



眾彩羽翔股份有限公司
China Vanguard You Champion Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8156

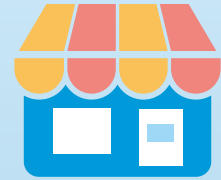
2018
Annual Report



B2G



B2C



B2B

眾彩
China Vanguard

公共安全
Public Security

住房租賃
Leasing

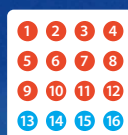
醫療衛生
Health Care

旅遊
Tourism

政務
Government
Affairs

教育
Education

彩票
Lottery



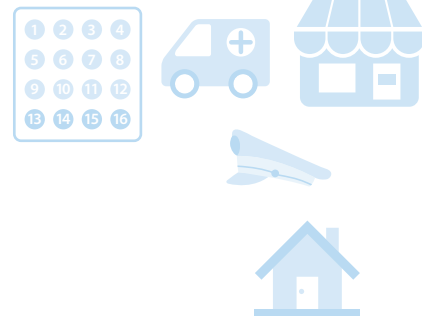
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This report, for which the directors (the “**Directors**”) of China Vanguard You Champion Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Madam CHEUNG Kwai Lan (*Chairperson*)
Mr. CHAN Ting (*Deputy Chairperson & Chief Executive Officer*)

Non-executive Director

Mr. CHAN Tung Mei

Independent Non-executive Directors

Mr. TO Yan Ming Edmond
Mr. YANG Qing Cai
Dr. LIU Ta-pei

AUDIT COMMITTEE

Mr. TO Yan Ming Edmond (*Chairperson*)
Mr. YANG Qing Cai
Dr. LIU Ta-pei

REMUNERATION COMMITTEE

Mr. TO Yan Ming Edmond (*Chairperson*)
Mr. CHAN Ting
Mr. YANG Qing Cai
Dr. LIU Ta-pei

NOMINATION COMMITTEE

Madam CHEUNG Kwai Lan (*Chairperson*)
Mr. YANG Qing Cai
Dr. LIU Ta-pei

AUTHORISED REPRESENTATIVES

Mr. CHAN Ting
Mr. HO Kam Kin

COMPLIANCE OFFICER

Mr. CHAN Ting

COMPANY SECRETARY

Mr. HO Kam Kin

AUDITORS

CCTH CPA Limited

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

P.O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 307-313, 3/F, Wireless Centre
Phase One Hong Kong Science Park
Pak Shek Kok, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited
P. O. Box 10008, Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

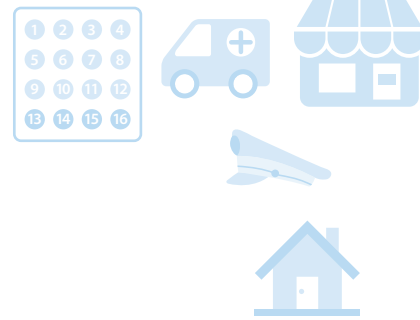
Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

8156

COMPANY WEBSITE

www.cvg.com.hk



CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of China Vanguard You Champion Holdings Limited, I take pleasure in presenting our Shareholders the results of the Company and its subsidiaries for the financial year ended 30 June 2018. This year, the Group has gradually and strategically transformed to a business development of "Internet Plus" from last year and achieved initial results. Relying on innovative and comprehensive solutions, the Group has explored a series of new business opportunities based on the solid business foundation laid over years.

Thanks to the efforts of the teams, "Internet Plus" solutions of the Group have been launched gradually and applied in different industries to provide innovative, convenient and efficient services for users. During Year 2018, the Group successfully signed a strategic cooperation agreement with Tencent Cloud Computing (Beijing) Co., Ltd. (the "**Tencent Cloud**"), pursuant to which, both parties would act as priority strategic partners on a nationwide basis in four specific market segments, namely government affairs, public security, health care and lottery areas.

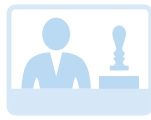
As of the date of this report, the business scope of "Internet Plus" solutions of the Group has been expanded to more industries, including leasing, government affairs, public security, and the tactical planning is becoming increasingly complete. It's encouraging that the Group has signed a service agreement in relation to the construction of Shenzhen Lease Service Supervisory Platform ("**Shenzhen Lease Platform**") project with Tencent Cloud in terms of the business of "Internet Plus". In addition, the Group has also obtained the nationwide authorization for "Mobile QuickPass (雲閃付)" business cooperation from Shenzhen Branch (the "**UnionPay Shenzhen**") of China UnionPay Co., Ltd. (the "**China UnionPay**") (中國銀聯股份有限公司深圳分公司) in terms of the payment scope in leasing related business.

On one hand, the Group has continued its traditional lottery business, providing firm support and foundation for the development of the Group; On the other hand, the Group is opening up new leads based on years of resources and experience and to explore and develop more business and market opportunities, better transform the value of each opportunity and tap the potential value of each market. I strongly believe that with the entry points explored in various fields of "Internet Plus" business and their broad prospects, it is expected to begin to generate abundant income in the coming years with the efforts and dedication made by our team and therefore the Group will be able to bring more good news and even breakthroughs in its business. I would like to express my gratitude to our Shareholders for their continuous support and following our latest developments.

CHEUNG Kwai Lan

Chairperson and Executive Director

Hong Kong, 27 September 2018



CEO'S STATEMENT

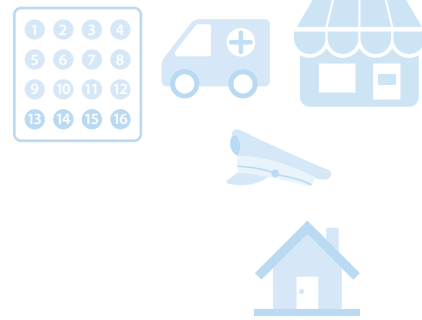
Dear Shareholders:

The Year 2018 marks the transformation from the seeding stage of the "Internet Plus" business in the first half year to the commencement of specific business; meantime, more industries have been explored and covered through "Internet Plus" solutions. At present, "Internet Plus" business includes "Internet Plus Lease", "Internet Plus Government Affairs", "Internet Plus Public Security", "Internet Plus Health", "Internet Plus Lottery" and "Internet Plus Tourism".

"Internet Plus" Business – Gaining Recognition and Strategy Formed

"Internet Plus" solutions of the Group provide efficient and convenient solutions for different industries. With premium user experience and conforming to requirements of customers, our "Internet Plus" solution enables the Group to win the recognition of tycoons of different industries, especially those of Internet. The Group has signed a legally binding strategic cooperation agreement with a controlled structured entity of Tencent Holdings Limited ("**Tencent**") (Stock Code: 700.HK), Tencent Cloud, through its subsidiary during the year under review. The strategic cooperation is to deepen the depth and breadth of cooperation and jointly develop the four major market segments nationwide, namely government affairs, public security, health care and lottery. Within the strategic cooperation agreement, Tencent Cloud and the Group mutually recognize each other as priority strategic partner on a nationwide basis in the above market segments, whilst jointly develop and support applications in mobile, cloud computing, big data, AI and other similar areas. The Board expects that both parties will cooperate closely to explore these huge potential markets in the coming years. Before the publication of the report, the Group signed the software development and project management service agreement for the livelihood policing projects of Public Security Bureau of Shenzhen Municipality ("**SZ Police**") with Tencent Cloud, followed by further signing the project development service agreement for Shenzhen Lease Platform with Tencent Cloud to advance in our strategic cooperation. Meanwhile, the Group's "Internet Plus" solutions have become the showcases in various conferences hosted by those leading Chinese Internet players, such as Tencent's mobile internet partners' conference in Shenzhen in December 2017 and Alibaba's Computing Conference in Hangzhou (also known as "雲栖大會") in October 2017.

