

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

[...]

The Board of Directors
Mega Expo Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Mega Expo Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), comprising the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 30 June 2011, 2012 and 2013 (the “**Track Record Period**”), and the combined statements of financial position of the Group as at 30 June 2011, 2012 and 2013 and the statement of financial position of the Company as at 30 June 2013 together with the notes thereto (the “**Financial Information**”), prepared on the basis of presentation set out in Note 3 of Section II below, for inclusion in this document.

The Company was incorporated on 21 August 2012 in the Cayman Islands under the Companies Law, as an exempted company with limited liability. Pursuant to a group reorganisation (the “**Reorganisation**”) as more fully explained in the paragraph headed “**Group reorganisation**” in Appendix IV to this document, the Company became the holding company of the subsidiaries now comprising the Group as set out in Note 2 of Section II. The Reorganisation became effective on 3 October 2013.

The Company has adopted 30 June as its year end date. No statutory audited financial statements have been prepared for the Company since its date of incorporation as there are no statutory requirements for the Company to prepare audited financial statements.

No statutory audited financial statements have been prepared for Expand Trade Investments Limited (“**Expand Trade**”), Idea Trade Limited (“**Idea Trade**”), Mega Expo (U.S.A.) Limited (formerly known as Kenfair Exhibition (U.S.A.) Limited) (“**Mega Expo (USA)**”), Mega Expo (Berlin) Limited (formerly known as Mega Berlin Limited) (“**Mega Expo (Berlin)**”), New Heyday Investments Limited (“**New Heyday**”), Profit Topmark Limited (“**Profit Topmark**”), Mega Expo Travel Limited (“**Mega Expo Travel**”) and Mega Expo (U.S.A.) Inc. since its date of incorporation as there are no statutory requirements to prepare audited financial statements.

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The statutory audited financial statements of Mega Expo (Hong Kong) Limited (formerly known as Fine China Management Limited and Kenfair Exhibition (Hong Kong) Limited respectively) (“**Mega Expo (HK)**”) and Mega Expo Operations Management Limited (formerly known as Top Elite Management Limited and Kenfair Operations Management Limited respectively) (“**Mega Expo Operations**”) for the years ended 30 June 2010 and 2011 were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and were audited by HLB Hodgson Impey Cheng, Certified Public Accountants registered in Hong Kong.

The statutory audited financial statements of Mega Expo (Hong Kong) Limited (formerly known as Kenfair Exhibition (Hong Kong) Limited) (“**Mega Expo (BVI)**”), Mega Expo (HK) and Mega Expo Operations for the year ended 30 June 2012 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

The statutory audited financial statements of i-MegAsia Limited (“**i-MegAsia**”) for the year ended 30 June 2011 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by HLB Hodgson Impey Cheng, Certified Public Accountants registered in Hong Kong.

The statutory audited financial statements of i-MegAsia for the year ended 30 June 2012 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

The statutory audited financial statements of 寧波天一甬港國際展覽有限公司 (“**Ningbo Tianyi**”) for the years ended 31 December 2011 and 2012 was prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the People’s Republic of China (the “**PRC**”) and were audited by 寧波天易聯合會計師事務所, certified public accountants registered in the PRC.

The statutory audited financial statements of 深圳恆建展覽策劃有限公司 (formerly known as 深圳建發創劃展覽策劃有限公司) (“**Shenzhen Hengjian**”) for the years ended 31 December 2011 and 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by 深圳皇嘉會計師事務所, certified public accountants registered in the PRC.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the Financial Information for the Track Record Period based on the audited financial statements or unaudited financial statements with no adjustments made thereon, in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of [•••]. The Financial Information for each of the years ended 30 June 2011, 2012 and 2013 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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RESPONSIBILITY OF THE DIRECTORS

The directors of the Company are responsible for the contents of this document, including the preparation of the Financial Information that gives a true and fair view in accordance with the basis set out in Note 3 of Section II. The directors of the Company are responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs and the disclosure requirements of [•••] and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the relevant audited financial statements or, where appropriate, the relevant unaudited financial statements of the Group for the Track Record Period, and carried out such procedures as are necessary in accordance with [•••] issued by the HKICPA.

OPINION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report and prepared on the basis of presentation and preparation set out in Note 3 of Section II below, gives a true and fair view of the combined state of affairs of the Group as at 30 June 2011, 2012 and 2013 and of the state of affairs of the Company as at 30 June 2013 and of the combined results and combined cash flows of the Group for the Track Record Period.

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I. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	7	147,758	166,795	220,633
Other revenue	8	1,792	59	567
Other income	9	209	96	98
Advertising and promotion expenses		(9,089)	(11,645)	(10,229)
Agency commission		(2,421)	(2,519)	(6,331)
Exhibition rentals		(1,470)	(3,935)	(2,982)
Staff costs		(19,126)	(21,831)	(34,817)
Booth construction costs		(21,803)	(23,818)	(25,582)
Exhibition expenses		(9,570)	(13,321)	(8,173)
Exhibition co-operation expenses		(35,114)	(37,064)	(58,369)
Other operating expenses		(19,946)	(21,953)	(40,574)
Profit before tax	9	31,220	30,864	34,241
Taxation	11	(5,294)	(5,976)	(8,339)
Profit for the year		25,926	24,888	25,902
Other comprehensive income for the year, net of tax:				
Items that may be subsequently reclassified to profit or loss:				
Exchange difference on translation of foreign operations		102	34	(44)
Total comprehensive income for the year, net of tax		<u>26,028</u>	<u>24,922</u>	<u>25,858</u>
Profit/(loss) attributable to:				
Owners of the Company		26,049	25,056	26,170
Non-controlling interests		(123)	(168)	(268)
		<u>25,926</u>	<u>24,888</u>	<u>25,902</u>
Total comprehensive income/(loss) attributable to:				
Owners of the Company		26,116	25,082	26,124
Non-controlling interests		(88)	(160)	(266)
		<u>26,028</u>	<u>24,922</u>	<u>25,858</u>
Earnings per share attributable to owners of the Company				
– Basic and diluted (HK cents)	13	<u>17.37</u>	<u>16.70</u>	<u>17.45</u>

The accompanying notes form an integral part of the Financial Information.

