	–
Cash and cash equivalents	25	**171,175**	54,583
		302,908	85,002
Asset classified as held for sale	13	**–**	35,870
		302,908	120,872
Current liabilities			
Trade payables	26	**9,604**	–
Receipts in advance	27	**2,810**	17,330
Accruals, deposits received and other payables	28	**43,909**	8,432
Contingent consideration payables	29	**45,979**	–
Income tax payables		**11,845**	2,534
		114,147	28,296
Net current assets		**188,761**	92,576
Total assets less current liabilities		**528,904**	142,030

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Contingent consideration payables	29	**136,442**	–
Corporate bond	30	**2,594**	–
		139,036	–
NET ASSETS		**389,868**	142,030
Capital and reserves			
Share capital	32	**2,908**	2,702
Reserves		**391,285**	143,652
Equity attributable to owners of the Company		**394,193**	146,354
Non-controlling interests		**(4,325)**	(4,324)
TOTAL EQUITY		**389,868**	142,030

The consolidated financial statements on pages 58 to 143 were approved and authorised for issue by the Board of Directors on 21 September 2018 and are signed on its behalf by:

Deng Zhonglin	**Xu Feng**
Chairman	*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 2018

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Convertible bonds reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000 *(Note a)*	Other reserve HK$'000 *(Note b)*	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2016	2,400	104,704	–	–	(116)	(107)	(16,481)	90,400	(1,418)	88,982
Loss for the year	–	–	–	–	–	–	(36,411)	(36,411)	(2,906)	(39,317)
Other comprehensive expenses for the year, net of tax	–	–	–	–	(39)	–	–	(39)	–	(39)
Total comprehensive expenses for the year	–	–	–	–	(39)	–	(36,411)	(36,450)	(2,906)	(39,356)
Placing of shares	302	92,102	–	–	–	–	–	92,404	–	92,404
At 30 June 2017 and 1 July 2017	2,702	196,806	–	–	(155)	(107)	(52,892)	146,354	(4,324)	142,030
Profit for the year	–	–	–	–	–	–	90,706	90,706	(1)	90,705
Other comprehensive expenses for the year, net of tax	–	–	–	–	(3,738)	–	–	(3,738)	–	(3,738)
Total comprehensive income for the year	–	–	–	–	(3,738)	–	90,706	86,968	(1)	86,967
Placing of shares	137	100,190	–	–	–	–	–	100,327	–	100,327
Recognition of equity-settled share-based payments	–	–	–	6,202	–	–	–	6,202	–	6,202
Issue of convertible bonds	–	–	29,369	–	–	–	–	29,369	–	29,369
Conversion of convertible bonds	69	54,265	(29,369)	–	–	–	–	24,965	–	24,965
Release upon disposal of a subsidiary	–	–	–	–	–	8	–	8	–	8
At 30 June 2018	2,908	351,261	–	6,202	(3,893)	(99)	37,814	394,193	(4,325)	389,868

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 2018

	Notes	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit/(loss) before tax (including discontinued operation)		**113,140**	(33,653)
Adjustments for:			
Depreciation of property, plant and equipment	*16*	**3,325**	2,311
Amortisation of intangible assets	*17*	**7,388**	13,043
(Gain)/loss on disposal of property, plant and equipment	*9*	**(10)**	120
Write off of property, plant and equipment	*9*	**13**	1,655
Net loss on financial assets at fair value through profit or loss	*9*	**23,974**	2,909
Dividend income	*9*	**(160)**	–
Interest income	*9*	**(1,886)**	(1,323)
Interest expenses	*10*	**237**	–
Net gain on change in fair value of contingent consideration payables	*29*	**(43,433)**	–
Net gain on disposal of subsidiaries	*34*	**(14,180)**	–
Loss on deregistration of a subsidiary	*9*	**169**	–
Equity-settled share-based payment expenses	*9*	**6,202**	–
(Reversal of)/impairment loss on other receivable	*9*	**(11,500)**	13,140
Operating cash flows before movement in working capital		**83,279**	(1,798)
Increase in amounts due from an associate		**(4)**	(1)
Increase in inventories		**(3,451)**	–
Increase in trade receivables		**(94,403)**	(3,880)
Decrease in prepayments, deposits and other receivables		**23,505**	16,175
Increase in trade payables		**4,106**	–
Decrease in receipts in advance		**(25,503)**	(52,800)
Increase/(decrease) in accruals, deposits received and other payables		**8,601**	(37,117)
Decrease in amount due to a shareholder		**–**	(8)
Cash used in operations		**(3,870)**	(79,429)
Tax paid		**(15,267)**	(4,796)
Net cash used in operating activities		**(19,137)**	(84,225)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the year ended 30 June 2018

	Notes	**2018 HK$'000**	2017 HK$'000
INVESTING ACTIVITIES			
Dividend income		**160**	–
Interest received		**1,886**	7
Payment for acquisition of subsidiaries	*33*	**(17,521)**	(38,206)
Purchase of property, plant and equipment		**(106)**	(5,949)
Proceeds from disposal of property, plant and equipment		**499**	58
Acquisition of listed equity securities		**(19,200)**	–
Proceed from disposal of listed equity securities		**20,145**	62,128
Acquisition of unlisted fund		**(10,082)**	–
Proceed from disposal of unlisted fund		**9,923**	–
Proceeds from disposal of subsidiaries	*34*	**51,722**	–
Net cash generated from investing activities		**37,426**	18,038
FINANCING ACTIVITIES			
Interest paid		**(3)**	–
Net proceeds from placing of shares		**100,327**	92,404
Net proceeds from issue of corporate bond	*30*	**2,580**	–
Net cash generated from financing activities		**102,904**	92,404
NET INCREASE IN CASH AND CASH EQUIVALENTS		**121,193**	26,217
Cash and cash equivalents at the beginning of the year		**54,583**	28,382
Effect of foreign currency exchange rate changes		**(4,601)**	(16)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*25*	**171,175**	54,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 principal place of business of the Company in Hong Kong is Suites 911-912, Level 9, One Pacific Place, 88 Queensway, Hong Kong.

The principal activity of the Company is investment holding. 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")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time in the current year:

HKAS 7 (amendments)	Disclosure Initiative
HKAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the above 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.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 36. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart form the additional disclosure in Note 36, the application of these amendments has had no impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 1 (amendments)	As part of the Annual Improvements HKFRSs 2014-2016 Cycle[1]
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (2011) (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HKAS 19 (amendments)	Plan Amendment, Curtailment or Settlement[2]
HKAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 28 (amendments)	As part of the Annual Improvements HKFRSs 2014-2016 Cycle[1]
HKAS 40 (amendments)	Transfer of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
HKFRSs (amendments)	Annual Improvement to HKFRSs 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[4] Effective date to be determined.

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the directors of the Company (the "**Directors**") anticipate that all other new and amendments to HKFRSs and Interpretations 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 2018

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

New and amendments to HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs that are subject to the impairment provisions upon the application of HKFRS 9 by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

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

New and amendments to HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 "Financial Instruments" *(Continued)*

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, an immaterial amount of impairment loss will be recognised by the Group as at 1 July 2018, mainly attributable to expected credit losses provision on trade and other receivables. Such impairment loss recognised under expected credit loss model would reduce the opening retained profits at 1 July 2018.

Except for the expected credit loss model that may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost, the Directors do not expect any other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model and financial instruments.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

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

New and amendments to HKFRSs issued but not yet effective *(Continued)*

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has operating lease commitments of approximately HK$34,716,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group is also considering the treatment of the refundable rental deposits paid of approximately HK$4,097,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF 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 ("**Listing Rules**") on the Stock Exchange and by 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 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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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.

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 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

Changes in presentation of the consolidated statement of profit or loss and other comprehensive income

In previous years, the Group presented an analysis of expenses recognised in consolidated statement of profit or loss and other comprehensive income using a classification based on their nature.

During the year, the Board of Directors has performed a review of the content and presentation of the consolidated financial statements to ensure compliance with relevant accounting standards as well as being comparable to those of the other market participants within the same industry. In view that the Group's operations is increasingly driven by those new businesses in cultural and entertainment industries during the year, the Board considered that it is appropriate to adopt an analysis of expenses recognised in consolidated statement of profit or loss and other comprehensive income using a classification based on their function which would be more relevant to the Group's circumstances and for the users of the Group's consolidated financial statements.

The changes in presentation have been adopted retrospectively, and certain figures have been restated. The changes in the presentation of the consolidated statement of profit or loss and other comprehensive income did not have any impact on the Group's profit/(loss) for the year or the calculation of the Group's earnings/(loss) per share.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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 HKAS 39 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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 assets or liabilities resulting from 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. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of 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, in accordance with HKAS 39 or HKAS 37, as appropriate, 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 and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such change in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to any reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment 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 impairment losses, if any.

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

Leasehold improvements	Over the lease terms
Computer equipment	25%-33%
Furniture, fixtures and equipment	20%
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.

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 periods, 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain and loss 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.

Amortisation of capitalised development costs is charged to profit or loss over the estimated life cycle (not more than 5 years) of the relevant products. Amortisation of other intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives.

Sub-Licensed Right	46 months
Trademarks and brands	37-116 months

Both the period and method of amortisation are reviewed annually.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

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. 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. 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss" ("**FVTPL**") and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FTVPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" in the consolidated statement of profit or loss. Fair value is determined in the manner described in Note 5(c) to the consolidated financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits, other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL, of which the interest expenses is included in net gains or losses.

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

Convertible bonds

The component parts of compound instruments (convertible bonds) 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bonds (Continued)

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 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 using the effective interest method.