In addition to the recognition by the Internet industry, relying on the strength of its "Internet Plus" solutions, the Group has been recognized by other leading enterprises in other industries and signed a legally binding strategic cooperation agreement (the "**GZCI Strategic Cooperation Agreement**") with Guangzhou City Construction Investments Group Smart City Technology Development Company Limited ("**GZCI Smart City**"). According to GZCI Strategic Cooperation Agreement, GZCI Smart City was authorized by Guangzhou City Construction Investments Group Company Limited ("**GZCI**") as a technical support party to develop the GZCI Residential Lease Platform ("**GZCI Lease Platform**"), and the Group further signed the GZCI Lease Platform development agreement with GZCI Smart City after forming a strategic partnership with GZCI Smart City in terms of GZCI Residential Lease Platform ("**GZCI Lease Platform**") and in the smart city market segment.



CEO'S STATEMENT

“Internet Plus Lease” – Reforming Rental Market and Exploring Business Opportunities

The “Internet Plus” business of the Group has successfully expanded into a market highly valued by the PRC government in its work report of the 19th National Congress of CPC, i.e. the national residential lease market, which has exceeded RMB one trillion in terms of market size and is with great potential. The Group attaches great importance to the “Internet Plus Lease” segment, and takes more active measures to explore the wide potential of the market, including providing “Internet Plus Lease” solutions to Shenzhen and Guangzhou for applying to their respective local residential lease platforms.

In September 2018 and before the publication of the report, the Group officially signed the project development service agreement for Shenzhen Lease Platform with Tencent Cloud. Shenzhen Lease Platform is a project authorized by Tencent Cloud to develop supervisory platform and related services of Shenzhen Lease Platform by the Group, including Shenzhen Lease Platform which integrates the self-service system, operation and supervision system, third-party interface to the Shenzhen Lease Platform, housing data filter, operation and maintenance services for Shenzhen housing rental agencies. According to the project development service agreement, the income for the Group will be a share of 14.88%, referencing to the total revenue generated by Tencent Cloud from Shenzhen Lease Platform project, for which a supplemental agreement can be signed separately if needed. By finalizing the agreement, the Group will be expected to record income from “Internet Plus Lease”. Along with further promotion of the lease business, it is estimated that the solution will bring in substantial revenue to the Group. Based on the innovative application of cloud computing, big data and online payment, Shenzhen Lease Platform will target irritants of the residential lease market to defuse the ubiquitous chaos of the current offline residential lease market and provide more direct and more accurate convenience services by related government sectors through Shenzhen Lease Platform, thus greatly improving the rental experience. Now Shenzhen Lease Platform has been launched and put into operation. Users can access the platform by subscribing the Wechat Official Account of Shenzhen Smart Leasing (深圳智慧租房) or clicking on the renting button after setting the city service location in the WeChat wallet as Shenzhen.

In November 2017, the Group has successfully entered into an agreement with the Information Centre of Housing and Construction Bureau of Shenzhen Municipality (深圳市住房建設信息中心), an affiliate of the Housing and Construction Bureau of Shenzhen Municipality (“HCBSZ”) for the development of a revolutionize content management platform in converging and managing all media content under the HCBSZ via WeChat. The solution being provided has now been launched, and the latest information is released in an efficient and timely manner using innovation method.

After entering into the GZCI Strategic Cooperation Agreement, GZCI Smart City has signed the development agreement for GZCI Lease Platform in January 2018. Pursuant to these agreements, with the “Internet Plus” solutions of the Group, the Group has been appointed as the technical service provider of GZCI Lease Platform to build a one-stop WeChat based residential leasing platform that can be connected with various types of services, in order to provide basic services on an online residential lease platform that contains public rental housing, institutional housing and private housing in Guangzhou. The GZCI Lease Platform project has been launched and is in operation.

Capability and business performance of “Internet Plus Leasing” have been recognized by leading players in other industries. In March 2018, the Group successfully signed a legally binding business cooperation agreement (the “**Business Cooperation Agreement**”) with UnionPay Shenzhen in relation to nationwide authorisation to develop the leasing related businesses based on the “Mobile QuickPass” (雲閃付) platform built and operated by China UnionPay. This cooperation not only represented a breakthrough in business achieved by the Group and the further perfection of the Group’s business chain, but also reveal that the Group’s “Internet Plus” business is entering into mobile payment market, while it also set a great precedent for future collaboration with China UnionPay on a wider range of business scopes, allowing the Group to tap into China’s mobile payment market with a humongous market size of over RMB100 trillion.



CEO'S STATEMENT

“Internet Plus Government Affairs” – From Traffic Police To Finance Department

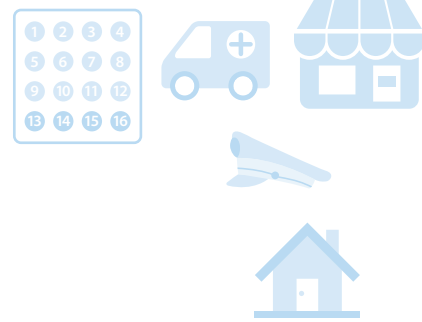
During Year 2018, the “Internet Plus Government Affairs” of the Group has further expanded to fields covering finance from traffic police to provide a series of efficient, innovative and convenient online solutions for such fields and formulate a new standard of its kind among the industry.

The Group has successfully elevated the performance and function of the SZTP Star Users Service Platform (深圳交警星級用戶服務平台) (“**Star Users Platform**”), a solution provided for Shenzhen Traffic Police (“**SZTP**”), to a new standard. Through the solutions provided by the Group and the empowerment of Chinese leading Internet companies, the Star Users Platform is a convenient application to provide traffic police services to citizens on a 24-hour basis and forerun the solutions of its kind among the traffic police sector in the PRC. Currently, the Star Users Platform has been officially launched. As of May 2018, the registered users exceeded 3.5 million, covering over 80% Shenzhen dwellers with driving licenses, and the daily average number of transactions handled through Star Users Platform exceeds 40,000, which saved considerable time for the public.

During the year under review, the Group has successfully entered into an agreement with the Bureau of Finance of Longhua District, Shenzhen Municipality (“**BFLD**”) to provide the development and operation of new media based on the WeChat official account and website. The platforms for BFLD have been officially launched to provide a communication bridge linking the innovative government and citizens for the department and also enable the latest information of the government to be delivered to citizens in a timely and systematic manner.

“Internet Plus Public Security”

The Group had provided “Internet Plus” solution to the SZ Police for one of its livelihood policing projects after the year under review, which representing our first definitive cooperation with Tencent Cloud since the signing the strategic cooperation agreement between the Group and Tencent Cloud. The project is to develop a convergence media platform for the SZ Police with an access from the WeChat (微信) based platform, providing the function of collection and integration of information, content production, together with distribution and promotion through different channels. The convergence media platform also provides a matrix management system for information dissemination for SZ Police and all its affiliates units, as well as connecting the SZTP Star Users Services and related services into the People’s Livelihood Policing Services Platform of Shenzhen (深圳市公安民生警務平台). By applying mobile location based service (LBS) technology, our project solution enables the SZ Police to provide precision services and information to the general public and achieves its three major objectives of high efficiency, manageability and building up the media platform through new media channel, which in turns help the SZ Police to enhance the safety awareness of the general public and to maintain public security effectively. The solution has been launched and put into operation, which further facilitates the online business handling of the public, reduces documents and the number of times for the public to visit government sectors, and implements the PRC government’s intention to improve efficiency through “Internet Plus” technologies.