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COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 30	As at 30	As at 30
		June	June	June
		2011	2012	2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Goodwill	14	322	322	–
Property, plant and equipment	15	1,466	1,091	1,886
		<u>1,788</u>	<u>1,413</u>	<u>1,886</u>
Current assets				
Prepayments, deposits and other receivables	16	42,278	60,384	34,298
Amount due from ultimate holding company	17	–	12	13
Amounts due from directors	18	46,248	56,893	21,824
Cash and cash equivalents	19	32,690	29,858	73,835
		<u>121,216</u>	<u>147,147</u>	<u>129,970</u>
Current liabilities				
Receipt in advance		97,250	136,817	123,590
Accruals and other payables	20	12,975	1,773	3,908
Income tax payable		8,640	7,909	8,447
		<u>118,865</u>	<u>146,499</u>	<u>135,945</u>
Net current assets/(liabilities)		<u>2,351</u>	<u>648</u>	<u>(5,975)</u>
Total assets less current liabilities		<u><u>4,139</u></u>	<u><u>2,061</u></u>	<u><u>(4,089)</u></u>
Capital and reserves				
Share capital	22	1	1	–
Reserves		3,667	1,749	(4,134)
Equity attributable to owners of the Company		3,668	1,750	(4,134)
Non-controlling interests		471	311	45
Total equity		<u><u>4,139</u></u>	<u><u>2,061</u></u>	<u><u>(4,089)</u></u>

The accompanying notes form an integral part of the Financial Information.

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COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Exchange reserve HK\$'000	Proposed dividend HK\$'000	Other reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000			
As at 1 July 2010	1	-	3,400	-	13,551	16,952	-	16,952
Profit for the year	-	-	-	-	26,049	26,049	(123)	25,926
Other comprehensive income for the year, net of tax	-	67	-	-	-	67	35	102
Total comprehensive (loss)/income for the year	-	67	-	-	26,049	26,116	(88)	26,028
Acquisition of a subsidiary	-	-	-	-	-	-	559	559
Dividend paid	-	-	(3,400)	-	(36,000)	(39,400)	-	(39,400)
As at 30 June 2011 and 1 July 2011	1	67	-	-	3,600	3,668	471	4,139
Profit for the year	-	-	-	-	25,056	25,056	(168)	24,888
Other comprehensive income for the year, net of tax	-	26	-	-	-	26	8	34
Total comprehensive (loss)/income for the year	-	26	-	-	25,056	25,082	(160)	24,922
Dividend paid	-	-	-	-	(27,000)	(27,000)	-	(27,000)
As at 30 June 2012 and 1 July 2012	1	93	-	-	1,656	1,750	311	2,061
Profit for the year	-	-	-	-	26,170	26,170	(268)	25,902
Other comprehensive (loss)/income for the year, net of tax	-	(46)	-	-	-	(46)	2	(44)
Total comprehensive (loss)/income for the year	-	(46)	-	-	26,170	26,124	(266)	25,858
Effect of reorganisation	(1)	-	-	(7)	-	(8)	-	(8)
Dividend paid	-	-	-	-	(32,000)	(32,000)	-	(32,000)
As at 30 June 2013	-	47	-	(7)	(4,174)	(4,134)	45	(4,089)

The accompanying notes form an integral part of the Financial Information.

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COMBINED STATEMENTS OF CASH FLOWS

	Year ended 30 June 2011 <i>HK\$'000</i>	Year ended 30 June 2012 <i>HK\$'000</i>	Year ended 30 June 2013 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Profit before tax	31,220	30,864	34,241
Adjustments for:			
Depreciation of property, plant and equipment	416	583	912
Impairment loss on goodwill	–	–	322
Interest income	(5)	(13)	(8)
Operating cash flows before movement in working capital	31,631	31,434	35,467
(Increase)/decrease in prepayments, deposits and other receivables	(7,930)	(18,106)	26,086
(Increase)/decrease in amounts due from directors	(5,112)	(29,895)	3,069
Increase in amount due from an ultimate holding company	–	(12)	(9)
(Decrease)/increase in receipt in advance	(1,659)	39,567	(13,227)
Increase/(decrease) in accruals and other payables	7,084	(11,202)	2,135
Cash generated from operations	24,014	11,786	53,521
Tax paid	–	(6,706)	(7,801)
Net cash generated from operating activities	24,014	5,080	45,720
INVESTING ACTIVITIES			
Interest received	5	13	8
Net cash outflow in respect of acquisition of a subsidiary	(572)	–	–
Purchase of property, plant and equipment	(1,797)	(207)	(1,705)
Net cash used in investing activities	(2,364)	(194)	(1,697)
FINANCING ACTIVITY			
Dividend paid	(23,400)	(7,750)	–
Net cash used in financing activity	(23,400)	(7,750)	–
Net (decrease)/increase in cash and cash equivalents	(1,750)	(2,864)	44,023
Cash and cash equivalents at the beginning of the year	34,343	32,690	29,858
Effect of foreign currency exchange rate changes	97	32	(46)
Cash and cash equivalents at the end of the year	<u>32,690</u>	<u>29,858</u>	<u>73,835</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	<u>32,690</u>	<u>29,858</u>	<u>73,835</u>

The accompanying notes form an integral part of the Financial Information.

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II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Corporate information

The Company was incorporated as a limited liability company in Cayman Islands on 21 August 2012. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is located at 23 Floor, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong. It became the holding company of the Group as a result of the Reorganisation as described in the paragraph headed "Group reorganisation" in Appendix IV to this document.

In the opinion of the directors, the Company's ultimate holding company is Business Good Holdings Limited ("**Business Good**"), a company incorporated in the British Virgin Islands (the "**BVI**").

The principal activity of the Company is investment holding. The principal activities of the Group are involved in the organisation of exhibitions and trade shows and providing ancillary services and provision of sub-contracting services for exhibitions and trade shows.

The financial information are presented in Hong Kong dollars ("**HK\$**"), which is also the functional currency of the Company. All values are rounded to the nearest thousand, unless otherwise stated.

2. REORGANISATION

In preparation for [•••], the Group underwent the Reorganisation, as a result of which the Company became a holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal steps:

- (a) on 19 March 2012, New Heyday was incorporated in the BVI to act as the holding company of Idea Trade. It has an authorised share capital of US\$50,000 shares divided into 50,000 shares of US\$1.00 each, of which one share was allotted and issued to each of Mr. Lee Chi Sang ("**Mr. Lee**") and Mr. Cheung Shui Kwai ("**Mr. Cheung**") at par on 15 June 2012. The said one share held by and registered in the name of Mr. Cheung in New Heyday was held on trust pursuant to a declaration of trust dated 19 November 2012 in favour of Mr. Lee.
- (b) on 3 April 2012, Business Good was incorporated in the BVI as an investment holding company of Mr. Lee with an authorised share capital of US\$50,000 shares divided into 50,000 shares of US\$1.00 each. On 15 June 2012, Mr. Lee subscribed for and was allotted and issued one share in the share capital of Business Good at par value;
- (c) on 30 May 2012, Expand Trade was incorporated in the BVI for the purpose of acting as the intermediate holding company of the Group with an authorised share capital of US\$50,000 shares divided into 50,000 shares of US\$1.00 each. On 15 June 2012, Business Good subscribed for and was allotted and issued one share in the share capital of Expand Trade at par value;
- (d) on 30 May 2012, Idea Trade was incorporated in the BVI for the purpose of holding certain licences in connection with the trade exhibitions including the license in relation to the Mega Shows with an authorised share capital of US\$50,000 shares divided into 50,000 shares of US\$1.00 each. On 15 June 2012, New Heyday subscribed for and was allotted and issued one share in the share capital of Idea Trade at par value;
- (e) on 4 July 2012, Mr. Lee transferred one share in the issued share capital of each of Mega Expo Operations, Mega Expo (BVI), Mega Expo (USA) and Mega Expo (Berlin), representing their respective entire issued share capital, to Expand Trade in consideration of and in exchange for Business Good, at the request of Expand Trade, allotting and issuing an aggregate of four shares in Business Good to Mr. Lee;
- (f) on 30 July 2012, Mr. Lee transferred one share in the issued share capital of each of Mega Expo (HK) and i-MegAsia, representing their respective entire issued share capital, to Expand Trade in consideration of and in exchange for Business Good, at the request of Expand Trade, allotting and issuing an aggregate of two shares in Business Good to Mr. Lee;

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- (g) on 8 August 2012, Mr. Lee transferred one share in the issued share capital of Profit Topmark, representing its entire issued share capital, to Expand Trade in consideration of and in exchange for Business Good, at the request of Expand Trade, allotting and issuing one share in Business Good to Mr. Lee;
- (h) on 21 August 2012, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company to act as the ultimate holding company of the Group. The authorised share capital of the Company, on incorporation, was HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each. On 21 August 2012, the Company allotted and issued one nil-paid share to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Lee on the same date;
- (i) on 19 November 2012, Mr. Lee and Mr. Cheung entered into a deed (“**Deed**”), pursuant to which the parties thereto confirmed and agreed that in consideration of Mr. Cheung procuring HKCEC Management, the venue provider of the Mega Shows to enter into licence agreements for the occupancy of venue for the Mega Shows in 2013 (the “**2013 HKCEC Licence Agreement**”) with Idea Trade; Mr. Lee would procure Business Good to allot and issue 68 shares in Business Good to Mr. Cheung, subject to and upon the terms and conditions in the Deed;
- (j) on 19 November 2012, each of Mr. Lee and Mr. Cheung, (at the request and as trustee on trust for Mr. Lee), transferred one share in the issued share capital of New Heyday, representing its entire issued share capital, to Expand Trade in consideration of and in exchange for Business Good, at the request of Expand Trade, allotting and issuing 924 shares in Business Good to Mr. Lee. On the same day, Business Good allotted and issued 68 shares, credited as fully paid to Mr. Cheung according to the terms of the Deed;
- (k) on 3 October 2013, each issued and unissued ordinary share of HK\$0.10 each was sub-divided into 10 shares of HK\$0.01 each and following the sub-division of share capital, the number of shares of the Company increased from 1,000,000 to 10,000,000; and
- (l) on 3 October 2013, Mr. Lee transferred 10 nil-paid shares in the Company to Business Good and Business Good transferred the entire issued share capital in Expand Trade to the Company, in exchange for which the Company (a) issued and allotted 9,999,990 shares to Business Good, credited as fully paid; and (b) credited as fully paid at par the 10 nil-paid shares which was then registered in the name of Business Good.

Upon the completion of the Reorganisation on 3 October 2013, the Company became the holding company of the companies now comprising the Group.

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The direct and indirect interests in the subsidiaries held by the Company during the Track Record Period and at the date of this report are as follows:

Name of subsidiaries	Place and date of registration and operations	Issued and paid up/ registered capital	Percentage of equity and voting power attributable to the company		Principal activities
			Direct %	Indirect %	
Expand Trade	The BVI, 30 May 2012	US\$1	100	–	Investment holding
Idea Trade	The BVI, 30 May 2012	US\$1	–	100	License holding
New Heyday	The BVI, 19 March 2012	US\$2	–	100	Investment holding
Mega Expo Operations	The BVI, 2 January 2009	US\$1	–	100	Provision of sub-contracting services for exhibitions and trade shows
Mega Expo (BVI)	The BVI, 21 March 2011	US\$1	–	100	Organisation of exhibitions and trade shows
Mega Expo (USA)	The BVI, 31 May 2011	US\$1	–	100	Organisation of exhibitions and trade shows
Mega Expo (U.S.A.) Inc.	The United States of America, 12 April 2013	US\$0.1	–	100	Organisation of exhibitions and trade shows
Mega Expo (Berlin)	The BVI, 8 May 2012	US\$1	–	100	Organisation of exhibitions and trade shows
Mega Expo (HK)	Hong Kong, 11 March 2009	HK\$1	–	100	Organisation of exhibitions and trade shows and providing ancillary services
i-MegAsia	Hong Kong, 17 March 2011	HK\$1	–	100	Provision of ancillary services for trade shows
Profit Topmark	The BVI, 6 April 2011	US\$1	–	100	Investment holding
Mega Expo Travel	Hong Kong, 19 September 2012	HK\$500,000	–	100	Provision of travel agency business
Ningbo Tianyi	The PRC, 8 September 2009	RMB2,000,000	–	100	Organisation of exhibitions and trade shows
Shenzhen Hengjian	The PRC, 30 November 2010	US\$300,000	–	100	Provision of ancillary services for trade shows

The English names of the Company’s subsidiaries in the PRC are transliteration of their respective Chinese names and have not been registered.

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3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes HKFRSs, Hong Kong Accounting Standards ("HKAS") and related interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures required by [•••].

The measurement basis used in the preparation of the Financial Information is the historical cost convention except for certain financial assets and financial liabilities which have been carried at fair value as explained below.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

Adoption of new and revised HKFRSs

At the date of this report, the Group has not applied the following new or revised standards, amendments and interpretations that have been issued by the HKICPA but are not yet effective, in the Financial Information:

HKAS 19 (as revised in 2011)	Employee Benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ²
HKAS 36 (Amendments)	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets ²
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting ²
Amendments to HKFRSs	Annual Improvement 2009-2011 Cycle ¹
HKFRS 1 (Amendments)	Government Loans ¹
HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ³
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in Other Entities: Transition Guidance ¹
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹
HK(IFRIC) – Int 21	Levies ²

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015

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The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* 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 reporting periods. All other debt investments and equity investments are measured at their fair values 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.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 1 *Presentation of Financial Statements*;
- amendments to HKAS 16 *Property, Plant and Equipment*; and
- amendments to HKAS 32 *Financial Instruments: Presentation*.