Financial liabilities at amortised cost

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

Derecognition

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated 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 recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(i) Organisation of exhibitions, events planning and related services income

Participation fee income

Participation fee income is derived from allowing the exhibitors to participate in relevant exhibitions and the provision of decoration facilities for the exhibition booths, and is recognised when the decoration facilities are provided and when the exhibitions are held.

Additional facilities income

Additional facilities income is recognised when the services are rendered.

Other ancillary service income

Other ancillary service income is recognised when the services are rendered.

(ii) Management fee income

Management fee income is recognised when the services are rendered.

(iii) Contracting services and installation of equipment

Revenue from the sales of entertainment equipment are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered, installation is completed and the title has passed to the customers.

(iv) Promotion and consultancy services income

Promotion and consultancy services income is recognised when the services are rendered.

(v) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(vi) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment are established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(i) 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.

(ii) Equity-settled share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 2018

3. SUMMARY OF 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.

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 noncontrolling 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 2018

3. SUMMARY OF 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 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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.

The Group as lessee

Assets held under finance leases are initially 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. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 3 to the consolidated financial statements, management has made certain 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 amount of assets and liabilities within the next year, are discussed below:

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 and intangible assets (see Notes 16 and 17 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs 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.

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. The management is satisfied that no impairment loss is required to recognise during the period.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed.

Fair value measurements of financial assets and financial liabilities

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.

5. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**286,230**	77,137
Financial assets at FVTPL	**16,785**	3,540
	303,015	80,677
Financial liabilities		
Financial liabilities at amortised cost	**32,608**	8,432
Financial liabilities at FVTPL		
– Contingent consideration payables	**182,421**	–
	215,029	8,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, deposits, other receivables, cash and cash equivalents, financial assets at FVTPL, trade payables, accruals, deposits received and other payables, corporate bond 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 and currency risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regards, the Directors consider that the Group's credit risk is significantly reduced.

The Group has a concentration of credit risk as 1.9% (2017: 72.1%) and 20.8% (2017: Top two 100%) of the total trade receivables were due from the Group's largest customer and the top five largest customers respectively. The Group's concentration of credit risk by geographical location is in the PRC, which accounted for 94.1% (2017: 100%) of the trade receivables as at 30 June 2018. These customers have good historical repayment records and no default in payment. The Group has hold trade deposits of approximately HK$593,000 and HK$1,185,000 from the Group's largest customer and the top five largest customers respectively.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

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 respective end of the reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

At 30 June 2018

	Weighted average interest rate	Carrying amount	On demand	Within 1 year	2-5 years	Total undiscounted cash flows
Trade payables	–	9,604	9,604	–	–	9,604
Accruals, deposits received and other payables	–	20,410	20,410	–	–	20,410
Contingent consideration payables	–	182,421	–	42,004	142,004	184,008
Corporate bond	10.21%	2,594	–	–	3,000	3,000
		215,029	30,014	42,004	145,004	217,022

At 30 June 2017

	Weighted average interest rate %	Carrying amount HK$'000	On demand HK$'000	Within 1 year HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000
Accruals, deposits received and other payables	–	8,432	8,432	–	–	8,432

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed coupon rate corporate bond (2017: nil). The Group is also exposed to cash flow interest rate risk relating to the Group's variable-rate bank balances (2017: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

5. FINANCIAL RISK MANAGEMENT *(Continued)*

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

Interest rate risk *(Continued)*

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 (2017: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's profit/(loss) before tax for the year would increase/decrease by approximately HK$838,000 (2017: decrease/increase by approximately HK$222,000).

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 US dollars ("**US$**") and Renminbi ("**RMB**"). 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.

(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 generally accepted pricing models based on discounted cash flow analysis.

The Directors 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

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)*

Description	Fair value as at 30 June 2018 HK$'000	Fair value as at 30 June 2017 HK$'000	Fair value hierarchy	Valuation technique
Financial assets				
Financial assets at FVTPL:				
Profit guarantee	**16,785**	3,540	Level 3	Monte Carlo simulation
Financial liabilities				
Contingent consideration payables	**182,421**	–	Level 3	Crank-Nicolson finite – difference

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

Financial assets

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

	Profit guarantee HK$'000
At 1 July 2016	–
Arising from acquisition of a subsidiary	3,750
Loss on change in fair value *(Note 9)*	(210)
At 30 June 2017 and 1 July 2017	3,540
Arising from acquisition of subsidiaries *(Note 33)*	38,005
Loss on change in fair value *(Note 9)*	(24,760)
At 30 June 2018	**16,785**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

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	
					2018 HK$'000	2017 HK$'000
Profit guarantee of Sparkle Mass Group	Monte Carlo simulation	(i) Volatility	30.04%-30.06% (2017: 28.89%-30.58%)	Increase	**40**	3,540
		(ii) Discount rates	10.23%-10.42% (2017: 9.02%-9.48%)	Decrease		
Profit guarantee of Fortune Selection Group	Monte Carlo simulation	(i) Volatility	28.63%-29.14% (2017: Nil)	Increase	**330**	–
		(ii) Discount rates	11.15%-11.35% (2017: Nil)	Decrease		
Profit guarantee of Cheer Sino Group	Monte Carlo simulation	(i) Volatility	28.63%-29.14% (2017: Nil)	Increase	**16,415**	–
		(ii) Discount rates	10.78%-11.09% (2017: Nil)	Decrease		

The Group appointed an independent professional valuer, Peak Vision Appraisals Limited ("**Peak Vision**"), to determine the fair value of profit guarantee using the Monte Carlo simulation model. The Monte Carlo simulation model considers 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

For the year ended 30 June 2018

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 2016, 30 June 2017 and 1 July 2017	–
Arising from acquisition of subsidiaries	239,512
Reclassified to convertible bonds and convertible bonds reserve upon fulfillment of profit guarantee	(13,658)
Net gain on change in fair value *(Note 9)*	(43,433)
At 30 June 2018	**182,421**

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 2018 HK$'000	Fair value as at 30 June 2017 HK$'000
Contingent consideration payable of Fortune Selection Group	Crank-Nicolson finite – difference	(i) Volatility	39.79% (2017: Nil)	Increase	**30,442**	–
		(ii) Discount rates	11.35% (2017: Nil)	Decrease		
		(iii) Share price as at 30 June 2018	HK$1.76 per share (2017: Nil)	Increase		
Contingent consideration payable of Cheer Sino Group	Crank-Nicolson finite – difference	(i) Volatility	61.44%-61.77% (2017: Nil)	Increase	**151,979**	–
		(ii) Discount rates	11.09% (2017: Nil)	Decrease		
		(iii) Share price as at 30 June 2018	HK$1.76 per share (2017: Nil)	Increase		

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 guarantee). The fair value is determined based on a numerical solution of convertible bond pricing by solving the partial difference equation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(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 were 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 policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each reporting period are as follows:

	2018 **HK$'000**	2017 HK$'000
Total debt	**2,594**	–
Total assets	**643,051**	170,326
Gearing ratio	**0.4%**	–

Note: Total debt comprises of corporate bond which disclosed in Note 30 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

6. SEGMENT INFORMATION

Business segment

Information reported to the management of the Group, being the 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:

Organisation of exhibitions, events planning and related services	Organising trade shows and exhibitions, events planning, provision of additional facilities, sub-contracting, management and ancillary services for trade shows, exhibitions and events
Financing	Provision of personal and corporate loans and money financing for clients in cultural and entertainment industries
Contracting services and entertainment equipment solution	Providing contracting services and entertainment equipment solution, supplying and installation of equipment and facilities used in cultural and entertainment industries
Brand management and related services	Holding the trademarks and provision of management services
Promotion and consulting services	Organising promotion events for leading alcoholic beverage suppliers; provision of consulting and marketing services to NOD Union members; and ad-hoc consultancy services for the clients in cultural and entertainment industries
Roadshows (discontinued operation)	Provision of roadshows

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

6. SEGMENT INFORMATION *(Continued)*

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

	Continuing operations: Organisation of exhibitions, events planning and related services 2018 HK$'000	Organisation of exhibitions, events planning and related services 2017 HK$'000	Financing 2018 HK$'000	Financing 2017 HK$'000	Contracting services and entertainment equipment solution 2018 HK$'000	Contracting services and entertainment equipment solution 2017 HK$'000	Brand management and related services 2018 HK$'000	Brand management and related services 2017 HK$'000	Promotion and consulting services 2018 HK$'000	Promotion and consulting services 2017 HK$'000	Discontinued operation: Roadshows 2018 HK$'000	Roadshows 2017 HK$'000	Total 2018 HK$'000	Total 2017 HK$'000
Revenue														
Segment revenue	**105,848**	104,596	**1,123**	–	**83,264**	–	**48,286**	–	**37,741**	–	**–**	–	**276,262**	104,596
Inter-segment revenue	**–**	(1,658)	**–**	–	**–**	–	**(22,211)**	–	**–**	–	**–**	–	**(22,211)**	(1,658)
Revenue from external customers	**105,848**	102,938	**1,123**	–	**83,264**	–	**26,075**	–	**37,741**	–	**–**	–	**254,051**	102,938
Results														
Segment results	**40,979**	41,991	**724**	–	**16,914**	–	**17,249**	–	**21,381**	–	**–**	(13,043)	**97,247**	28,948
Net loss on financial assets at FVTPL													**(23,974)**	(2,909)
Net gain on change in fair value of contingent consideration payables													**43,433**	–
Unallocated income and other gains and losses													**27,580**	(11,806)
Unallocated administrative expenses													**(30,909)**	(47,886)
Finance costs													**(237)**	–
Profit/(loss) before tax													**113,140**	(33,653)
Income tax expenses													**(22,435)**	(5,664)
Profit/(loss) for the year													**90,705**	(39,317)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