CEO'S STATEMENT

“Internet Plus Health”

For the year under review, in addition to the further cooperation with Sinopharm Traditional Chinese Medicine Co. Ltd. (國藥藥材股份有限公司) (the “**Sino-TCM**”), the Group also carried out business with another large pharmaceutical group in Hong Kong -Lung Fung Pharmaceutical (Group) Ltd (龍豐藥業(集團)有限公司) (the “**Lung Fung**”).

In November 2017, the Group cooperated with Sino-TCM, a subsidiary of China National Pharmaceutical Group (中國醫藥集團總公司) in establishing a joint venture – Sinopharm Health Cross Border E-Commerce Company Limited in Hong Kong, which will be engaged in e-commerce, import and export of health related products, supply chain and other related business. The Group will warrant the “Internet Plus” technologies and operation of the joint venture, including the online e-commerce platform based on the interactive marketing solution for Hong Kong and overseas markets.

In January 2018, Sinopharm Health Cross Border E-Commerce Company Limited signed a purchase contract with Lung Fung. It will further solidify the foundation of the Group's “Internet Plus Health” business through integrating the wide range of product lines of health-related and cosmetic products, massive online-offline sales network and comprehensive sales experience from Lung Fung, with our online-offline sales technology.

“Internet Plus Education”

Meanwhile, the Group's “Internet Plus” business has been initially preparing for the education industry. In January 2018, the Group has entered into an agreement to acquire Shenzhen TBSEO Info Tech Co. Ltd. (深圳滕寶盛信息科技有限公司) (the “**TBSEO**”), a company incorporated in Shenzhen with limited liability, with an aim to leverage on the experience and resources in education and training of TBSEO to speed up the development of the Group in such uprising “Internet Plus Education” market.

“Internet Plus Tourism” and “Internet Plus Lottery”

For the year under review, the guidance policies released by the PRC government to support the deepened reform and opening up of Hainan in an all-round way require the innovation of the mechanism promoting the development of international tourist consumption center and provide direction for the development of lottery related, sports tourism industries, the development of “Internet Plus” consumption ecosystem, and government related supervision system so as to promote tourism consumption. Hence, the Group entered into cooperation with Hainan Huan Yu Assets Investment Company Limited (海南桓裕實業投資有限公司), Icederby International Co., Ltd. and Tahiti Black Pearl Poe Raua Nui Limited, which are principally engaged in property development, organising of sports events and marketing, respectively, with an aim to expanding its capabilities in Hainan, and to forging a stronger foundation, in order to explore the development of lottery related, sports tourism industries, the development of “Internet Plus” consumption ecosystem, and government related supervision system so as to promote tourism consumption. Meanwhile, our development deeply drills into values from the discussion between the Group and the relevant government authorities in Hainan in early 2012 in relation to the development of large-scale cultural, sports and gaming projects (including interactive lottery related business and sports training and tourism facilities) and the opportunities brought by the cooperation between the Group and Hainan Sports Lottery Administration Centre since 2016.



CEO'S STATEMENT

LOTTERY BUSINESS

We have continually engaged in provision of lottery transaction system, lottery Point-of-Sale (“**POS**”) terminals and other lottery solutions (the “**Lottery Business**”) to Sports Lottery and Welfare Lottery Centres in the PRC. In Year 2018, the performance of the Lottery Business was still tough with the traditional lottery segment believed to reach certain market saturation. On the other hand, the overall regulatory atmosphere on internet lottery remains tight with resumption of lottery sales through online channels not happened during the year. The Group will proactively develop the Lottery Business through different channels and methods.

OUTLOOK AND STRATEGIES

For the year under review, driven by the demand for “Internet Plus” by various industry, the government and users, our “Internet Plus” solutions have led the Group’s business scope into more industries. While the Group exploring the market, our “Internet Plus” solutions have become the showcases of the industry for multiple times through which the Group has successfully established the strategic development and in-depth cooperation with tycoons from various industries such as Tencent Cloud, UnionPay Shenzhen and Sino-TCM. In the future, leveraging on the Group’s rich resources and technological advantages and empowerment and resources of all partners, we will collaborate with leading companies and seize opportunities to quickly apply our “Internet Plus” solutions to markets across the country and create great value. Against the backdrop of such broad market prospects for “Internet Plus Lease” solutions and the continuous reform of the residential lease market, the Group is expected to rapidly promote its innovative “Internet Plus Lease” solutions to the whole country and to record income in coming year by leveraging its existing business resources in conjunction with Tencent Group’s products and technologies to be the first to seize business opportunities. Moreover, the cooperation between the Group and Sino-TCM and the further development of the Group’s setting in Hainan, if successfully materialise, will present an exponential prospect for the Group’s development.

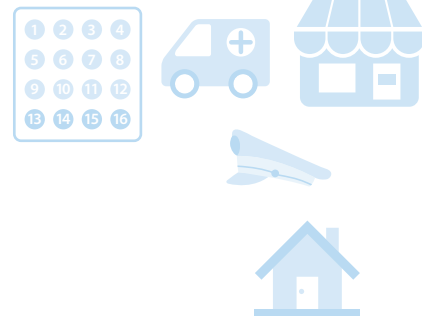
As the lottery industry itself is sensitive to the regulation, the lottery business continues to face challenges in its development, however, the Group is known as reliable and has been cooperating with the lottery institutions and actively kept seizing opportunities through new technologies to capture a favorable position.

During the year under review, “Internet Plus” business has brought a series of new opportunities and value to us. It is expected that we will gradually explore the value of each business in the future to bring more returns to shareholders. I would like to take this opportunity to express my sincere thanks to our customers, business partners, suppliers and shareholders. It is your encouragement that continuously motivate our team to move forward. I look forward to your feedback and cooperating with you in the future.

CHAN Ting

Executive Director and Chief Executive Officer

Hong Kong, 27 September 2018



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 30 June 2018, the Group recorded revenue of HK\$25 million, a decrease of 4% over revenue of HK\$26 million for the same period in 2017, while gross profit for the period of HK\$16 million represented an increase of 17% over gross profit of HK\$13 million in the corresponding period in 2017. Revenue slightly decreased as the result of the performance of lottery business remains stagnant during the year under review. Increase in gross profit was due to the Company has taken various measures to tighten direct cost of services.

The Group recorded a loss attributable to equity holders of HK\$61 million for the year under review, a decrease of 65% over the loss attributable to the equity holders for the same period in 2017 (2017: HK\$175 million). The major reasons for the decreasing of the loss attributable to equity holders are mainly due to the effects of the Group has taken various measures to tighten cost controls and less provision for doubtful receivables and impairment losses on assets were made for the Year 2018 as compared with the Year 2017.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2018, the Group's bank balances and cash amounted to HK\$5 million (2017: HK\$14 million) which were mainly held in HK\$ and RMB. Current assets amounted to HK\$27 million (2017: HK\$50 million), mainly comprising of trade and other receivables and prepayment, bank balance and cash. Current liabilities amounted to HK\$232 million (2017: HK\$123 million), mainly comprising of trade payables, accruals and other payables, amount due to directors and convertible bonds. As at 30 June 2018, the gearing ratio of the Group was 51% on the basis of the Group's total interest-bearing borrowings divided by total assets (2017: 67%).

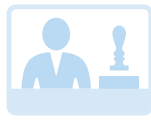
CAPITAL STRUCTURE

On 16 December 2014, Shareholders of the Company approved the ordinary resolution in relation to the proposed share subdivision at an extraordinary general meeting of the Company. Pursuant to which, with effect from 17 December 2014, each existing issued and unissued share of HK\$0.050 each in the share capital of the Company was divided into four subdivided shares of HK\$0.0125 each (the "**Share Subdivision**"). As a result of the Share Subdivision, adjustments to the share option scheme adopted on 31 January 2013 and to the convertible bonds issued on 17 January 2014 have been made respectively.