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*.

The directors are in the process of making an assessment of the impact upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group’s results of operations and financial position.

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Merger accounting for common control combination

The Financial Information incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, cost of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as an expense in the period in which they are incurred.

Basis of consolidation

The Financial Information incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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.

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

- (i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- (ii) 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 date; and
- (iii) 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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be 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 their fair value or, when applicable, on the basis specified in another HKFRS.

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 at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, 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 (i.e. the date when the Group obtains control) 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), and 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.

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Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit 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. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, over its estimated useful life. The principal annual rates are as follows:

Leasehold improvements	Over the lease terms
Furniture and equipment	20%
Computer equipment	25%

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

The gain or loss on disposal or retirement of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the combined statements of comprehensive income.

Impairment of tangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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).

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 to sell and value in use. 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 cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

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

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 financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity” investments, “available-for-sale” (AFS) financial assets 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 of the Group’s financial assets are classified as “loans and receivables”. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of 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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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 other receivables, amount due from ultimate holding company, amounts due from directors 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 when the recognition of interest would be immaterial.

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.

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For all other financial assets except for AFS equity investments, 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, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets 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 (see the accounting policy below).

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.

Financial liabilities and equity instruments

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 instruments

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 the Group are recognised at the [••] received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including accruals and other payables) are subsequently measured at amortised cost using the effective interest method.

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.

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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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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 [••] 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, 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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and at bank which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted to use.

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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) *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.

(ii) *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.

(iii) *Additional facilities income*

Additional facilities income is recognised when the services are rendered.

(iv) *Sub-contracting income*

Sub-contracting income is recognised when the services are rendered.

(v) *Management fee income*

Management fee income is recognised when the services are rendered.

(vi) *Other ancillary service income*

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

Retirement benefits costs

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 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 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 contributions.

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

Income tax

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

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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 combined statements of 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 combined 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

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.

Foreign currencies

Items included in the combined financial statements of each of the companies now comprising the Group are measured using the currency of the primary environment in which the Company operates (the “**functional currency**”).

In preparing the Financial Information, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each 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 translation of monetary items, are recognised in the combined statements of comprehensive income in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the combined statements of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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Related parties transactions

- (1) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (2) An entity is related to the Group if any of the following condition applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others).
 - (ii) 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).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
 - (v) 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 sponsorship employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) 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).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

Leases

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 combined statements 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.

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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 Financial Information, are identified from the financial information provided regularly to the Group's executive directors, being the chief operating decision maker, 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.

Dividends distribution

Final dividend proposed by the directors are classified as a separate allocation of retained profits within the equity section of the combined statements of financial position, until they have been approved by shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability in the Group's financial statements.

Interim dividends are recognised as a liability when they are proposed and declared.

Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statements over the period necessary to match them with costs that they are intended to compensate and are presented separately from the costs. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the income statements on a straight-line basis over the expected lives of the related assets.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 3, 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 numerous tax authorities. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues 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 difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

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Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

5. FINANCIAL INSTRUMENTS

Financial instruments by category

The carrying amount of each of the categories of financial instruments as at the end of the reporting period is as follows:

	As at 30 June 2011 HK\$'000	As at 30 June 2012 HK\$'000	As at 30 June 2013 HK\$'000
Financial assets			
Loan and receivables			
– Amounts due from directors	46,248	56,893	21,824
– Amount due from ultimate holding company	–	12	13
– Financial assets included in other receivables	2,160	5,261	1,535
– Cash and cash equivalents	32,690	29,858	73,835
	<u>81,098</u>	<u>92,024</u>	<u>97,207</u>
Financial liabilities			
At amortised cost			
– Accruals and other payables	12,975	1,773	3,908
	<u>12,975</u>	<u>1,773</u>	<u>3,908</u>

Financial risk management objective and policies

The Group’s major financial instruments include amounts due from directors, other receivables, cash and cash equivalents and accruals and other payables. The details of these financial instruments are disclosed in 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.

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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 combined statements of financial position.

In order to minimise the credit risk, the 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 of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk is primarily attributable to amounts due from directors. The Group has no other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

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

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:

	Weighted average interest rate %	Carrying amount HK\$'000	On demand HK\$'000	Within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flow HK\$'000
As at 30 June 2013						
Accruals and other payables	–	3,908	3,908	–	–	3,908
		<u>3,908</u>	<u>3,908</u>	<u>–</u>	<u>–</u>	<u>3,908</u>

	Weighted average interest rate %	Carrying amount HK\$'000	On demand HK\$'000	Within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flow HK\$'000
As at 30 June 2012						
Accruals and other payables	–	1,773	1,773	–	–	1,773
		<u>1,773</u>	<u>1,773</u>	<u>–</u>	<u>–</u>	<u>1,773</u>

	Weighted average interest rate %	Carrying amount HK\$'000	On demand HK\$'000	Within 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flow HK\$'000
As at 30 June 2011						
Accruals and other payables	–	12,975	12,975	–	–	12,975
		<u>12,975</u>	<u>12,975</u>	<u>–</u>	<u>–</u>	<u>12,975</u>

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Interest rate risk

The Group has no interest-bearing assets and liabilities, and is therefore not exposed to significant interest rate risk. 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.

Currency risk

The Group operates in Hong Kong, the PRC, Germany, Singapore and the United States of America (the “US”) and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Renminbi (“RMB”). Foreign exchange 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.

Fair value of financial instruments

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

- (i) the fair values 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 values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable at the end of each reporting period.

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

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

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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 Track Record Period.

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

	As at 30 June 2011 <i>HK\$'000</i>	As at 30 June 2012 <i>HK\$'000</i>	As at 30 June 2013 <i>HK\$'000</i>
Total debts	—	—	—
Total assets	123,004	148,560	131,856
Gearing ratio	N/A	N/A	N/A

6. OPERATING SEGMENT

Information reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group organised into three operating divisions: organisation of exhibition, exhibition related services and ancillary services. These divisions are the basis on which the Group reports its segment information.