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

	Continuing operations										Discontinued operation			
	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and consulting services		Roadshows		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Assets														
Segment assets	**83,671**	50,614	**17,688**	–	**112,387**	–	**95,729**	–	**291,389**	–	**–**	35,870	**600,864**	86,484
Unallocated corporate assets													**42,187**	83,842
													643,051	170,326
Liabilities														
Segment liabilities	**14,183**	18,638	**140**	–	**15,550**	–	**4,968**	–	**30,916**	–	**–**	–	**65,757**	18,638
Unallocated corporate liabilities													**187,426**	9,658
													253,183	28,296

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

	Continuing operations										Discontinued operation					
	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and consulting services		Roadshows		Unallocated		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Depreciation of property, plant and equipment	**(99)**	–	**–**	–	**(3)**	–	**(38)**	–	**(331)**	–	**–**	–	**(2,854)**	(2,311)	**(3,325)**	(2,311)
Capital expenditures	**(36)**	–	**–**	–	**(22)**	–	**(1,684)**	–	**–**	–	**–**	–	**(48)**	(6,009)	**(1,790)**	(6,009)
Net (loss)/gain on financial assets at FVTPL	**(3,500)**	(210)	**–**	–	**–**	–	**(5,894)**	–	**(15,366)**	–	**–**	–	**786**	(2,699)	**(23,974)**	(2,909)
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**(7,388)**	–	**–**	–	**–**	(13,043)	**–**	–	**(7,388)**	(13,043)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

6. SEGMENT INFORMATION *(Continued)*

Geographical segments

In determining the Group's geographical segments, revenue are attributed to the segments based on the location of the services provided, and assets are attributed to the segments based on the location of assets.

The following tables present revenue, certain assets and capital expenditure information for the Group's geographical segments, including Hong Kong and elsewhere in the PRC.

(i) Segment revenue:

	2018 HK$'000	2017 HK$'000
Continuing operations:		
Hong Kong	**27,910**	90,728
The PRC	**226,141**	12,210
	254,051	102,938

(ii) Segment assets:

	2018 HK$'000	2017 HK$'000
Continuing operations:		
Hong Kong	**70,532**	86,181
The PRC	**572,519**	48,275
	643,051	134,456
Discontinued operation:		
Hong Kong	**–**	35,870
	643,051	170,326

(iii) Capital expenditures:

	2018 HK$'000	2017 HK$'000
Continuing operations:		
Hong Kong	**84**	5,921
The PRC	**1,706**	88
	1,790	6,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

There is a customer from organisation of exhibitions of the Group for 2018 (2017: Nil) whose transactions have exceeded 10% of the Group's revenue for the year ended 2018 which amounted to approximately HK$33,998,000 (2017: Nil).

7. REVENUE

Revenue represents income arising from the organisation of exhibitions, events planning and related services, provision of brand management and related services, provision of contracting services and entertainment equipment solution, provision of promotion and consulting services, and provision of loan and financing.

An analysis of the Group's revenue is as follows:

	2018 **HK$'000**	2017 HK$'000
Organisation of exhibitions, events planning and related services income	**105,848**	102,938
Brand management and related services income	**26,075**	–
Contracting services and entertainment equipment solution income	**83,264**	–
Promotion and consulting services income	**37,741**	–
Loan interest income	**1,123**	–
	254,051	102,938

8. OTHER INCOME

	2018 **HK$'000**	2017 HK$'000
Sponsor for exhibition	**41**	–
Non-refundable trade deposits forfeited	**338**	–
Admission income for exhibition	**9**	–
Government subsidies	**1,364**	–
Sundry income	**62**	464
	1,814	464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

9. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

Profit/(loss) before tax from continuing operations has been arrived at after charging/(crediting):

	2018 **HK$'000**	2017 HK$'000 (Restated)
Staff costs:		
Employee benefit expenses (including Directors' emoluments)		
– Salaries, allowance and other benefits	**11,882**	22,582
– Retirement benefit scheme contributions	**1,108**	534
– Equity-settled share-based payment expenses *(Note i)*	**6,202**	–
	19,192	23,116
Other items:		
Depreciation of property, plant and equipment *(Note 16)*	**3,325**	2,311
Amortisation of intangible assets *(Note 17)*	**7,388**	13,043
Auditor's remuneration		
– Audit services	**1,600**	1,000
– Non-audit services	**866**	596
Net gain on change in fair value of contingent consideration payables *(Note 29)*	**(43,433)**	–
Cost of inventories recognised in cost of sales	**66,563**	–
Operating lease rentals in respect of land and building	**8,012**	9,353
Net loss on financial assets at FVTPL:		
Proceeds on sales	**(30,068)**	(62,128)
Cost of sales	**29,282**	64,827
Net realised (gain)/loss on financial assets at FVTPL	**(786)**	2,699
Loss on fair value change of profit guarantee *(Note 24)*	**24,760**	210
Net loss on financial assets at FVTPL	**23,974**	2,909
Other gains and losses:		
Dividend income	**(160)**	–
Interest income	**(1,886)**	(1,323)
Exchange gains, net	**(1,065)**	–
(Reversal of)/impairment loss on other receivable	**(11,500)**	13,140
(Gain)/loss on disposal of property, plant and equipment	**(10)**	120
Write off of property, plant and equipment	**13**	1,655
Net gain on disposal of subsidiaries *(Note 34)*	**(14,180)**	–
Loss on deregistration of a subsidiary *(Note ii)*	**169**	–
	(28,619)	13,592

Note:

(i) Included in the equity-settled share-based payment expenses of approximately HK$6,202,000 (2017: Nil) are the amount of approximately HK$1,344,000 (2017: Nil) attributable to the Directors and are also included in the Directors' emoluments, with the remaining amount of approximately HK$4,858,000 (2017: Nil) attributable to the staff of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

10. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Effective interest on convertible bonds *(Note 31)*	220	–
Effective interest on corporate bond *(Note 30)*	14	–
Interest on a margin securities account	3	–
	237	–

11. INCOME TAX EXPENSES

	2018 HK$'000	2017 HK$'000
Current tax:		
– Hong Kong Profits Tax	1,206	4,045
– PRC Enterprise Income Tax	20,741	1,619
	21,947	5,664
Overprovision in prior years:		
– Hong Kong Profits Tax	(79)	–
Deferred tax:		
– Current year *(Note 21)*	567	–
Total	22,435	5,664

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits in Hong Kong for the years ended 30 June 2018 and 2017.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Group in the PRC is 25% for the years ended 30 June 2018 and 2017.

Pursuant to the EIT Law and its implementation rules, royalty receivable by non-PRC corporate residents from the PRC enterprises are subject to withholding tax at a rate 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

No provision for the US federal income tax and branch profits tax has been made as the US-incorporated subsidiary did not have any assessable profits in the US for the years ended 30 June 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

11. INCOME TAX EXPENSES *(Continued)*

A reconciliation of the taxation applicable to profit/(loss) before tax using the statutory rate for the location in which the Group are domiciled to the tax expense at the effective tax rate are as follows:

	2018 **HK$'000**	2017 HK$'000
Profit/(loss) before tax from continuing operations	**113,140**	(20,243)
Tax expenses at the Hong Kong Profits Tax rate 16.5%	**18,668**	(3,340)
Tax effect of expenses not deductible for tax purpose	**7,569**	23,512
Tax effect of income not taxable for tax purpose	**(9,795)**	(17,475)
Tax effect on temporary differences not recognised	**511**	(879)
Tax effect of tax losses not recognised	**1,264**	3,316
Tax effect of utilisation of tax losses previously not recognised	**(195)**	–
Effect of tax reduction	**(101)**	(20)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**4,593**	550
Overprovision in respect of prior years	**(79)**	–
Tax charge for the year	**22,435**	5,664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

12. 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:

	2018 HK$'000	2017 HK$'000
Fee	**715**	679
Other emoluments:		
Salaries, allowance and benefits in kind	**1,464**	3,428
Retirement benefit scheme contributions	**8**	–
Equity-settled share-based payment expenses	**1,344**	–
Total	**3,531**	4,107

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	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Executive Directors										
Mr. Deng Zhonglin *(Note a)*	–	–	600	636	–	–	744	–	1,344	636
Mr. Xu Feng *(Note b)*	–	–	14	–	–	–	600	–	614	–
Mr. Au-Yong Shong Samuel *(Note c)*	–	–	198	–	8	–	–	–	206	–
Ms. Zhang Jun *(Note d)*	–	–	394	612	–	–	–	–	394	612
Mr. Lu Linyu *(Note e)*	–	–	258	200	–	–	–	–	258	200
Mr. Ge Jin *(Note f)*	–	–	–	1,103	–	–	–	–	–	1,103
Mr. Liu Gejiang *(Note g)*	–	–	–	276	–	–	–	–	–	276
Mr. Sun Sizhi *(Note h)*	–	–	–	463	–	–	–	–	–	463
Ms. Yang Yan *(Note i)*	–	–	–	138	–	–	–	–	–	138
Independent non-executive Directors										
Mr. Tsang Wing Ki *(Note j)*	240	75	–	–	–	–	–	–	240	75
Mr. Choi Hung Fai	240	240	–	–	–	–	–	–	240	240
Dr. Wong Kong Tin, JP *(Note k)*	132	–	–	–	–	–	–	–	132	–
Mr. Yang Bo *(Note l)*	103	240	–	–	–	–	–	–	103	240
Mr. Yeung Chun Yue, David *(Note m)*	–	124	–	–	–	–	–	–	–	124
	715	679	1,464	3,428	8	–	1,344	–	3,531	4,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

12. 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. Deng Zhonglin was appointed as the executive director, the chief executive officer and the chairman of the Company on 14 October 2016, 9 March 2017 and 12 May 2017 respectively. He resigned as the chief executive officer of the Company on 21 June 2018.