As at 30 June 2018, the total number of issued share capital of the Company was 3,290,855,068 Shares.

CONVERTIBLE BONDS

On 17 January 2014, the Company issued unlisted convertible bonds due on 17 January 2017 with a principal amount of HK\$89,625,000 at a rate of 2% per annual as general working capital and for repayment of borrowings (the "**Bonds**"). A maximum number of 37,500,000 shares would be issued by the Company upon full conversion of the Bonds at the conversion price of HK\$2.39 per share into full-paid ordinary shares of the Company. As a result of Share Subdivision, the number of Shares fallings to be issued upon full conversion of the Bonds was adjusted to 150,000,000 at the conversion price of HK\$0.598 per Share.



MANAGEMENT DISCUSSION AND ANALYSIS

On 18 January 2017, the Company entered an amendment agreement with the Bondholder to amend some principal terms of the Convertible Bonds. The maturity date of the Convertible Bonds was extended for six months from 17 January to 17 July 2017, and further extended maturity date upon a written consent from the Bondholder shall be 17 January 2018. Its conversion price was amended from HK\$0.598 to HK\$0.359 per conversion share, which can be converted into for the maximum number of 249,651,810 shares. The interest rates of the Convertible Bonds shall be increased to 8% per annum and paid semi-annually (the "**Amendments**"). Save for the adjustment, all other terms and conditions of the Bonds shall remain unchanged. The Amendments had been passed as an ordinary resolution by the shareholders at the extraordinary general meeting, the Company held on 29 March 2017. On 18 July 2017, the Company received a written consent from the Bondholder, of which the maturity date of the Convertible Bonds would be extended for the further six months to 17 January 2018.

On 18 January 2018, the Company entered a second amendment agreement with the bondholder to extend the maturity date of Convertible Bonds from 17 January 2018 to 17 July 2018, and further extended maturity date upon a written consent from the Bondholder shall be 17 January 2019. The Company has received a written consent from the Bondholder, of which the maturity date of the Convertible Bonds would be extended for the further six months to 17 January 2019.

As at 30 June 2018, no conversions have been made for the Bonds issued by holders of the Bonds or redeemed by the Company.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group had no contingent liabilities as at 30 June 2018 (30 June 2017: Nil).

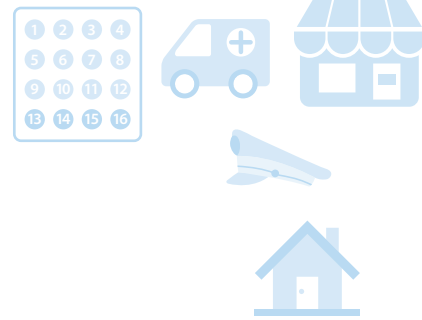
No assets of the Group was pledged as securities to any third parties as at 30 June 2018 (30 June 2017: Nil).

COMMITMENTS

The Group had capital commitments at HK\$11 million and operating commitments as lease of HK\$2 million from operations as at 30 June 2018 (30 June 2017: capital commitments of HK\$11 million and operating lease commitments of HK\$8 million respectively).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the reporting period, the Group did not make any significant investment or material acquisition or disposal of subsidiaries and affiliated companies.



MANAGEMENT DISCUSSION AND ANALYSIS

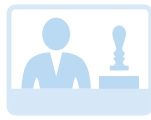
EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 27 and 91 (2017: 31 and 120) employees in Hong Kong and the PRC respectively, which including the Directors. Total staffs cost excluding Directors' remuneration for the year under review amounted approximately HK\$36 million (2017: HK\$40 million).

Employees' remunerations are determined with reference to their performance, qualifications, experience, positions and the current trend. Apart from the basic salary and participation in the mandatory provident fund scheme and staff benefits including medical and training programs, share options may be granted to individual employees based on performance evaluation in order to provide incentives and rewards.

FOREIGN EXCHANGE EXPOSURE

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in HK\$ or RMB. The Group's major investment and financing strategies are to invest in domestic projects in the PRC by RMB and HK\$ borrowings. As the exchange rate of RMB against HK\$ is relatively stable and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the period. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB and HK\$ exchange rate movement.



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

The profile of the Directors and senior management as at the date of this annual report are as follows:

DIRECTORS

Executive Directors

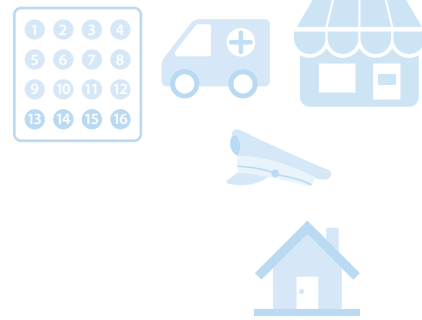
Madam CHEUNG Kwai Lan, aged 80, one of the founders of the Group, is the Chairperson and Executive Director of the Company. She is also the Chairperson of the Nomination Committee of the Company. She has served the Group for more than 18 years and is the director of various subsidiaries of the Group. Madam CHEUNG is responsible for corporate development and strategic planning of the Group. Madam CHEUNG graduated from Shanxi Taiyuan Medical School in 1960 and was a researcher at Shanxi Province Taiyuan (Atomic Energy) Research Institute (山西省太原(原子能)研究所), which was one of the institutions of the Chinese Academy of Science. She also participated in the research and development of the radioactive material Cobalt 60 for imaging and cancer treatment. Madam CHEUNG has been engaged in commercial development in Hong Kong for almost 40 years.

Madam CHEUNG takes a keen interest in social welfare and charity works. She is currently the chairperson of Zhang Xueliang Foundation, permanent honorary chairperson of the World of Chinese & Overseas Chinese Peace Promote Association, director of the China Legal Aid Foundation under the Ministry of Justice, vice chairperson of the "Chinese Charitable Work Development Association" (中國公益事業發展聯合會), and honorary director of "Chinese Si Hai Tong Xin Association in Taiwan" (台灣中華四海同心會). Madam CHEUNG attended the 2nd conference of the 11th National Committee of the Chinese People's Political Consultative Conference as an overseas compatriot by special invitation. She has also been awarded as "China Philanthropy Outstanding Contribution Individual", "Most Influential Entrepreneur in China", "International Philanthropic Celebrity", "International Philanthropic Stars" and "Progeny of the PRC for the 60 Years Development of New China".

Madam CHEUNG is the mother of Ms. CHAN Siu Sarah and Mr. CHAN Ting, and is the spouse of Mr. CHAN Tung Mei, being the Group General Counsel, Executive and Non-executive Directors of the Company respectively.

Mr. CHAN Ting, aged 48, is the Deputy Chairperson, Executive Director, Chief Executive Officer, Compliance Officer and Authorised Representative of the Company. He is also a member of the Remuneration Committee of the Company. He has served the Group for more than 17 years and is the director of various subsidiaries of the Group. He is responsible for the marketing, business development, strategic planning and operations of the Group. He was awarded a bachelor's degree in Economics from Macquarie University in Australia in 1993. He is the Vice President of the Zhang Xueliang Foundation. Mr. CHAN has over 23 years of working experience in establishing and managing companies in the PRC.

Mr. CHAN is the son of Madam CHEUNG Kwai Lan and Mr. CHAN Tung Mei, being the Chairperson and Executive Director, and Non-executive Director respectively, and the brother of Ms. CHAN Siu Sarah being the Group General Counsel. He joined the Group in July 2001.