The three operating and reportable segments are as follows:

Organisation of exhibitions	Organising trade shows and exhibitions
Exhibition-related services	Provision of additional facilities, sub-contracting and management services for trade shows and exhibitions
Ancillary services	Provision of ancillary services for trade shows and exhibitions

Segment revenues and results

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

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Year ended 30 June 2013

	Organisation of exhibitions <i>HK\$'000</i>	Exhibition- related services <i>HK\$'000</i>	Ancillary services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
Segment revenue	209,753	37,162	105	247,020
Inter-segment revenue	–	(26,387)	–	(26,387)
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue from external customers	209,753	10,775	105	220,633
	<hr/>	<hr/>	<hr/>	<hr/>
Results				
Segment results	90,825	10,775	(84)	101,516
	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated income				94
Unallocated corporate expenses				(67,369)
				<hr/>
Profit before tax				34,241
Taxation				(8,339)
				<hr/>
Profit for the year				25,902
				<hr/> <hr/>

Year ended 30 June 2012

	Organisation of exhibitions <i>HK\$'000</i>	Exhibition- related services <i>HK\$'000</i>	Ancillary services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
Segment revenue	140,518	41,884	221	182,623
Inter-segment revenue	–	(15,828)	–	(15,828)
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue from external customers	140,518	26,056	221	166,795
	<hr/>	<hr/>	<hr/>	<hr/>
Results				
Segment results	46,832	20,528	(7)	67,353
	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated income				27
Unallocated corporate expenses				(36,516)
				<hr/>
Profit before tax				30,864
Taxation				(5,976)
				<hr/>
Profit for the year				24,888
				<hr/> <hr/>

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Year ended 30 June 2011

	Organisation of exhibitions	Exhibition- related services	Ancillary services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
Segment revenue	124,939	38,712	136	163,787
Inter-segment revenue	–	(16,029)	–	(16,029)
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue from external customers	124,939	22,683	136	147,758
	<hr/>	<hr/>	<hr/>	<hr/>
Results				
Segment results	46,490	16,465	136	63,091
	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated income				78
Unallocated corporate expenses				(31,949)
				<hr/>
Profit before tax				31,220
Taxation				(5,294)
				<hr/>
Profit for the year				25,926
				<hr/> <hr/>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit generated by each segment without allocation of corporate income, corporate expenses and taxation. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

As at 30 June 2013

	Organisation of exhibitions	Exhibition- related services	Ancillary services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Segment assets	29,735	–	–	29,735
Unallocated corporate assets				102,121
				<hr/>
				131,856
				<hr/> <hr/>
Liabilities				
Segment liabilities	123,581	–	9	123,590
Unallocated corporate liabilities				12,355
				<hr/>
				135,945
				<hr/> <hr/>

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As at 30 June 2012

	Organisation of exhibitions <i>HK\$'000</i>	Exhibition- related services <i>HK\$'000</i>	Ancillary services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Segment assets	54,776	–	–	54,776
Unallocated corporate assets				93,784
				<u>148,560</u>
Liabilities				
Segment liabilities	136,792	–	25	136,817
Unallocated corporate liabilities				9,682
				<u>146,499</u>

As at 30 June 2011

	Organisation of exhibitions <i>HK\$'000</i>	Exhibition- related services <i>HK\$'000</i>	Ancillary services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Segment assets	39,766	–	–	39,766
Unallocated corporate assets				83,238
				<u>123,004</u>
Liabilities				
Segment liabilities	97,250	–	–	97,250
Unallocated corporate liabilities				21,615
				<u>118,865</u>

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

- all assets are allocated to reportable segments other than corporate assets. Goodwill is allocated to reportable segments as described in Note 14; and
- all liabilities are allocated to reportable segments other than corporate liabilities.

Other segment information

For the year ended 30 June 2011

	Organisation of exhibitions <i>HK\$’000</i>	Exhibition- related services <i>HK\$’000</i>	Ancillary services <i>HK\$’000</i>	Unallocated <i>HK\$’000</i>	Total <i>HK\$’000</i>
Depreciation and amortization	–	–	–	912	912
Capital expenditures	–	–	–	1,705	1,705
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 30 June 2012

	Organisation of exhibitions <i>HK\$’000</i>	Exhibition- related services <i>HK\$’000</i>	Ancillary services <i>HK\$’000</i>	Unallocated <i>HK\$’000</i>	Total <i>HK\$’000</i>
Depreciation and amortization	–	–	–	583	583
Capital expenditures	–	–	–	207	207
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 30 June 2013

	Organisation of exhibitions <i>HK\$’000</i>	Exhibition- related services <i>HK\$’000</i>	Ancillary services <i>HK\$’000</i>	Unallocated <i>HK\$’000</i>	Total <i>HK\$’000</i>
Depreciation and amortization	–	–	–	416	416
Capital expenditures	–	–	–	1,797	1,797
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical segments

In determining the Group’s geographical segments, revenues 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 and certain assets and expenditure information for the Group’s geographical segments, including Hong Kong, the PRC, Singapore, Germany and the US.

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Segment revenue:

	Year ended 30 June 2011 <i>HK\$'000</i>	Year ended 30 June 2012 <i>HK\$'000</i>	Year ended 30 June 2013 <i>HK\$'000</i>
Hong Kong	147,758	147,474	195,165
Singapore	–	14,413	10,673
Germany	–	4,908	6,603
The US	–	–	8,192
	<u>147,758</u>	<u>166,795</u>	<u>220,633</u>

Other segment information:

Segment assets:

	As at 30 June 2011 <i>HK\$'000</i>	As at 30 June 2012 <i>HK\$'000</i>	As at 30 June 2013 <i>HK\$'000</i>
Hong Kong	119,551	146,950	131,391
The PRC	3,453	1,610	465
	<u>123,004</u>	<u>148,560</u>	<u>131,856</u>

Capital expenditure:

	Year ended 30 June 2011 <i>HK\$'000</i>	Year ended 30 June 2012 <i>HK\$'000</i>	Year ended 30 June 2013 <i>HK\$'000</i>
Hong Kong	1,796	161	1,649
The PRC	1	46	56
	<u>1,797</u>	<u>207</u>	<u>1,705</u>

Information about major customers

The Group's customer base includes one customer with whom transactions have exceeded 10% of the Group's revenue during the Track Record Period, sales from this customer is set out below:

	Year ended 30 June 2011 <i>HK\$'000</i>	Year ended 30 June 2012 <i>HK\$'000</i>	Year ended 30 June 2013 <i>HK\$'000</i>
Customer A	<u>18,849</u>	<u>21,175</u>	<u>27,441</u>

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7. REVENUE

The principal activities of the Group are involved in the organisation of trade shows and exhibitions, providing ancillary services and sub-contracting and management services for exhibitions and trade shows.

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

	Year ended 30 June 2011 HK\$'000	Year ended 30 June 2012 HK\$'000	Year ended 30 June 2013 HK\$'000
Participation fee income	124,939	140,518	209,753
Additional facilities income	9,262	7,282	10,416
Sub-contracting and management fee income	13,421	18,774	359
Other ancillary service income	136	221	105
	<u>147,758</u>	<u>166,795</u>	<u>220,633</u>

8. OTHER REVENUE

	Year ended 30 June 2011 HK\$'000	Year ended 30 June 2012 HK\$'000	Year ended 30 June 2013 HK\$'000
Government subsidy (<i>Note</i>)	1,170	15	116
Sundry income	622	44	451
	<u>1,792</u>	<u>59</u>	<u>567</u>

Note:

For the year ended 30 June 2011, government subsidy represents the grant of approximately HK\$1,170,000 (RMB1,000,000) from the Ningbo District Government, the PRC, for the organisation of Ningbo International Sourcing Expo.