(b) Mr. Xu Feng was appointed as the executive director and chief executive officer of the Company on 21 June 2018.

(c) Mr. Au-Yong Shong Samuel was appointed as the executive director of the Company on 13 December 2017 and resigned on 21 June 2018.

(d) Ms. Zhang Jun was appointed as the executive director of the Company on 14 October 2016 and resigned on 27 April 2018.

(e) Mr. Lu Linyu was appointed as the executive director of the Company on 9 March 2017 and resigned on 6 December 2017.

(f) Mr. Ge Jin resigned as the executive director and the chairman of the Company on 12 May 2017.

(g) Mr. Liu Gejiang resigned as the executive director of the Company on 14 October 2016.

(h) Mr. Sun Sizhi resigned as the executive director and the chief executive officer of the Company on 9 March 2017.

(i) Ms. Yang Yan resigned as the executive director of the Company on 14 October 2016.

(j) Mr. Tsang Wing Ki was appointed as the independent non-executive director of the Company on 9 March 2017.

(k) Dr. Wong Kong Tin, *JP* was appointed as the independent non-executive director of the Company on 13 December 2017.

(l) Mr. Yang Bo was removed as the independent non-executive director of the Company on 7 December 2017.

(m) Mr. Yeung Chun Yue, David resigned as the independent non-executive director of the Company on 9 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

12. 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: (Continued)

(n) During the year ended 30 June 2018, no bonus (2017: no bonus) were paid to the executive directors of the Company. During the years ended 30 June 2018 and 2017, no Directors waived or agreed to waive any remuneration. 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.

(o) During the current year, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 37 to the consolidated financial statements. The fair value of such options, which had been recognised in the consolidated statement of profit or loss and other comprehensive income was determined as at the date of grant and the amount included in the consolidated financial statements for the current year was included in the above Directors' emoluments disclosures.

(b) Directors' retirement benefits

During the year ended 30 June 2018, the Directors received approximately HK$8,000 retirement benefits (2017: Nil).

(c) Directors' termination benefits

None of the Directors received any termination benefits during the year (2017: Nil).

(d) Consideration provided to third parties for making available Directors' services

During the year ended 30 June 2018, the Company did not pay consideration to any third parties for making available Directors' services (2017: 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 2018, 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 (2017: 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 (2017: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

12. 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 included two (2017: one) Directors, details of whose emoluments is set out above. The emoluments of the remaining three (2017: four) individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**2,088**	2,995
Retirement benefit scheme contributions	**54**	68
Discretionary bonuses	**259**	282
Total	**2,401**	3,345

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:

	2018 HK$'000	2017 HK$'000
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	1
Total	**3**	4

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 each of the years ended 30 June 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

13. DISCONTINUED OPERATION AND ASSET CLASSIFIED AS HELD FOR SALE

On 28 June 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of Up Huge Corporation Limited ("**Up Huge**"), an indirect wholly-owned subsidiary of the Company. Up Huge owns Sub-Licensed Rights of "Ultraman" which was accounted for as an intangible asset and no liability as at 30 June 2017. The results of Up Huge which was under the business segment of roadshows was presented as discontinued operation for the year ended 30 June 2017, and the intangible asset was classified as asset held for sale in the consolidated statement of financial position as at 30 June 2017. The management assessed that the net proceeds of the disposal are expected to exceed the carrying amount of the asset that is to be disposed of and accordingly, no impairment has been recognised. The disposal transaction was completed on 10 July 2017, details of which is set out in Note 34.

The results of the discontinued operation are presented below:

	2018 **HK$'000**	2017 HK$'000
Amortisation of intangible asset	–	13,043
Other operating expenses	–	367
Loss before tax from discontinued operation	–	13,410
Income tax expenses	–	–
Loss for the year from discontinued operation	–	13,410

The asset classified as held for sale and measured at the lower of carrying amount and fair value less cost of disposal is as follows:

	2018 **HK$'000**	2017 HK$'000
Intangible asset	–	35,870
Asset classified as held for sale	–	35,870

14. DIVIDEND

	2018 **HK$'000**	2017 HK$'000
Cash dividend proposed:		
Final dividend for the year ended 30 June 2018 of HK1.0 cent per share	**14,542**	–

At a meeting held on 21 September 2018, the Board proposed a final dividend of HK1.0 cent per ordinary share for the year ended 30 June 2018 (2017: Nil). This proposed final dividend is not reflected as a dividend payable as of 30 June 2018, but will be recorded as a distribution of retained earnings for the year ending 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

15. EARNINGS/(LOSS) PER SHARE

The calculations of basic and diluted earnings/(loss) per share from the continuing and discontinued operations are based on:

	2018 **HK$'000**	2017 HK$'000
Profit/(loss) from continuing operations attributable to owners of the Company	**90,706**	(23,001)
Loss from discontinued operation attributable to owners of the Company	**–**	(13,410)
Profit/(loss) attributable to owners of the Company	**90,706**	(36,411)

	Number of ordinary shares	
	2018	2017
Weighted average number of ordinary shares used in calculation of basic earnings/(loss) per share	**1,397,250,000**	1,278,499,000
Adjustment for calculating of diluted earnings per share: Share options	**–**	–
Weighted average number of ordinary shares used in calculation of diluted earnings/(loss) per share	**1,397,250,000**	1,278,499,000

The calculation of basic and diluted earnings per share (2017: loss per share) is based on the profit from continuing operations attributable to owners of the Company for the year ended 30 June 2018 of approximately HK$90,706,000 (2017: loss from continuing operations of approximately HK$23,001,000 and loss from discontinued operation of approximately HK$13,410,000 attributable to owners of the Company), and on weighted average number of approximately 1,397,250,000 ordinary shares (2017: 1,278,499,000 ordinary shares) in issue during the year.

The calculation of diluted earnings per share for the year ended 30 June 2018 has not assumed 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 from the grant date to 30 June 2018. There was no dilutive potential ordinary shares in existence for the year ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2018

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 2016	9,811	2,130	1,698	5,887	19,526
Acquisition of a subsidiary	–	–	62	–	62
Additions	64	23	12	5,850	5,949
Disposals	(47)	(429)	(92)	–	(568)
Write off	(7,115)	–	(788)	–	(7,903)
Exchange realignment	–	(2)	(1)	(3)	(6)
At 30 June 2017 and 1 July 2017	2,713	1,722	891	11,734	17,060
Acquisition of subsidiaries	**908**	**2,118**	**229**	**–**	**3,255**
Additions	**–**	**69**	**37**	**–**	**106**
Disposals	**–**	**(136)**	**(183)**	**(999)**	**(1,318)**
Write off	**–**	**(48)**	**(26)**	**–**	**(74)**
Disposal of subsidiaries	**–**	**(80)**	**–**	**(4,019)**	**(4,099)**
Exchange realignment	**(33)**	**(80)**	**5**	**15**	**(93)**
At 30 June 2018	**3,588**	**3,565**	**953**	**6,731**	**14,837**
Accumulated depreciation and impairment					
At 1 July 2016	7,040	1,666	1,313	1,000	11,019
Acquisition of a subsidiary	–	–	2	–	2
Charge for the year	858	184	80	1,189	2,311
Disposals	(41)	(275)	(74)	–	(390)
Write off	(5,717)	–	(531)	–	(6,248)
Exchange realignment	–	(5)	(37)	40	(2)
At 30 June 2017 and 1 July 2017	2,140	1,570	753	2,229	6,692
Acquisition of subsidiaries	**644**	**1,424**	**101**	**–**	**2,169**
Charge for the year	**656**	**313**	**76**	**2,280**	**3,325**
Disposals	**–**	**(125)**	**(133)**	**(571)**	**(829)**
Write off	**–**	**(41)**	**(20)**	**–**	**(61)**
Disposal of subsidiaries	**–**	**(80)**	**–**	**(2,277)**	**(2,357)**
Exchange realignment	**(31)**	**(61)**	**1**	**9**	**(82)**
At 30 June 2018	**3,409**	**3,000**	**778**	**1,670**	**8,857**
Carrying amounts					
At 30 June 2018	**179**	**565**	**175**	**5,061**	**5,980**
At 30 June 2017	573	152	138	9,505	10,368

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For the year ended 30 June 2018

17. INTANGIBLE ASSETS

	Sub-Licensed Right HK$'000 *(Note a)*	Trademarks and brands HK$'000 *(Note b)*	Total HK$'000
Cost			
At 1 July 2016	50,000	–	50,000
Transfer to asset classified as held for sale	(50,000)	–	(50,000)
At 30 June 2017 and 1 July 2017	–	–	–
Acquisition of a subsidiary	**–**	**27,324**	**27,324**
Additions	**–**	**1,684**	**1,684**
Exchange realignment	**–**	**783**	**783**
At 30 June 2018	**–**	**29,791**	**29,791**
Accumulated amortisation and impairment			
At 1 July 2016	1,087	–	1,087
Charge for the year	13,043	–	13,043
Transfer to asset classified as held for sale	(14,130)	–	(14,130)
At 30 June 2017 and 1 July 2017	–	–	–
Charge for the year	**–**	**7,388**	**7,388**
Exchange alignment	**–**	**(108)**	**(108)**
At 30 June 2018	**–**	**7,280**	**7,280**
Carrying amount			
At 30 June 2018	**–**	**22,511**	**22,511**
At 30 June 2017	–	–	–

Notes:

(a) At 30 June 2017, the intangible asset represents the sub-license right granted to the Group for using intellectual properties in relation to all series and any types of "Ultraman" at roadshows, events, exhibitions in the territory. The sub-license right is amortised on a straight-line basis over its estimated useful economic life. The useful economic life is 46 months according to the sub-license contract term. The sub-license right was disposed through a company disposal scheme, details can be referred to the Note 36 of consolidated financial statements.