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. CHAN Tung Mei, aged 82, is one of the founders of the Group and a Non-executive Director of the Company. Mr. CHAN has served the Group for more than 18 years and is the director of various subsidiaries of the Group. He graduated from Shanxi Industrial University (now known as Shanxi Taiyuan University of Technology) in the PRC and has received a bachelor's degree in Civil Engineering in August 1960. Mr. CHAN has over 21 years of experience in establishing and managing companies.

Mr. CHAN is the father of Ms. CHAN Siu Sarah and Mr. CHAN Ting and the spouse of Madam CHEUNG Kwai Lan, being the Group General Counsel and Executive Directors of the Company respectively.

Independent Non-executive Director

Mr. TO Yan Ming, Edmond, aged 46, is an Independent Non-executive Director of the Company. He is also the Chairperson of both the Audit Committee and the Remuneration Committee of the Company. Mr. TO obtained a bachelor's degree in Commerce in Accounting from Curtin University of Technology in Western Australia. He is a Certified Public Accountant (Practising) in Hong Kong, and also a member of both the CPA Australia and Hong Kong Institute of Certificate Public Accountants. He worked for one of the international accounting firms, Deloitte Touche Tohmatsu and has extensive experience in auditing, accounting, public offerings and taxation matters. Mr. TO is the director of Edmond To CPA Limited, R.C.W (HK) CPA Limited and Asian Alliance (HK) CPA Limited (formerly known as Zhonglei (HK) CPA Company Limited) respectively. He was previously an independent non-executive director of each of China Household Holdings Limited (Stock Code: 692) and Theme International Holdings Limited (Stock Code: 990), and also he is currently an independent non-executive director of Wai Chun Group Holdings Limited (Stock Code: 1013), Wai Chun Mining Industry Group Company Limited (Stock Code: 660), Courage Investment Group Limited (formerly known as Courage Marine Group Limited) (Stock Code: 1145), Tianli Holdings Group Limited (formerly known as EYANG Holdings (Group) Co., Limited) (Stock Code: 117), Birmingham Sports Holdings Limited (Stock Code: 2309), EPI (Holdings) Limited (Stock Code: 689), SH Group (Holdings) Limited (Stock Code: 1637), (shares of all which are listed on the Main Board of the Stock Exchange) and Asia Grocery Distribution Limited (Stock Code: 8413) (share of which is listed on GEM of the Stock Exchange). He joined the Group in January 2006. He retired as an Independent Non-executive Director, the Chairperson of both the Audit Committee and the Remuneration Committee of the Company in the annual general meeting held by the Company on 23 November 2017 and was re-appointed as the aforesaid positions on 11 December 2017.



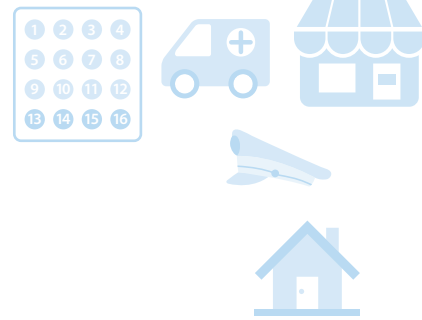
PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Dr. LIU Ta-pei, aged 67, is an Independent Non-executive Director of the Company. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company respectively. He graduated from National Chung-Hsing University in Taiwan. After graduation, he continued his studies in National Cheng-Chi University, Taiwan and the University of Southern California, U.S.A. and obtained Master of Science and MBA degrees respectively. He was then conferred his Doctoral degree in public administration from the University of La Verne, U.S.A and the Doctoral degree in Finance from Shanghai University of Finance and Economics. Apart from his strong educational background, Dr. LIU has been active in the financial field for more than 21 years. Dr. LIU is currently the executive director of Huisheng International Holdings Limited, which is listed on the Main Board of the Stock Exchange (Stock code: 1340). He was previously the director of Mega Financial Holdings Company Limited (“Mega Financial Holdings”), which is listed on the Taiwan Stock Exchange Corporation (Stock code: 2886.TW) and also served as the chairman of Mega Securities Co., Ltd, a subsidiary of Mega Financial Holdings. He had also been the director respectively of Global Securities Finance Corporation, Chung Hsing Bills Finance Corporation, and Central Investment Holding Company, and the chairman of Jen Hwa Investment Holding Company. Dr. LIU had served China Development Industrial Bank, one of the top management of Taiwan’s largest Investment Banks. He also had been the chief executive officer and an executive director of the Core Pacific-Yamaichi Group in Hong Kong. Dr. LIU was ranked as one of the ‘Top Ten Intelligent Financial Personnel in Greater China’ and he was conferred the ‘Best Integrity Award’ in 2008. He was also granted the honour of “Golden Peak Award of Outstanding Corporation Leaders in Taiwan” in 1998. Dr. LIU is currently a member of Hong Kong Economic Development Commission. He joined the Group in February 2017. He retired as an Independent Non-executive Director, the member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company in the annual general meeting held by the Company on 23 November 2017 and was re-appointed as the aforesaid positions on 11 December 2017.

Mr. YANG Qing Cai, aged 71, is an Independent Non-executive Director of the Company. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company respectively. Mr. YANG was formerly the Vice Governor of Jilin Province. He has also served as the Deputy Director of the Rural Affairs Department of the Jilin Provincial Committee, the Deputy Secretary General of the Government of Jilin Province, and the Vice Director of the Standing Committee of the National People’s Congress of Jilin Province. He joined the Group in April 2011.

SENIOR MANAGEMENT

Mr. HO Kam Kin, aged 41, is the Group Chief Financial Officer, Company Secretary and Authorised Representative of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He obtained a Bachelor of Arts Degree in Accountancy and Master Degree of Corporate Finance from The Hong Kong Polytechnic University. Mr. HO held senior accounting positions in a number of companies listed on the Stock Exchange and worked in an international accounting firm for three years. He has over 16 years of experience in accounting and financial management. Prior to joining the Company, he was the financial controller and company secretary of a company listed on the Main Board of the Stock Exchange. Mr. HO joined the Group in September 2016.



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

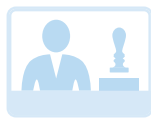
Ms. CHAN Siu Sarah, aged 53, is the General Counsel of the Group and the director of various subsidiaries of the Group. From 2010 to 30 June 2016, she has been in charge of the business activities of 深圳市博眾信息技術有限公司 (Shenzhen Bozone IT Co., Limited), the Group's main subsidiary for its traditional lottery business. She is in charge of upkeep of relationship with social welfare lottery centres. Ms. CHAN obtained her law degree from the London School of Economics and Political Science and is qualified to practice law as solicitor in Hong Kong and England and Wales. She did her solicitor's training with the international firm of Baker & McKenzie in Hong Kong and, after qualification, worked at the international firm of Linklaters in Hong Kong specializing in projects and project finance with a particular focus on China. She then became a corporate counsel with the Asia Pacific regional headquarter of Lucent Technologies in Hong Kong attending to legal matters in the region and later was appointed to be the regional general counsel for the Asia Pacific region of Avon Products Inc., leading its legal, government and regulatory affair teams in the region. Ms. CHAN was an executive director of Avon Products Co., Ltd. which was listed on the JASDAQ Securities Exchange, Inc. for the period from March 2006 to December 2007. She joined the Group in May 2008 as Executive Director and General Counsel. Ms. CHAN resigned as an Executive Director of the Company on 30 July 2013 and has remained as General Counsel of the Group and has continued to be in charge of social welfare lottery related business of the Group.