For the year ended 30 June 2012, government subsidy represents the grant of approximately HK\$15,000 from the Hong Kong Trade and Industry Department under the SME Marketing Export Fund for the participation in HKTDC Hong Kong Toys and Game Fair 2012.

For the year ended 30 June 2013, government subsidy represents the grant of approximately HK\$17,000 and HK\$99,000 from the Hong Kong Trade and Industry Department under the SME Marketing Export Fund for the participation in HKTDC Hong Kong Gifts & Premium Fair 2012 and Singapore Tourism Board for the organisation of Singapore Asia Expo respectively.

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9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Year ended 30 June 2011 HK\$'000	Year ended 30 June 2012 HK\$'000	Year ended 30 June 2013 HK\$'000
Staff costs:			
Employee benefit expense (including directors' remuneration (<i>Note 10</i>)):			
Wages and salaries	18,806	21,178	33,583
Retirement benefit schemes contributions	320	653	1,234
	<u>19,126</u>	<u>21,831</u>	<u>34,817</u>
Other items:			
Depreciation of owned property, plant and equipment (<i>Note 15</i>)	416	583	912
Impairment loss on goodwill	–	–	322
Auditors' remuneration	1,231	791	1,025
Operating lease rentals in respect of land and building	4,631	5,017	9,902
	<u>4,631</u>	<u>5,017</u>	<u>9,902</u>
and after crediting:			
Other income:			
Interest income	5	13	8
Exchange gains	204	83	90
	<u>209</u>	<u>96</u>	<u>98</u>

10. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID EMPLOYEES REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

Details of directors' emoluments are as follows:

	Year ended 30 June 2011 HK\$'000	Year ended 30 June 2012 HK\$'000	Year ended 30 June 2013 HK\$'000
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	3,546	3,467	6,348
Retirement benefit schemes contributions	24	24	30
	<u>3,570</u>	<u>3,491</u>	<u>6,378</u>
Total	<u>3,570</u>	<u>3,491</u>	<u>6,378</u>

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Executive and non-executive directors

	Salaries, allowances and other benefits in kind		Retirement benefit scheme contributions	Total remuneration
	Fees <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 30 June 2013				
Executive directors				
Mr. Lee	–	4,478	15	4,493
Si Tze Fung ("Mr. Si")	–	1,870	15	1,885
Independent non-executive directors				
Chu Kwok Man (<i>note a</i>)	–	–	–	–
Leung Hung Kee (<i>note a</i>)	–	–	–	–
Yeung Wei Keung (<i>note a</i>)	–	–	–	–
	–	6,348	30	6,378
Year ended 30 June 2012				
Executive directors				
Mr. Lee	–	2,678	12	2,690
Mr. Si	–	789	12	801
Independent non-executive directors				
Chu Kwok Man (<i>note a</i>)	–	–	–	–
Leung Hung Kee (<i>note a</i>)	–	–	–	–
Yeung Wei Keung (<i>note a</i>)	–	–	–	–
	–	3,467	24	3,491
Year ended 30 June 2011				
Executive directors				
Mr. Lee	–	2,546	12	2,558
Mr. Si	–	1,000	12	1,012
Independent non-executive directors				
Chu Kwok Man (<i>note a</i>)	–	–	–	–
Leung Hung Kee (<i>note a</i>)	–	–	–	–
Yeung Wei Keung (<i>note a</i>)	–	–	–	–
	–	3,546	24	3,570

The emoluments of the executive directors and independent non-executive directors are within the following band:

	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
HK\$4,000,001 to HK\$5,000,000	–	–	1
HK\$3,000,001 to HK\$4,000,000	–	–	–
HK\$2,000,001 to HK\$3,000,000	–	–	–
HK\$1,000,001 to HK\$2,000,000	2	1	1
Nil to HK\$1,000,000	3	4	3
	5	5	5

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Note:

- (a) The Company's independent non-executive directors were all appointed on 18 October 2013. As such, no emolument was paid for payable to them during the Track Record Period.
- (b) Included in the directors' emoluments, no fee paid to the executive directors and independent non-executive directors during the Track Record Period.
- (c) During the Track Record Period, bonus of approximately HK\$301,000, HK\$413,000 and HK\$813,000 respectively were paid to the executive directors of the Company. During the Track Record Period 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.
- (d) During the Track Record Period, no share options were granted to the executive directors and independent non-executive directors to subscribe for ordinary shares of the Company under the Company's share option scheme.

Five highest paid employees

The five highest paid employees of the Group during the Track Record Period are analysed as follows:

	Year ended 30 June 2011 HK\$'000	Year ended 30 June 2012 HK\$'000	Year ended 30 June 2013 HK\$'000
Directors	3,570	3,491	6,378
Non-directors	2,450	2,481	3,739
	<u>6,020</u>	<u>5,972</u>	<u>10,117</u>

Details of the remuneration of the non-director, highest paid employees during the Track Record Period are as follows:

	Year ended 30 June 2011 HK\$'000	Year ended 30 June 2012 HK\$'000	Year ended 30 June 2013 HK\$'000
Salaries, allowances and benefits in kind	2,418	2,446	3,703
Retirement benefit schemes contributions	32	35	36
	<u>2,450</u>	<u>2,481</u>	<u>3,739</u>

The number of these non-directors, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
HK\$1,000,001 to HK\$2,000,000	–	–	2
Nil to HK\$1,000,000	3	3	1
	<u>3</u>	<u>3</u>	<u>3</u>

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Senior managements of the Company

The emoluments of the senior managements of the Company are within the following band:

	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
HK\$1,000,001 to HK\$2,000,000	–	–	1
Nil to HK\$1,000,000	4	4	4
	<u>4</u>	<u>4</u>	<u>5</u>

During the Track Record Period, bonus of approximately HK\$136,000, HK\$132,000 and HK\$544,000 respectively were paid to the senior managements of the Company. No emoluments were paid by the Group to the senior management as an inducement to join, or upon joining the Group, or as a compensation for loss of office.

During the year, no share options to subscribe for ordinary shares of the Company were granted to the senior managements of the Company under the Company's share option scheme.