(b) At 30 June 2018, the intangible assets represent certain trademarks and brands obtained from a subsidiary acquisition and additions from third parties. These trademarks and brands are amortised on a straight-line basis over their lifespan.

The lifespan is in a range of 37-116 months according to the acquisition agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2018

18. GOODWILL

	2018 HK$'000	2017 HK$'000
Cost and carrying amounts		
At the beginning of the year	**35,998**	–
Arising from acquisition of subsidiaries *(Note 33)*	**254,984**	35,998
At the end of the year	**290,982**	35,998

Goodwill acquired in business combinations is allocated to four individual CGUs that is expected to benefit from that business combinations. The carrying amounts of goodwill are allocated according to the business segments as follows:

	2018 HK$'000	2017 HK$'000
Organisation of exhibitions, events planning and related services ("**CGU I**")	**35,998**	35,998
Brand management and related services ("**CGU II**")	**46,004**	–
Promotion and consulting services ("**CGU III**")	**208,180**	–
Financing ("**CGU IV**")	**800**	–
	290,982	35,998

The Group tests goodwill impairment annually or more frequently if there are indications that goodwill might be impaired. During the year ended 30 June 2018, the Group determined that no impairment loss has been identified (2017: Nil).

The recoverable amount of CGU I, II and III have been determined based on value-in-use calculation by Peak Vision, while the recoverable amount of CGU IV has been determined based on value-in-use calculation by the Directors. The calculation used cash flow projections based on the financial forecasts approved by the Directors covering a three-year period. The discount rates applied to the cash flow projections are 15.46%-17.84% (2017: 18.64%). The growth rate used to extrapolate the cash flows beyond the three-year period is 3.00% (2017: 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. Management believes that any reasonably possible change in key assumptions would not cause the recoverable amount of CGUs to fall below its carrying amount.

Other assumptions for the value-in-use calculation related to the estimation of 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.

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For the year ended 30 June 2018

19. INTEREST IN AN ASSOCIATE

Details of the Group's interest in an associate are as follows:

	2018 HK$'000	2017 HK$'000
Unlisted		
Cost of investment in an associate	–	–
Share of result of an associate	–	–
	–	–
Amounts due from an associate	12	8
Total	12	8

Details of the Group's associate at the end of the reporting period are as follows:

Name of an associate	Place of incorporation and business	Particulars of issued share capital	Proportion of ownership interest held by the Group	Principal activities
Universe Unity Limited	BVI	US$100	49%	Inactive

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

19. INTEREST IN AN ASSOCIATE *(Continued)*

An associate is accounted for using the equity method in the consolidated financial statements.

	2018 **HK$'000**	2017 HK$'000
Current assets	**–**	–
Current liabilities	**(24)**	(16)
Revenue	**–**	–
Loss for the year	**(9)**	(2)
Other comprehensive loss for the year	**–**	–
Total comprehensive loss for the year	**(9)**	(2)

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2018 **HK$'000**	2017 HK$'000
Net liabilities of associate	**(24)**	(16)
Proportion of ownership interest in an associate by the Group	**49%**	49%
Amount due from an associate	**12**	8
Carrying amount of ownership interest in an associate by the Group	**12**	8

Unrecognised share of loss of Universe Unity Limited

	2018 **HK$'000**	2017 HK$'000
The unrecognised share of loss of Universe Unity Limited	**(4)**	(1)
Cumulative unrecognised share of loss of Universe Unity Limited	**(12)**	(8)

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(Continued)

For the year ended 30 June 2018

20. PARTICULARS OF SUBSIDIARIES

Details of the Company's significant subsidiaries as at 30 June 2018 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				Principal activities
			Directly		Indirectly		
			2018	2017	**2018**	2017	
Ace Builder Limited	BVI	Ordinary US$1	**100%**	100%	**–**	–	Investment holding
Big Leader Limited	BVI	Ordinary US$1	**100%**	100%	**–**	–	Investment holding
Corporate Charm Holdings Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Eastern Pioneer Holdings Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Expand Trade Investments Limited	BVI	Ordinary US$1	**100%**	100%	**–**	–	Investment holding
Faithful Progress Limited	BVI	Ordinary US$1	**–**	–	**100%**	–	Provision of bar brand services
Great Getter Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Greatest Best Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Hero Sea Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Huge World Corporation Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
i-Lend Finance Limited	Hong Kong	Ordinary HK$10,000	**–**	–	**100%**	–	Provision of loan and financing
Integral Wealth Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Mega Entertainment & Fair (Hong Kong) Limited	Hong Kong	Ordinary HK$1,000,000	**–**	–	**100%**	–	Organisation of exhibitions and events
Mega Expo (Hong Kong) Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	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%**	–	Provision of brand identity design services
Nod (Shanghai) Management Communication Co., Ltd.* *(Note 1)*	PRC	Registered capital US$1,500,000	**–**	–	**100%**	–	Provision of bar and club membership, wine and liquor promotion, event planning and comprehensive consulting services
Phebe (Shanghai) Brand Management Limited* *(Note 1)*	PRC	Registered capital RMB1,180,000	**–**	–	**100%**	–	Provision of brand management and related downstream services
Shenzhen Qianhai Yuanchen Culture Development Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB50,000,000	**–**	–	**100%**	–	Provision of contracting and entertainment equipment solution services
Sparkle Mass Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Splendor Reward Investment Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Speed Reach Investment Holding Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Shanghai Bayu E-commerce Limited Liability Company *(Note 1)*	PRC	Registered capital RMB1,180,000	**–**	–	**100%**	–	Provision of software and technology services
Shanghai Lin Yun Enterprise Management Consulting Co., Ltd* *(Note 2)*	PRC	Registered capital US$100,000	**–**	–	**100%**	100%	Investment holding
Shanghai Lin Yun Exhibition Service Limited Liability Company* *(Note 1)*	PRC	Registered RMB1,000,000	**–**	–	**100%**	100%	Organisation of exhibition and trade shows
Shanghai Phebe Food & Beverage Management Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB5,000,000	**–**	–	**100%**	–	Provision of brand management and related downstream services
Shanghai Shuomeng Culture Development Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB10,000,000	**–**	–	**100%**	–	Provision of contracting and entertainment equipment solution services
Super Marine International Limited	BVI	Ordinary US$1	**100%**	100%	**–**	–	Investment holding
Treasure Spy Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding

* 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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2018

20. PARTICULARS OF SUBSIDIARIES *(Continued)*

Notes:

(1) Limited liability company registered in the PRC.

(2) Wholly foreign-owned enterprise registered in the PRC.

The above table lists the subsidiaries of the Group, which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive lengths.

The Group had no subsidiaries which have material non-controlling interests for the years ended 30 June 2018 and 2017.

None of the subsidiaries had any debt securities outstanding at 30 June 2018 or at any time during the year.

21. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:

	Deferred revenue HK$'000
At 1 July 2016, 30 June 2017 and 1 July 2017	–
Acquisition of a subsidiary *(Note 33)*	6,333
Exchange realignment	(241)
Charge to the consolidated profit or loss for the year *(Note 11)*	(567)
At 30 June 2018	**5,525**

As at 30 June 2018, the Group had unused estimated tax losses of approximately HK$26,535,000 (2017: approximately HK$31,631,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

22. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**109,793**	3,880

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 settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. The ageing analysis of trade receivables based on dates when services are rendered/invoice dates is as follows:

	2018 HK$'000	2017 HK$'000
0-30 days	**38,644**	3,880
31-60 days	**19,785**	–
61-90 days	**24,144**	–
91-180 days	**27,220**	–
	109,793	3,880

As at 30 June 2018, no impairment loss on trade receivables was recognised, trade receivables of approximately HK$486,000 (2017: Nil) were past due but not impaired. These related to debtors with no recent history of default and the past due amount has been subsequently settled. The ageing analysis of the trade receivables which are past due but not yet impaired is as follows:

	2018 HK$'000	2017 HK$'000
0-30 days	**356**	–
31-60 days	**23**	–
61-90 days	**107**	–
	486	–

The Directors consider that the carrying amount of trade receivables approximates their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2018

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Current assets		
Prepayments	**11,395**	7,405
Deposits	**2,518**	1,848
Other receivables	**1,041**	16,826
	14,954	26,079
Non-current asset		
Rental deposits	**1,703**	–
Total	**16,657**	26,079

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Profit guarantee:		
– Sparkle Mass Group	**40**	3,540
– Fortune Selection Group	**330**	–
– Cheer Sino Group	**16,415**	–
	16,785	3,540

Details of profit guarantee are as follows:

Profit guarantee	**Sparkle Mass Group** HK$'000	**Fortune Selection Group** HK$'000	**Cheer Sino Group** HK$'000	**Total** HK$'000
At 1 July 2016	–	–	–	–
Arising from acquisition of a subsidiary	3,750	–	–	3,750
Loss on change in fair value *(Note 9)*	(210)	–	–	(210)
At 30 June 2017 and 1 July 2017	3,540	–	–	3,540
Arising from acquisition of subsidiaries *(Note 33)*	–	6,224	31,781	38,005
Loss on change in fair value *(Note 9)*	(3,500)	(5,894)	(15,366)	(24,760)
At 30 June 2018	**40**	**330**	**16,415**	**16,785**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2018

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

Analysed for reporting purposes as:

	2018				2017
	Sparkle Mass Group HK$'000	Fortune Selection Group HK$'000	Cheer Sino Group HK$'000	Total HK$'000	Sparkle Mass Group HK$'000
Current assets	–	112	3,243	3,355	460
Non-current assets	40	218	13,172	13,430	3,080
	40	330	16,415	16,785	3,540

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**"), details of which are set out in Note 33.