Ms. CHAN is the daughter of Madam CHEUNG Kwai Lan and Mr. CHAN Tung Mei, being the Chairperson and Executive Director and Non-executive Director of the Company respectively, and the sister of Mr. CHAN Ting, being the Deputy Chairperson, Chief Executive Officer and Executive Director of the Company.

Mr. FUNG King Him Daniel, aged 48, is the Director of Group Corporate Strategy, Investor Relations, and the director of various subsidiaries of the Group. He has been responsible for corporate strategy and investor relations of the Group. Mr. FUNG has obtained a bachelor's degree from the University of Wisconsin in the United States of America with double majors in Mathematics and Computer Science. He previously worked in Lehman Brothers Asia Limited, HSBC Asset Management Limited and Platinum Securities Company Limited. Mr. FUNG was an executive director of Celebrate International Holdings Limited, which was previously known as Aptus Holdings Limited and a non-wholly owned subsidiary of the Group from 27 August 2004 to 30 December 2010. He joined the Group in February 2002.

Ms. KWOK Shuk Yi, aged 42, is the Director of Group Human Resources and Administration and the director of a subsidiary of the Group. She holds a bachelor's degree in Human Resources Management from The Royal Melbourne Institute of Technology University in Australia and graduated with Distinction. She has over 17 years of experience in human resources and administration management. Prior to joining the Group, she worked in human resources and administrative managerial positions with a listed company and a sizeable investment company. She has been responsible for human resources and administration management of the Group. She also extended the scope of management to the Information Technology Department in Hong Kong head office in recent years. She joined the Group in July 2008.

Ms. LI Ying, aged 37, is the General Manager of 深圳市博眾信息技術有限公司 (Shenzhen Bozone IT Co. Limited) which is a main subsidiary of the Group in China. She is mainly responsible for the daily operation and management of the company and its affiliate companies. She also provides support on the operation of the Group's lottery business in different region in China which including product planning, market development, overall operation and management, etc. Ms. LI has obtained a bachelor's degree from Hunan University in Computer Application and Wuhan University in Marketing Management. She has over 12 years of extensive experience in lottery technology system, system maintenance, market expansion, project management, relation with regulatory institutions and team management. She has previously served senior positions in 永恆樂彩科技公司, 思樂網絡技術公司, 穗彩技術公司 and 恒朋科技公司. She joined the Group in October 2015.



CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the “**Board**”) is committed to maintain and achieve a high standard of corporate governance practices with an emphasis on a quality Board, an effective accountability system and a healthy corporate culture in order to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and enhance the business growth of the Group.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted and complied with the applicable code provisions as set out in Appendix 15 of the GEM Listing Rules (the “**CG Code**”) during the year ended 30 June 2018, except for the following deviations which are summarized below:

Code Provision A.4.1

The independent non-executive directors of the Company (the “**INEDs**”) were not appointed under specific terms but are subject to retirement by rotation in annual general meetings of the Company at least once every three years in accordance with the articles of association of the Company (the “**Articles of Association**”). The Company does not believe that arbitrary term limits on the Directors’ services are appropriate given that the Directors ought to be committed to representing the long term interests of the Shareholders. The retirement and re-election requirements of the INEDs have given the rights to the Shareholders to approve the continuation of the INEDs’ offices.

Code Provision A.6.7

Two INEDs were unable to attend the extraordinary general meetings of the Company held on 14 August 2017 and 18 April 2018 respectively due to other business commitment.

The corporate governance practices of the Company will be reviewed and updated from time to time in order to comply with the GEM Listing Rules requirements when the Board considers appropriate.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct (the “**Code of Conduct**”) regarding Directors’ securities transaction in respect of the shares of the Company (the “**Shares**”). Having made specific enquiries, the Company has confirmed with all the Directors that they have complied with the required standards as set out in the Code of Conduct throughout the year ended 30 June 2018.

BOARD OF DIRECTORS

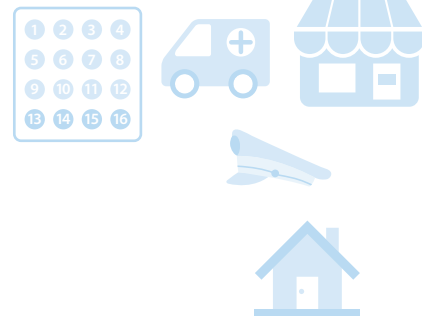
Board Composition

As at 30 June 2018, the Board comprised of six Directors, including two Executive Directors, one Non-executive Director and three INEDs. The composition of the Board during the year and up to the date of this annual report is as follows:

Executive Directors

Madam CHEUNG Kwai Lan (*Chairperson*)

Mr. CHAN Ting (*Deputy Chairperson and Chief Executive Officer*)



CORPORATE GOVERNANCE REPORT

Non-executive Director

Mr. CHAN Tung Mei

Independent Non-executive Directors

Mr. TO Yan Ming Edmond

Mr. YANG Qing Cai

Dr. LIU Ta-pei

The biographical details of the Directors are set out in the section headed “Profile of Directors and Senior Management”. The relationships (including financial, business, family or other material or relevant relationships) among members of the Board are also disclosed therein.

Responsibility of the Board

The Board is responsible for the leadership and control of, and promoting the success of the Group. Apart from its statutory and fiduciary responsibilities, the Board is responsible for reviewing the financial performance of the Group and approving and monitoring the Group’s strategic plans, major investments, risk managements and internal control policies. The Board is also responsible for monitoring managerial performance achieving return for the Shareholders each year.

The Board is also responsible for supervising the management of the Group (the “**Management**”) and has delegated the responsibility for daily operations and management of the Group’s businesses to the Management but material transactions such as acquisitions and disposals of assets of the Group are required the approval by the Board. The Management, led by the chief executive officer of the Company and comprising a team of senior managers who have wide experience and expertise in different areas, is responsible for managing the day-to-day operations, implementing the strategies set by the Board, and assisting the Board in formulating and implementing corporate strategies.

Independent Non-executive Directors

The Company has appointed three INEDs; and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise under Rule 5.05 of the GEM Listing Rules. The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the INEDs to be independent.

Each INED is required to inform the Company as soon as practicable if there is any change that may affect his/her independence.

Directors’ Appointment and Re-election

All the Executive Directors and Non-executive Director have entered into a service contract with the Company with effect from the date of appointment and will continue thereafter unless and until terminated by either party by giving not less than six months’ notice in writing served by either party on the other. All INEDs have not entered into any service contracts with the Company but are subject to retirement by rotation and re-election in accordance with the Articles of Association.



Continuous Professional Development

The Company provides the Directors regular updates on the business development of the Group. The Directors are regularly briefed in the latest development regarding the GEM Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. The Company also recommends them to attend relevant seminars to develop and refresh their knowledge and skills. All Directors are requested to provide the Company with their respective training records pursuant to the CG Code. During the year, all the Directors have participated in appropriate continuous professional development activities either by attending external seminars or by reading material relevant to the Company's business or to the Directors' duties and responsibilities.

Director's and Officer's Liability Insurance

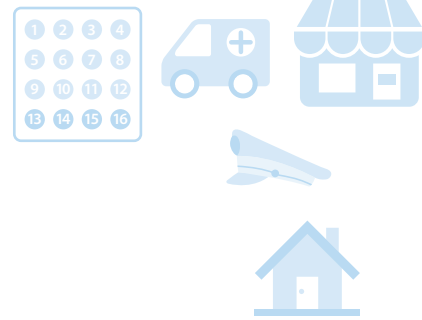
The Company has arranged appropriate insurance coverage in respect of legal action against the Directors and senior management of the Group in the course of execution of their duties in good faith. The insurance coverage is reviewed on an annual basis.