11. TAXATION

	Year ended 30 June 2011 <i>HK\$'000</i>	Year ended 30 June 2012 <i>HK\$'000</i>	Year ended 30 June 2013 <i>HK\$'000</i>
Current tax for the year			
– Hong Kong profits tax	5,294	5,976	8,339
	<u>5,294</u>	<u>5,976</u>	<u>8,339</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

Singapore corporate tax is calculated at 17% on assessable profit derived from Singapore. During the years ended 30 June 2012 and 2013, the estimated corporate tax liability was approximately HK\$17,000 (For the year ended 30 June 2011: N/A) and the amount was indemnified by the controlling shareholders of the Company, as a result no provision was recognised.

No provision for the PRC enterprise income tax has been made as the PRC subsidiaries did not have any assessable profits in the PRC for the Track Record Period.

No provision for the US federal income tax and branch profits tax has been made as the US subsidiary did not have any assessable profits in the US for the year ended 30 June 2013 (For the years ended 30 June 2012 and 2011: N/A).

No deferred tax has been provided for as there were no material temporary differences.

A reconciliation of the taxation applicable to profit 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:

Year ended 30 June 2011

	<i>HK\$'000</i>	%
Profit before tax	31,220	
Tax at the statutory tax rate	5,151	16.5
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(110)	(0.4)
Tax effect of income not taxable for tax purpose	(74)	(0.2)
Tax loss not recognised	327	1.0
Tax charge for the year	<u>5,294</u>	<u>16.9</u>

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Year ended 30 June 2012

	<i>HK\$'000</i>	%
Profit before tax	30,864	
Tax at the statutory tax rate	5,093	16.5
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(125)	(0.4)
Tax effect of expenses not deductible for tax purpose	106	0.3
Tax loss not recognised	902	2.9
Tax charge for the year	<u>5,976</u>	<u>19.3</u>

Year ended 30 June 2013

	<i>HK\$'000</i>	%
Profit before tax	34,241	
Tax at the statutory tax rate	5,650	16.5
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(302)	(0.9)
Tax effect of expenses not deductible for tax purpose	1,822	5.3
Tax loss not recognised	1,169	3.5
Tax charge for the year	<u>8,339</u>	<u>24.4</u>

12. DIVIDENDS

	Year ended 30 June 2011 <i>HK\$'000</i>	Year ended 30 June 2012 <i>HK\$'000</i>	Year ended 30 June 2013 <i>HK\$'000</i>
Dividends	<u>36,000</u>	<u>27,000</u>	<u>32,000</u>

During the year ended 30 June 2011, the Group declared HK\$36,000,000 interim dividends and paid a dividend of HK\$39,400,000 to its shareholders. During the year ended 30 June 2012, the Group declared and paid HK\$27,000,000 interim dividends to its shareholders. During the year ended 30 June 2013, the Group declared and paid HK\$32,000,000 interim dividend to its shareholders.

The rate of dividend per share is not presented as it is not indicative of the rate at which future dividends will be declared.

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to owners of the Company for the Track Record Period and on the assumptions that and the 150,000,000 ordinary shares in issue, comprising 10,000,000 share in issue as at the date of this document and 140,000,000 shares to be issued pursuant to the [•••] as described in the section headed "Share Capital" to this document, as if the shares were outstanding throughout the entire Track Record Period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the Track Record Period.

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14. GOODWILL

	<i>HK\$'000</i>
Cost	
As at 1 July 2010	–
Acquisition of a subsidiary	322
	322
As at 30 June 2011, 1 July 2011, 30 June 2012, 1 July 2012 and 30 June 2013	322
Impairment	
As at 1 July 2010, 30 June 2011, 1 July 2011, 30 June 2012 and 1 July 2012	–
Provision for the year	322
	322
As at 30 June 2013	322
Carrying amounts	
As at 30 June 2013	–
	–
As at 30 June 2012	322
	322
As at 30 June 2011	322
	322

Impairment testing on goodwill

The recoverable amount of cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a three-year period, and a discount rate for the years ended 30 June 2011 and 2012 of 18.83% and 18.66% respectively. Cash flow projections during the budget period are based on the same expected gross margins throughout the budget period. Cash flows beyond that three-year period have been extrapolated using 3.41% per annum growth rate which does not exceed the long-term average growth rate for the market.

During the year ended 30 June 2013, the Group was decided to deregister. Ningbo Tianyi and is arranging for the application and other relevant documentation. The directors revised the cashflow projections and expected no cashflow will be generated from Ningbo Tianyi. Impairment loss on goodwill of approximately HK\$322,000 was recognised in the combined statements of comprehensive income.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
As at 1 July 2010	–	–	–	–
Additions	1,060	207	530	1,797
Acquisition of a subsidiary	27	–	54	81
Exchange realignment	2	–	3	5
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2011 and 1 July 2011	1,089	207	587	1,883
Additions	24	133	50	207
Exchange realignment	1	–	1	2
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2012 and 1 July 2012	1,114	340	638	2,092
Additions	–	1,162	543	1,705
Exchange realignment	–	1	1	2
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2013	1,114	1,503	1,182	3,799
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
As at 1 July 2010	–	–	–	–
Charge for the year	288	41	87	416
Exchange realignment	1	–	–	1
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2011 and 1 July 2011	289	41	87	417
Charge for the year	370	82	131	583
Exchange realignment	1	–	–	1
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2012 and 1 July 2012	660	123	218	1,001
Charge for the year	372	319	221	912
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2013	1,032	442	439	1,913
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amounts				
As at 30 June 2013	82	1,061	743	1,886
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 30 June 2012	454	217	420	1,091
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 30 June 2011	800	166	500	1,466
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2011 HK\$'000	As at 30 June 2012 HK\$'000	As at 30 June 2013 HK\$'000
Prepayments	39,766	54,776	29,735
Deposits	352	347	3,028
Other receivables	2,160	5,261	1,535
	<u>42,278</u>	<u>60,384</u>	<u>34,298</u>

Note:

Other receivables included funds advance to staffs. The staff entitled an interest-free loan equivalent to the amount of the gratuity in advance provided that they do not terminate by their own resignation for twenty-four consecutive calendar months from 21 December 2009 to 20 December 2011 (the "Qualifying Period").

The loan shall become immediately due and repayable to the Company upon the termination of employment by staff and shall carry interest at the rate of 2% per calendar month from the date of termination of employment until the date of full repayment of the loan and interest.

On 10 December 2011, the Company had extended the Qualifying Period of the gratuity payment to 20 December 2013 with the same terms applies.

17. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

	As at 30 June 2011 HK\$'000	As at 30 June 2012 HK\$'000	As at 30 June 2013 HK\$'000
Business Good	–	12	13
	<u>–</u>	<u>12</u>	<u>13</u>

The amount due from ultimate holding company was unsecured, interest-free and recoverable on demand.