Pursuant to the acquisition agreements, the vendors warranted and guaranteed ("**Profit Guarantee**") 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 ending 31 December 2018	27,000
For the two years ending 31 December 2019	73,000
For the three years ending 31 December 2020	133,000

As at 30 June 2018, the aggregate fair value of these Profit Guarantee was approximately HK$16,785,000 (2017: approximately HK$3,540,000), resulting in a loss on change in fair value of approximately HK$24,760,000 (2017: approximately HK$210,000).

The fair value of these Profit Guarantee was determined by the Directors with reference to the valuations carried out by Peak Vision at the completion date of acquisition and at year-end dates on 30 June 2018 and 30 June 2017 respectively.

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For the year ended 30 June 2018

25. CASH AND CASH EQUIVALENTS

	2018 **HK$'000**	2017 HK$'000
Cash and cash equivalents	**171,175**	54,583

At 30 June 2018, the Group's bank balances and cash denominated in RMB amounted to approximately HK$83,973,000 (2017: approximately HK$2,190,000). 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 0.001% to 0.03% (2017: from 0.001% to 0.03%) per annum.

26. TRADE PAYABLES

	2018 **HK$'000**	2017 HK$'000
Trade payables	**9,604**	–

The following is an ageing analysis of trade payables presented on the basis of the dates of the invoices:

	2018 **HK$'000**	2017 HK$'000
0 – 30 days	**9,604**	–

The average credit period ranged from 0-30 days.

The Directors consider that the trade payables approximates their fair values.

27. RECEIPTS IN ADVANCE

As at 30 June 2018, approximately HK$2,810,000 (2017: approximately HK$17,330,000) were the non-refundable participation fees received in advance for booth reservations from exhibitors or exhibition service agents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2018

28. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accruals	**9,792**	4,642
Deposits received	**1,955**	1,151
Other payables	**8,663**	2,639
Deferred revenue *(Note i)*	**23,499**	–
	43,909	8,432

Note:

(i) Deferred revenue represents the membership income from NOD Union in promotion and consulting services segment which has not yet recognised as revenue.

29. CONTINGENT CONSIDERATION PAYABLES

	Fortune Selection Group HK$'000 *(Note a)*	**Cheer Sino Group** HK$'000 *(Note b)*	**Total** HK$'000
At 1 July 2016, 30 June 2017 and 1 July 2017	–	–	–
Arising from acquisition of subsidiaries, at fair value	40,974	198,538	239,512
Reclassified to convertible bonds and convertible bonds reserve *(Note 31)*			
– liabilities portion	(6,186)	–	(6,186)
– equity portion	(7,472)	–	(7,472)
Loss/(gain) on change in fair value *(Note 9)*	3,126	(46,559)	(43,433)
At 30 June 2018	30,442	151,979	182,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2018

29. CONTINGENT CONSIDERATION PAYABLES *(Continued)*

Analysed for reporting purposes as:

	2018 HK$'000	2017 HK$'000
Current liabilities	**45,979**	–
Non-current liabilities	**136,442**	–
Total	**182,421**	–

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 revaluated to fair value of HK$81,430,000 at acquisition date, details of acquisition is set out in Note 33.

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**") with principal amount of HK$8,004,000 was issued to vendor as Guaranteed Profits for the First Relevant Period has been met, details of the convertible bonds are set out in Note 31. The remaining convertible bonds, including the third convertible bond ("**CB III**") and the fourth convertible bond ("**CB IV**"), with principal amount of HK$8,004,000 each, will be issued upon fulfilment of the agreed Guaranteed Profits in the Second and Third Relevant Periods respectively.

(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 revalued to a fair value of approximately HK$298,538,000 at completion date of acquisition, of which three convertible notes with aggregate amount of approximately HK$198,538,000 will be payable upon fulfilment of the agreed Guaranteed Profits in the Relevant Periods, details of the acquisition is set out in Note 33.

The fair value of the contingent consideration payables were determined by the Directors with reference to the valuations at the respective completion dates carried out by Peak Vision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 30 June 2018

30. CORPORATE BOND

The carrying amount of corporate bond recognised at the end of the reporting period was calculated as follows:

	Unsecured corporate bond
	HK$'000
At 1 July 2016, 30 June 2017 and 1 July 2017	–
Principal value of the corporate bond on initial recognition	3,000
Direct transaction costs	(420)
	2,580
Effective interest expenses *(Note 10)*	14
At 30 June 2018	2,594

The Group issued an unsecured corporate bond 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.

On initial recognition and subsequent measurements, the Directors consider that the principal amount of corporate bond approximate to its fair value.

The Company has the right to redeem the outstanding principal amount at agreed time before the optional redemption date, which are 11 June 2019, 11 June 2020 and 11 June 2021 with at least 7 clear business days written notice (the "**Redemption Right**") , 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 consider that the probability of exercise of the Redemption Right is remote. The Directors have considered the fair value of the Redemption Right at initial recognition is insignificant. Accordingly, the fair value was not accounted for in the consolidated financial statements as at 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

31. CONVERTIBLE BONDS

The carrying amounts of convertible bonds recognised at the end of the reporting period were calculated as follows:

	CB I HK$'000 *(Note a)*	**CB II** HK$'000 *(Note b)*	**Total** HK$'000
Equity component			
At 1 July 2017	–	–	–
Arising from acquisition of a subsidiary	21,897	–	21,897
Reclassified from contingent consideration payables *(Note 29)*	–	7,472	7,472
Conversion of convertible bonds	(21,897)	(7,472)	(29,369)
At 30 June 2018	–	–	–
Liability component			
At 1 July 2017	–	–	–
Arising from acquisition of a subsidiary	18,559	–	18,559
Reclassified from contingent consideration payables *(Note 29)*	–	6,186	6,186
Effective interest expenses	70	150	220
Conversion of convertible bonds	(18,629)	(6,336)	(24,965)
At 30 June 2018	–	–	–

Notes:

(a) CB I has been granted to the vendor upon the completion of the acquisition of Fortune Selection Group.

(b) The Guaranteed Profits for the First Relevant Period of Fortune Selection Group has been fulfilled. CB II has been reclassified from contingent consideration payables on 29 March 2018.

The Company issued CB I with zero coupon rate with the principal amount of HK$24,012,000 and CB II with zero coupon rate with the principal amount of HK$8,004,000 on 13 July 2017 and 29 March 2018 respectively, for the acquisition of Fortune Selection Group. Under the terms of CB I and CB II, CB I and CB II 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 2018, CB I and CB II with an aggregate principal amount of HK$32,016,000 were fully converted into 34,800,000 new shares of the Company at a conversion price of HK$0.92 per share.

The convertible bonds 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 is carried as a non-current liability on amortised cost basis until extinguished on conversion or redemption. The effective interest rate of the liability component of CB I and CB II are 9.66% and 13.16% per annum respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

31. CONVERTIBLE BONDS *(Continued)*

The fair value of the corporate bonds at the date of issue was valued by Peak Vision, using the Bonomial Model. The inputs into the model are as follows:

Risk-free rate (%)	1.85
Volatility (%)	39.79
Time to maturity (year)	1.77
Dividend yield (%)	–

32. SHARE CAPITAL

	Par value HK$	Number of ordinary shares	Nominal value of ordinary shares HK$'000
Authorised:			
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	**0.002**	**5,000,000,000**	**10,000**
Issued and fully paid:			
At 1 July 2016	0.002	1,200,000,000	2,400
Placing of shares *(Note a)*	0.002	150,800,000	302
At 30 June 2017 and 1 July 2017	0.002	1,350,800,000	2,702
Conversion of convertible bonds *(Note b)*	0.002	34,800,000	69
Placing of shares *(Note c)*	0.002	68,600,000	137
At 30 June 2018	**0.002**	**1,454,200,000**	**2,908**

Notes:

(a) On 23 December 2016, 150,800,000 ordinary shares at HK$0.63 per placing share were issued under the general mandate.

(b) On 27 July 2017, convertible bonds with principal amount of HK$24,012,000 were converted into 26,100,000 ordinary shares at a conversion price of HK$0.92 per ordinary share. The shares were allotted and issued to the vendor of Fortune Selection Group.

On 6 June 2018, convertible bonds with principal amount of HK$8,004,000 were converted into 8,700,000 ordinary shares at a conversion price of HK$0.92 per ordinary share. The ordinary shares were allotted and issued to the vendor upon the fulfilment of profit guarantee relating to the acquisition of the entire equity interests of Fortune Selection Group.