Board Meetings

The Company conduct scheduled Board meetings on a quarterly basis to discuss strategies and business issue, including financial performance of the Group. The Board would meet more frequently as and when required.

The attendance of individual members of the Board at Board meetings, meetings of the Board committees, annual general meeting and extraordinary general meetings during the year ended 30 June 2018, as well as the number of such meetings held, are set out as follows:

	Meetings Attended/Held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Number of Meeting	4	4	1	2	1	3
Executive Directors						
Madam Cheung Kwai Lan	4/4	N/A	N/A	2/2	1/1	3/3
Mr. Chan Ting	4/4	N/A	1/1	N/A	1/1	3/3
Non-executive Director						
Mr. Chan Tung Mei	4/4	N/A	N/A	N/A	1/1	3/3
Independents Non-executive Directors						
Mr. To Yan Ming Edmond	4/4	4/4	0/1	N/A	1/1	3/3
Mr. Yang Qing Cai	4/4	4/4	1/1	2/2	1/1	2/3
Dr. LIU Ta-pei	4/4	4/4	0/1	1/2	1/1	2/3



CORPORATE GOVERNANCE REPORT

All Directors have access to relevant and timely information at all times as the Management will supply the Board and the Board committees with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the company secretary of the Company (the “**Company Secretary**”), who is responsible to the Board for providing the Directors with Board papers and related materials, and ensuring that all Board procedures and all applicable rules and regulations are followed. If considered to be necessary and appropriate by the Directors, they may upon reasonable request seek independent professional advice at the Company’s expense.

Except for those circumstances permitted by the Articles of Association and the GEM Listing Rules, when a Director who has a material interest in any transaction, arrangement, contract or any other kind of proposal put forward to the Board for consideration, he or she shall abstain from voting on the relevant resolution.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

In compliance with code provision A.2.1 of the CG Code, the Company has arranged for the roles of chairperson and chief executive officer to be separate and not performed by the same individual. Madam CHEUNG Kwai Lan, as the chairperson of the Company is responsible for overseeing the functions of the Board and formulating the overall strategies and policies of the Company. Mr. CHAN Ting as chief executive officer of the Company is responsible for the day-to-day management of the business of the Group, implementing major strategies, making day-to-day decisions and the overall coordination of business operations.

BOARD COMMITTEES

The Board has maintained three board committees (the “**Board Committees**”), namely the Audit Committee, the Remuneration Committee and the Nomination Committee, throughout the year to oversee particular aspects of the Group’s affairs. Each Committee has specific terms of reference clearly defining its powers, duties and responsibilities. The terms of reference of the Board Committees are published on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expenses. All Board Committees have adopted the applicable practices and procedures used in Board meetings in conducting their respective meetings.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) comprises three INEDs, namely, Mr. TO Yan Ming Edmond, Mr. YANG Qing Cai and Dr. LIU Ta-pei. Mr. TO was appointed as the chairperson of the Audit Committee. The major duties and functions of the Audit Committee are (i) to review the financial information of the Company; (ii) to review the accounting policies, financial position and results, financial reporting system, and risk management and internal control systems of the Group; (iii) to oversee the relationship between the Company and the external auditors and (iv) to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditors as well as their term of appointment. During the year ended 30 June 2018, the Audit Committee held four meetings (i) to discuss the financial reporting and the compliance procedures with the external auditors; (ii) to consider the re-appointment of auditors of the Company; and (iii) to review the audited annual results and unaudited quarterly and interim results. Individual attendance of Audit Committee members are set on page 18 of this annual report.

The Group’s audited consolidated results for the year ended 30 June 2018 has been reviewed by the Audit Committee of the Company.



CORPORATE GOVERNANCE REPORT

Remuneration Committee

The remuneration committee of the Company (the “**Remuneration Committee**”) comprises four members, a majority of them being INEDs, namely Mr. TO Yan Ming Edmond, Mr. CHAN Ting, Mr. YANG Qing Cai and Dr. LIU Ta-pei. Mr. TO was appointed as the chairperson of the Remuneration Committee. The major duties of the Remuneration Committee include assisting the Board to develop and administer fair and transparent procedures for setting policies on the remuneration of the Directors and senior management of the Company and making recommendations to the Board on the remuneration packages of the Directors and senior management of the Company. During the year ended 30 June 2018, one meeting was held by the Remuneration Committee. At the meeting, the Remuneration Committee has performed its duties to make recommendations to the Board on the remuneration packages of the Directors. Individual attendance of Remuneration Committee members are set on page 18 of this annual report.

Annual Emoluments Payable to Members of the Senior Management by Band

The annual remuneration of the members of the senior management by band for the year ended 30 June 2018 is as follows:

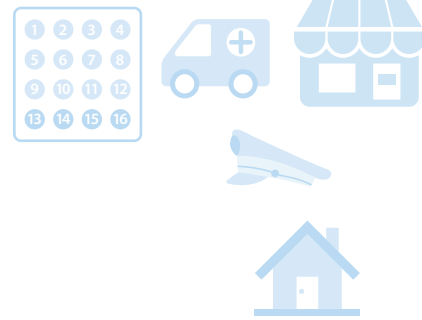
Emoluments Band	No. of Individuals
HK\$6,000,001 – HK\$6,500,000	1
HK\$3,000,001 – HK\$3,500,000	1
HK\$1,500,001 – HK\$2,000,000	1
HK\$1,000,001 – HK\$1,500,000	2
HK\$500,001 – HK\$1,000,000	2
Nil – HK\$500,000	1
Total:	8

Nomination Committee

The nomination committee of the Company (the “**Nomination Committee**”) comprises three members, namely Madam CHEUNG Kwai Lan, Mr. YANG Qing Cai and Dr. LIU Ta-pei. Madam CHEUNG was appointed as the Chairperson of the Nomination Committee. The major roles and functions of the Nomination Committee include reviewing the structure, size, composition and diversity of the Board at least once a year; making recommendations to the Board on the appointment and re-appointment of the Directors and succession planning of the Directors; and assessing the independence of the INEDs. During the year ended 30 June 2018, two meetings were held by the Nomination Committee. In the meetings, the Nomination Committee has performed its duties to make recommendations to the Board on the appointment and reappointment of the Directors and review the independence of the INEDs. Individual attendance of Nomination Committee members are set on page 18 of this annual report.

Corporate Governance Function

The Company has not established a corporate governance committee. With the leadership of the chairperson of the Company and assistance from the chief executive officer of the Company, the Board commits to promote corporate governance which serves as a vital element of risk management throughout the growth and expansion of the Company.



ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility to prepare the financial statements for each financial period which give a true and fair view of the financial affairs of the Group. The Directors also ensure that the financial statements of the Group are prepared in accordance with statutory requirements and applicable accounting standards on a going concern basis. The Board ensures that the publication of the financial statements of the Group is in a timely manner. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the consolidated financial statements.

A statement by the external auditors about their reporting responsibility is set out in the section headed "Independent Auditors' Report".

Risk Management and Internal Controls

The Board complied with the code provisions on risk management and internal control as set out in the CG code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group with the support of the Audit Committee. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding the Company's assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year-end review of the effectiveness of the Group's risk management and internal control systems has been conducted annually. Such review covered the financial, operational and compliance controls of the significant subsidiaries of the Group and included the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget. The Company has an internal audit function to carry out analysis and independent appraisal of the adequacy and effectiveness of the systems. The systems were considered to be effective and adequate.

The internal audit function also has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Employees of the Group are prohibited from using inside information for their own benefit. The Board is also vested with the responsibility to disseminate to the Shareholders and the public any inside information in the form of announcements and circulars, in accordance with the GEM Listing Rules.