The maximum outstanding balances for the years ended 30 June 2012 and 2013 were approximately HK\$12,000 and HK\$13,000 respectively.

18. AMOUNTS DUE FROM DIRECTORS

	As at 30 June 2011 HK\$'000	As at 30 June 2012 HK\$'000	As at 30 June 2013 HK\$'000
Name of directors			
Mr. Lee	45,868	55,902	21,824
Mr. Si	380	991	–
	<u>46,248</u>	<u>56,893</u>	<u>21,824</u>

The amounts due from directors were unsecured, interest-free and recoverable on demand.

The maximum amounts due from directors outstanding during the Track Record Period were approximately HK\$60,648,000, HK\$63,189,000 and HK\$63,580,000 respectively.

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19. CASH AND CASH EQUIVALENTS

As at 30 June 2011, 2012 and 2013, the remittance of cash and cash equivalents denominated in RMB of approximately HK\$3,238,000, HK\$1,356,000 and HK\$307,000 respectively out of the PRC is subject to the foreign exchange control restrictions imposed by the government of the PRC.

20. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2011 <i>HK\$'000</i>	As at 30 June 2012 <i>HK\$'000</i>	As at 30 June 2013 <i>HK\$'000</i>
Other payables	12,765	986	445
Accruals	210	787	3,463
	<u>12,975</u>	<u>1,773</u>	<u>3,908</u>

21. DEFERRED TAX

As at 30 June 2011, 2012 and 2013, the Group had unused estimated tax losses of approximately HK\$1,296,000, HK\$6,006,000 and HK\$14,069,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

22. CAPITAL AND RESERVES

(a) Share capital

The Group

For the purpose of this report, share capital in the combined statements of financial position as at 30 June 2011 and 2012 represented the aggregate amount of issued share capital of the companies now comprising the Group.

As at 30 June 2013, the share capital of the Group represents the issued share capital of the Company.

The Company

The Company was incorporated on 21 August 2012 in the Cayman Islands under the Companies Law, as an exempted company with limited liability with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each and the Company allotted and issued one nil-paid share.

(b) Statutory reserve

In accordance with the Company Law of the PRC, the PRC subsidiaries of the Group is required to allocate 10% of their profit after tax to the statutory reserve until such reserve reaches 50% of the registered capital of the PRC subsidiaries. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory reserve may be converted to increase paid-up capital/issued capital of the PRC subsidiaries, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The statutory reserve of the PRC subsidiaries was HK\$Nil as at 30 June 2011, 2012 and 2013.

(c) 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 HK\$ which are dealt with in accordance with the accounting policies as set out in Note 3.

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(d) **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 Reorganisation as detailed in Note 2.

23. ACQUISITION OF A SUBSIDIARY

Acquisition of 70% of Ningbo Tianyi

On 16 November 2010, the Group acquired 70% of the issued share capital of Ningbo Tianyi at a consideration of approximately HK\$1,628,000 (RMB1,400,000). The amount of goodwill arising as a result of the acquisition was approximately HK\$322,000. The net assets acquired in the transaction and the goodwill arising were as follows:

	Carrying amount and fair value of net assets acquired <i>HK\$'000</i>
Property, plant and equipment	81
Prepayments, deposits and other receivables	729
Cash and cash equivalents	1,056
Accruals and other payables	(1)
	<hr/>
	1,865
Less: Non-controlling interests	(559)
Goodwill	322
	<hr/>
Total consideration	<u>1,628</u>
Satisfied by:	
Cash	<u>1,628</u>
Net cash outflow from acquisition:	
Cash consideration	(1,628)
Cash and cash equivalents acquired	1,056
	<hr/>
	<u>(572)</u>

Ningbo Tianyi contributed HK\$Nil to the Group's revenue and approximately loss of approximately HK\$410,000 to the Group's profit for the period from 17 November 2010 to 30 June 2011.

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24. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere to the Financial Information, the Group had entered into the following related party transactions, which in the opinion of the directors of the Company, were carried out on normal commercial terms and in the ordinary course of the Group.

Compensation of key management personnel of the Group, including directors' emoluments as detailed in Note 10 above.

	Year ended 30 June 2011 <i>HK\$'000</i>	Year ended 30 June 2012 <i>HK\$'000</i>	Year ended 30 June 2013 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	6,021	6,101	10,775
Retirement benefit schemes contributions	69	72	100
Total compensation paid to key management personnel	<u>6,090</u>	<u>6,173</u>	<u>10,875</u>

25. OPERATING LEASE COMMITMENTS

As at 30 June 2011, 2012 and 2013, the Group had outstanding commitments payable under non-cancellable operating leases in respect of properties rented with lease terms of between 1 to 2 years which fall due as follows:

	As at 30 June 2011 <i>HK\$'000</i>	As at 30 June 2012 <i>HK\$'000</i>	As at 30 June 2013 <i>HK\$'000</i>
Within one year	3,406	9,491	21,430
Over one year	383	14,916	2,653
	<u>3,789</u>	<u>24,407</u>	<u>24,083</u>

26. NON-CASH TRANSACTIONS

During the Track Record Period, interim dividend of HK\$16,000,000, HK\$19,250,000 and HK\$32,000,000 respectively were settled with the amount due from a shareholder, Mr. Lee.

27. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands on 21 August 2012 with an authorized share capital of HK\$100,000 divided into 1,000,000 shares with par value of HK\$0.10 each.

The Company has not carried on any business since its date of incorporation.

	As at 30 June 2013 <i>HK\$'000</i>
Current liabilities	
Accruals	10
Amount due to a subsidiary	31
	<u>41</u>
Capital and reserves	
Reserves	41
Total equity attributable to owners of the Company	<u>41</u>

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III. SUBSEQUENT EVENTS

Save as disclose elsewhere in this document, the Group's major subsequent events included the followings:

- (a) The companies now comprising the Group underwent and completed the Reorganisation on 3 October 2013 in preparation for the [•••]. Further details of the Reorganisation are set out in the section headed "Reorganisation" to this document. As a result of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.
- (b) [•••]
- (c) The authorised share capital of the Company was increased from HK\$100,000 to HK\$10,000,000 by the creation of a further 990,000,000 new Shares that was approved by written resolutions passed by the sole shareholder on 18 October 2013.
- (d) [•••]
- (e) The Company's independent non-executive directors were all appointed on 18 October 2013.
- (f) Regarding the Vegas Expo originally scheduled to be held in August 2013, the Group decided to postpone the Vegas Expo 2013 to 2014. Subsequent to 30 June 2013, the Group intend to refund the full amount of the participation fee received in advance for approximately HK\$595,000.
- (g) [•••]

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai Alex
Practising Certificate Number: P05029

Hong Kong