(c) On 24 November 2017, the Company and the placing agent entered into a placing agreement, pursuant to which the placing agent agreed to procure not less than six placees to purchase up to 68,600,000 shares at placing price of HK$1.5 per share (the "**Placing**"). The Placing was approved by the shareholders at the extraordinary general meeting of the Company held on 19 January 2018 and a total of 68,600,000 ordinary shares were issued under the specific mandate on 8 March 2018. The premium on the issue of shares, amounting to approximately HK$100,190,000, net of share issue expenses, was credited to the Company's share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

33. ACQUISITION OF SUBSIDIARIES

I. Acquisition of Fortune Selection Group

On 7 April 2017, the Company entered into a sale and purchase agreement with a vender, an independent third party, for the acquisition of 100% equity interest in Fortune Selection Group through its wholly-owned subsidiary, Super Team Developments Limited, at a consideration of HK$48,024,000, which is satisfied by the Company by way of issue of convertible bonds at zero coupon interest rate. The acquisition was completed on 13 July 2017.

The consideration for the acquisition is satisfied by the following:

	HK$'000
On completion of the acquisition:	
Convertible bond	
– CB I	40,456
Subsequent to completion of acquisition:	
Convertible bond	
– CB II	13,658
Contingent consideration payables	
– CB III	13,658
– CB IV	13,658
Total purchase consideration	81,430

Included in the acquisition of Fortune Selection Group, there was a Profit Guarantee pursuant to which the vendor guaranteed to the Group that the audited net profit after tax of Fortune Selection Group for the Relevant Periods mentioned in Note 24. If the net profit for each Relevant Period 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 from CB III or CB IV an amount equal to the adjustment as defined in the sale and purchase agreement at the Second and Third Relevant Period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

I. Acquisition of Fortune Selection Group *(Continued)*

Relevant Periods	Profit Guarantee HK$'000	Initial consideration HK$'000	Fair value of consideration paid/ contingent consideration payables HK$'000	Manner of payment of the consideration when/if the Profit Guarantee is achieved
The completion date	–	24,012	40,456	Paid by issue of CB I on 13 July 2017 and converted into ordinary shares on 27 July 2017
1 January 2017 to 31 December 2017	10,000	8,004	13,658	Paid by issue of CB II on 29 March 2018 and converted into ordinary shares on 6 June 2018
1 January 2018 to 31 December 2018	11,000	8,004	13,658	To be paid by issue of CB III
1 January 2019 to 31 December 2019	12,000	8,004	13,658	To be paid by issue of CB IV
		48,024	81,430	

The Company issued CB I and CB II with a principal amount of HK$24,012,000 and HK$8,004,000 on 13 July 2017 and 29 March 2018 respectively. According to the announcement published by the Company on 27 July 2017 and 6 June 2018, the vendor had exercised the conversion rights attached to CB I and CB II. As such, a total number of 26,100,000 and 8,700,000 conversion shares had been issued to the vendor on 27 July 2017 and 6 June 2018 respectively.

The fair value of the consideration and Profit Guarantee were approximately HK$81,430,000 and HK$6,224,000 respectively. The amount of goodwill arising as a result of the acquisition was approximately HK$46,004,000.

Fortune Selection Group is principally engaged in provision of brand management and related services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

II. Acquisition of i-Lend Finance Limited

On 18 September 2017, the Company entered into a sale and purchase agreement with a vendor, an independent third party, for the acquisition of 100% equity interest of i-Lend Finance Limited, through its wholly-owned subsidiary, Best Trained Limited, at a cash consideration of approximately HK$835,000. The acquisition was completed on 24 October 2017. The amount of goodwill arising as a result of the acquisition was approximately HK$800,000.

i-Lend Finance Limited is principally engaged in provision of loan and financing.

III. Acquisition of Cheer Sino Group

On 24 November 2018, the Company entered into a sale and purchase agreement with a vendor, an independent third party, for the acquisition of 100% equity interest in Cheer Sino Group, at the consideration of HK$268,000,000, of which HK$168,000,000 shall be settled by the issue of convertible notes and HK$100,000,000 was settled in cash. The acquisition was completed on 8 March 2018.

The consideration for the acquisition is satisfied by the following:

	HK$'000
On completion of the acquisition:	
Payment in cash	100,000
Subsequent to completion of acquisition:	
Contingent consideration payables	
– Convertible notes	198,538
Total purchase consideration	298,538

Included in the acquisition of Cheer Sino Group, there was a Profit Guarantee pursuant to which the vendor guaranteed to the Group the audited net profit after tax of Cheer Sino Group for the Relevant Periods mentioned in Note 24. If the aggregate net profit for the Relevant Periods is less than the Guaranteed Profits or there is a net loss in the Relevant Periods, the Group is entitled to deduct from the convertible notes ("**CNs**") an amount equal to the adjustment as defined in the agreement and/or reimbursement and compensation by the vendor to the Group in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

III. Acquisition of Cheer Sino Group *(Continued)*

Relevant Periods	Profit Guarantee HK$'000	Initial consideration HK$'000	Fair value of consideration paid/ contingent consideration payables HK$'000	Manner of payment of the consideration when/if the Profit Guarantee is achieved
The completion date	–	100,000	100,000	Paid by cash on 8 March 2018 through placing under specific mandate
For the year ending 31 December 2018	27,000	34,000	40,180	To be paid by issue of convertible notes ("**CN I**")
For the two years ending 31 December 2019	73,000	58,000	68,543	To be paid by issue of convertible notes ("**CN II**")
For the three years ending 31 December 2020	133,000	76,000	89,815	To be paid by issue of convertible notes ("**CN III**")
		268,000	298,538	

CN I with a principal amount of HK$34,000,000 shall be released and delivered to the vendor if, and only if, the net profit of Cheer Sino Group is not less than Guaranteed Profit for the year ending 31 December 2018.

CN I (if not previously released and delivered) and CN II with a principal amount of HK$58,000,000 shall be released and delivered to the vendor if, and only if, the net profit of Cheer Sino Group is not less than Guarantee Profit for the two years ending 31 December 2019.

CN I, CN II (if not previously released and delivered) and CN III with a principal amount of HK$76,000,000 shall be released and delivered to the vendor if, and only if, the net profit of Cheer Sino Group is not less than Guaranteed Profit for the three years ending 31 December 2020.

The fair value of consideration and Profit Guarantee was approximately HK$298,538,000 and HK$31,781,000 respectively. The amount of goodwill arising as a result of the acquisition was approximately HK$208,180,000.

Cheer Sino Group is principally engaged in provision of promotion and consulting services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fortune Selection Group HK$'000	i-Lend Finance Limited HK$'000	Cheer Sino Group HK$'000	Total HK$'000
Non-current assets				
Property, plant and equipment	80	–	1,006	1,086
Intangible assets	27,324	–	–	27,324
Deposits	122	–	191	313
Deferred tax assets	–	–	6,333	6,333
	27,526	–	7,530	35,056
Current assets				
Trade receivables	696	–	11,802	12,498
Prepayments, deposit and other receivables	866	3	1,492	2,361
Cash and cash equivalents	13,183	32	70,099	83,314
	14,745	35	83,393	98,173
Total assets	42,271	35	90,923	133,229
Current liabilities				
Trade payables	–	–	(5,792)	(5,792)
Receipts in advance	(10,552)	–	–	(10,552)
Accruals and other payables	(2,220)	–	(24,093)	(26,313)
Income tax payables	(297)	–	(2,461)	(2,758)
Total liabilities	(13,069)	–	(32,346)	(45,415)
Net assets acquired	29,202	35	58,577	87,814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

33. ACQUISITION OF SUBSIDIARIES *(Continued)*

Goodwill arising from acquisition

	Fortune Selection Group HK$'000	i-Lend Finance Limited HK$'000	Cheer Sino Group HK$'000	Total HK$'000
Consideration paid and payable:				
– Cash paid during the year	–	835	100,000	100,835
– Convertible bonds *(Note a)*	54,114	–	–	54,114
– Contingent consideration payables	27,316	–	198,538	225,854
Total consideration paid and payable	81,430	835	298,538	380,803
Less: Fair value of Profit Guarantee at completion date of acquisition *(Note 24)*	(6,224)	–	(31,781)	(38,005)
Total consideration less fair value of Profit Guarantee	75,206	835	266,757	342,798
Less: Net assets acquired	(29,202)	(35)	(58,577)	(87,814)
Goodwill arising from acquisition of subsidiaries *(Note 18)*	46,004	800	208,180	254,984

Note:

(a) 34,800,000 ordinary shares of the Company were issued to the vendor for the acquisition of Fortune Selection Group after the vendor exercised CB I and CB II.

Goodwill arising from acquisition of subsidiaries represented the excess of the fair value of the consideration paid by the Group and Profit Guarantee over the fair value of net tangible assets acquired.

None of the goodwill arising from acquisition of subsidiaries is expected to be deductible for tax purpose.

Analysis of the cash flows in respect of the acquisition is as follows:

	Fortune Selection Group HK$'000	i-Lend Finance Limited HK$'000	Cheer Sino Group HK$'000	Total HK$'000
Cash consideration paid	–	835	100,000	100,835
Less: Cash and cash equivalents acquired of	(13,183)	(32)	(70,099)	(83,314)
Net cash (inflow)/outflow in respect of the acquisition of subsidiaries	(13,183)	803	29,901	17,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

34. DISPOSAL OF SUBSIDIARIES

On 10 July 2017, a wholly-owned subsidiary of the Company disposed of its entire 100% equity interest in Up Huge. The principal activity of Up Huge is provision of roadshows.

On 19 June 2018, a wholly-owned subsidiary of the Company disposed of its entire 100% equity interest in Top Force (Hong Kong) Limited ("**Top Force**"). The principal activity of Top Force is investment holding.

On 26 June 2018, a wholly-owned subsidiary of the Company disposed of its entire 100% equity interest in Broaden Delight Limited ("**Broaden Delight**"). The principal activity of Broaden Delight is investment holding.

On 28 June 2018, a wholly-owned subsidiary of the Company disposed of its entire 100% equity interest of nine inactive subsidiaries.

Summary of the effects of the disposal of subsidiaries are as follows:

Analysis of assets and liabilities over which control was lost

	Up Huge HK$'000	Top Force HK$'000	Broaden Delight HK$'000	Others HK$'000	Total HK$'000
Assets					
Property, plant and equipment	–	1,122	620	–	1,742
Intangible assets	35,870	–	–	–	35,870
Cash and cash equivalents	–	1	–	265	266
	35,870	1,123	620	265	37,878
Liabilities					
Accruals and other payables	–	–	–	(57)	(57)
Tax payables	–	–	–	(21)	(21)
	–	–	–	(78)	(78)
Net assets disposed of	(35,870)	(1,123)	(620)	(187)	(37,800)
Release of other reverse upon disposal of subsidiaries	–	–	–	(8)	(8)
Consideration	50,000	1,150	650	188	51,988
Gain/(loss) on disposal of subsidiaries *(Note 9)*	14,130	27	30	(7)	14,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

	Up Huge HK$'000	Top Force HK$'000	Broaden Delight HK$'000	Others HK$'000	Total HK$'000
Cash consideration received	50,000	1,150	650	188	51,988
Less: Cash and cash equivalents disposed of	–	(1)	–	(265)	(266)
Net cash inflow/(outflow) from disposal of subsidiaries	50,000	1,149	650	(77)	51,722

35. SHARE OPTION SCHEME

The Company conditionally 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, 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

35. SHARE OPTION SCHEME *(Continued)*

Details of movements of the share options granted under the Share Option Scheme for the year ended 30 June 2018 are as follows:

Category of participants	Date of grant	Exercise price per share HK$	Exercise period	Outstanding at 1 July 2017 '000	Granted during the year '000	Exercised '000	Cancelled/ Lapsed '000	Outstanding at 30 June 2018 '000
Executive directors								
Deng Zhonglin	1 June 2018	1.89	31 December 2018 to 31 May 2028	–	12,000	–	–	12,000
Xu Feng *(Note a)*	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) Mr. Xu Feng has been appointed as executive director and the chief executive officer of the Company on 21 June 2018.

(b) 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.

The inputs used for the valuation of the options granted during the year ended 30 June 2018 included:

	Share options granted on 1 June 2018
Dividend yield (%)	–
Spot stock price (HK$ per share)	1.85
Exercise price	1.89
Expected volatility (%)	33.02
Risk-free interest rate (%)	2.21
Expected life of options (year)	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

35. SHARE OPTION SCHEME *(Continued)*

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 2018, the Group recognised equity-settled share-based payment expenses of approximately HK$6,202,000 (2017: Nil) in relation to share options granted by the Company to the Directors and employees of the Group.

36. 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$'000 *(Note 10)*	**Contingent consideration payables** HK$'000	**Corporate bond** HK$'000 *(Note 30)*	**Convertible bonds** HK$'000 *(Note 31)*	**Total** HK$'000
At 1 July 2017	–	–	–	–	–
Financing cash (outflows)/inflows	(3)	–	2,580	–	2,577
Other changes:					
Arising from acquisition of subsidiaries	–	239,512	–	18,559	258,071
Reclassified from contingent consideration payables to convertible bonds					
– Liability component	–	(6,186)	–	6,186	–
– Equity component	–	(7,472)	–	–	(7,472)
Loss on change in fair value recognised in profit or loss	–	(43,433)	–	–	(43,433)
Finance costs	3	–	14	220	237
Conversion during the year	–	–	–	(24,965)	(24,965)
At 30 June 2018	**–**	**182,421**	**2,594**	**–**	**185,015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

37. 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, 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 and certain highest paid employees of the Group, as disclosed in Note 12 to the consolidated financial statements, are as follows:

Key management personnel

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**2,483**	5,151
Retirement benefits scheme contributions	**26**	21
Equity-settled share-based payment expenses	**1,344**	–
Total compensation paid to key management personnel	**3,853**	5,172

38. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 30 June 2018 and 2017, the Group had outstanding commitments payable under non-cancellable operating leases in respect of properties and motor vehicle rented with lease terms of between 1 to 3 years which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**14,460**	6,266
In the second to fifth year, inclusive	**20,256**	1,543
	34,716	7,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current asset		
Investments in subsidiaries	**298,638**	100
Current assets		
Prepayments and other receivables	**207**	6,755
Amounts due from subsidiaries	**230,511**	105,693
Amounts due from an associate	**5**	1
Cash and cash equivalents	**25,368**	36,093
	256,091	148,542
Current liabilities		
Accruals	**2,075**	1,583
Amounts due to subsidiaries	**169,565**	117,645
Contingent consideration payables	**45,979**	–
	217,619	119,228
Net current assets	**38,472**	29,314
Total assets less current liabilities	**337,110**	29,414
Non-current liabilities		
Contingent consideration payables	**136,442**	–
Corporate bond	**2,594**	–
	139,036	–
NET ASSETS	**198,074**	29,414
Capital and reserves		
Share capital	**2,908**	2,702
Reserves *(Note 40)*	**195,166**	26,712
TOTAL EQUITY	**198,074**	29,414

The statement of financial position was approved and authorised for issue by the Board of Directors on 21 September 2018 and are signed on its behalf by:

Deng Zhonglin	**Xu Feng**
Chairman	*Director*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

40. RESERVES OF THE COMPANY

	Share premium HK$'000	Convertible bonds reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2016	104,704	–	–	(85,023)	19,681
Loss and total comprehensive expenses for the year	–	–	–	(85,071)	(85,071)
Placing of shares	94,702	–	–	–	94,702
Transaction costs attributable to placing of shares	(2,600)	–	–	–	(2,600)
At 30 June 2017 and 1 July 2017	196,806	–	–	(170,094)	26,712
Profit and total comprehensive income for the year	–	–	–	7,797	7,797
Placing of shares	102,763	–	–	–	102,763
Transaction costs attributable to placing of shares	(2,573)	–	–	–	(2,573)
Issue of convertible bonds	–	29,369	–	–	29,369
Conversion of convertible bonds	54,265	(29,369)	–	–	24,896
Recognition of equity-settled share-based payments	–	–	6,202	–	6,202
At 30 June 2018	**351,261**	**–**	**6,202**	**(162,297)**	**195,166**

Note:

Distributable reserve

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.

At 30 June 2018, the Company's reserves available for distribution to shareholders amounting to approximately HK$195,166,000 (2017: approximately HK$26,712,000) and calculated in accordance with Companies Law of Cayman Islands and the Articles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2018

41. EVENTS AFTER THE REPORTING PERIOD

(i) On 5 July 2018, an indirect wholly-owned subsidiary of the Company completed the acquisition transaction of 100% equity interest of CIS Industrial Co., Limited and its subsidiary (collectively referred as "**CIS Industrial Group**") at a consideration of HK$330,000, which was satisfied by cash.

(ii) On 6 August 2018, the Group entered into placing agreement with placing agent for the issue of a maximum of HK$100,000,000 6.75% corporate bonds on a best effort basis. Reference is made to the announcement of the Company dated 6 August 2018 in relation to the placing of corporate bonds of the Company.

Subsequent to the reporting period, the Company has entered into the following agreements:

- On 14 August 2018, corporate bond I with principal amount of HK$1,000,000 was issued to a subscriber through a placing agent with the interest rate of 6.25% per annum payable semi-annually for a term of 4 years;
- On 21 August 2018, corporate bond II with principal amount of HK$2,000,000 was issued to a subscriber through a placing agent with the interest rate of 6.25% per annum payable semi-annually for a term of 3 years; and
- On 12 September 2018, corporate bond III with principal amount of HK$2,000,000 was issued to a subscriber through a placing agent with the interest rate of 6.00% per annum payable semi-annually for a term of 2 years.

Corporate bonds I, II and III are guaranteed by Mr. Deng Zhonglin, an executive director and chairman of the Company.

42. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 September 2018.

43. COMPARATIVE FIGURES

Certain comparative figures for the year ended 30 June 2017 have been reclassified to conform to the current year's presentation.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
Revenue	**254,051**	102,938	160,289	188,314	205,781
Profit/(loss) before tax from continuing operations	**113,140**	(20,243)	(63,457)	50,955	20,983
Income tax expenses	**(22,435)**	(5,664)	(4,167)	(5,089)	(6,892)
Profit/(loss) for the year from continuing operations	**90,705**	(25,907)	(67,624)	45,866	14,091
DISCONTINUED OPERATION					
Loss for the year from discontinued operation	**–**	(13,410)	(1,087)	–	–
PROFIT/(LOSS) FOR THE YEAR	**90,705**	(39,317)	(68,711)	45,866	14,091
Attributable to:					
Owners of the Company	**90,706**	(36,411)	(67,346)	45,919	14,120
Non-controlling interests	**(1)**	(2,906)	(1,365)	(53)	(29)
PROFIT/(LOSS) FOR THE YEAR	**90,705**	(39,317)	(68,711)	45,866	14,091

ASSETS AND LIABILITIES

	At 30 June				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**643,051**	170,326	204,340	275,492	180,279
Total liabilities	**(253,183)**	(28,296)	(115,358)	(117,740)	(119,971)
Non-controlling interests	**4,325**	4,324	1,418	53	–
Total equity attributable to owners of the Company	**394,193**	146,354	90,400	157,805	60,308