AUDITORS' REMUNERATION

The Company reviews the appointment of external auditor on an annual basis including a review of the audit scope and approval of the audit fee. During the year, the fee paid/payable to the Company's external auditor for audit services amounted to HK\$700,000.



CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. HO Kam Kin (“**Mr. HO**”) was appointed as the Company Secretary with effect from 1 September 2016, and is currently the group chief financial officer and authorised representative of the Company. The biographical details of Mr. HO are set out in the section headed “Profile of Directors and Senior Management”.

The appointment and dismissal of the company secretary of the Company were approved by the Board via a physical Board meeting. During the year ended 30 June 2018, Mr. HO has complied with Rule 5.15 of the GEM Listing Rules for taking no less than 15 hours of relevant professional training.

SHAREHOLDERS’ RIGHTS

Right to Convene an Extraordinary General Meeting (the “EGM”)

In accordance with Article 72 of the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Right to Direct Enquiries to the Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary by addressing them to the principal place of business of the Company in Hong Kong at: Units 307-313, 3/F, Wireless Centre, Phase One Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong. The Shareholders may also make enquiries with the Board at the general meetings of the Company.

Right to Put Forward Proposals at a General Meeting

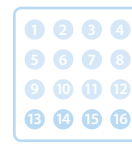
The Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group. The Shareholders are requested to follow Article 72 of the Articles of Association for including a resolution at the EGM. The requirement and procedures are set out in paragraph headed “Right to Convene an Extraordinary General Meeting (the “EGM”)” above.

INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include the annual general meeting; the annual, interim and quarterly reports, notices, announcements, circulars, memorandum and articles of association and media release on the Company’s website at www.cvg.com.hk.

CONSTITUTIONAL DOCUMENT

There was no change in the constitutional documents during the year.



DIRECTORS' REPORT

The Directors are pleased to present the report together with the audited consolidated financial statements for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in Note 45 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 30 June 2018 by segments is set out in Note 9 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year is set out in the sections of Chairperson's Statement, CEO's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report, Five-Year Financial Summary and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the GEM Listing Rules and the Securities and Futures Ordinance for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. No important event affecting the Group has occurred since the end of the financial year under review.

Principal Risks and Uncertainties of the Group

During the year under review, the Group was facing the following risks and uncertainties in our business: i) Lottery Industry Trends and regulations: The industry trends in lottery business in PRC will directly affect the Group's operation. The decline in the sales of lottery market, uncertainties in the implantation lottery sales through online channels and implementation of any additional regulations and measures by the relevant authorities, all these unfavorable factors could have adversely impact on the Group's business, operation and financial results. ii) Service agreement renewal: The Group signed the service agreement with provincial lottery centers based on the fixed terms of period. The Group had maintained sound relationship with our customers and business partners to render the reliable lottery related services in order to enter and renew the relevant services agreement. But the renewal of the relevant services agreement is not guarantee, the lottery centers require to perform the tender process after the end of services period. In case of such services agreement will not be renewed, it will have adversely impact on the Group's business and operation. iii) New business development: the Group has opened up new business development on "Internet Plus" in order to explore more business opportunities for the Group. The Group observed that it is a growing market and the business is less susceptible to policy and regulatory changes. However, the operating results of that new business have been materially affected by the industry trends and future development.

Key Relationships with Employees, Customers and Suppliers

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The Group's requirements and standards are well communicated to suppliers before the commencement of a project.



DIRECTORS' REPORT

The Group values the views and opinions of all customers through various means and channels to understand customer trends and needs. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2018, the Group made 85% of its entire sales to five customers and sales to the largest customer included therein amounted to approximately 60%. Purchases from the Group's five largest suppliers accounted for approximately 27% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 16%.

None of the Directors, or any of their associates or any other Shareholders, which to the best knowledge of the Directors own more than 5% of the Company's issued share capital, had any beneficial interest in these major customers and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for year ended 30 June 2018 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 43 and 44.

The Board does not recommend the payment of any dividend for the year ended 30 June 2018 (2017: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of results and of the assets and liabilities of the Group for the past five financial years is set out on page 135 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 19 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

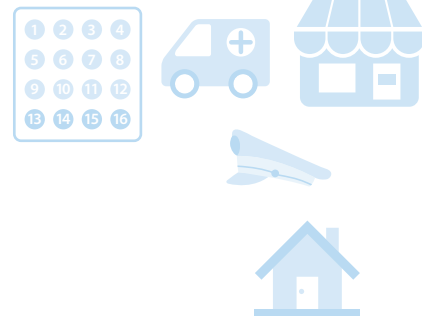
There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK\$ Nil (2017: HK\$Nil).

RESERVES

Details of movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 47.



DIRECTORS' REPORT

RELATED PARTY AND CONNECTED PARTY TRANSACTION

Details of the significant related party transactions are set out to Note 44 to the consolidated financial statements of this annual report.

CONNECTED TRANSACTION

On 18 January 2018, the Company entered into an amendment agreement (the "**Second Amendment Agreement**") with Integrated Asset Management (Asia) Limited (the "**Bondholder**") to amend certain terms and conditions of the convertible bonds issued to the Bondholder on 17 January 2014 with a principal amount of HK\$89,625,000, amended interest rate of 8% per annum and amended conversion price of HK\$0.359 per conversion share. A maximum number of 249,651,810 Shares would be allotted and issued to the Bondholder upon conversion of the convertible bonds in full.

Pursuant to Second Amendment Agreement, the Company and the Bondholder agreed to amend that the maturity date of the convertible bonds shall be extended for six months from 17 January 2018 to 17 July 2018. Further extended maturity date upon a prior written consent from the Bondholder shall be 17 January 2019. Such written consent from the Bondholder has been received by the Company.

An ordinary resolution was passed at the extraordinary general meeting of the Company held on 18 April 2018 in which the amendments to the terms of the convertible bonds pursuant to Second Amendment Agreement would be effective from 18 January 2018.

As the Bondholders are the substantial Shareholders of the Company, it constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Details of this connected transaction were disclosed in the announcement and the circular of the Company dated 18 January 2018 and 29 March 2018 respectively.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year.

DIRECTORS

The Directors during the year and up to the date of this annual report comprised:

Executive Directors

Madam CHEUNG Kwai Lan
Mr. CHAN Ting

Non-executive Director

Mr. CHAN Tung Mei

Independent Non-executive Directors

Mr. TO Yan Ming Edmond
Mr. YANG Qing Cai
Dr. LIU Ta-pei



In accordance with Article 116 of the Articles of Association, Madam CHEUNG Kwai Lan and Mr. CHAN Tung Mei will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received from each of the INEDs, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the INEDs to be independent.

DIRECTORS' SERVICE CONTRACTS

All the Executive Directors and Non-Executive Director have entered into a service contract with the Company with effect from the date of appointment and will continue thereafter unless and until terminated by either party by giving not less than six months' notice in writing served by either party on the other.

All the INEDs have not entered into any service contracts with the Company but are subject to retirement by rotation and reelection in accordance with the Articles of Association.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

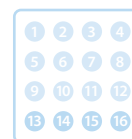
No contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

None of Directors, the substantial shareholders or the controlling shareholder of the Company or any of their respective close associates (as defined under the GEM Listing Rules) have any interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

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

As at 30 June 2018, the interests and short positions of the Directors and chief executive in the ordinary share(s) of HK\$0.0125 each of the Company (the "**Share(s)**"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:



Long Positions in the Shares of the Company or Any of its Associated Corporation

Name of Directors	The Company/ Name of Associated Corporation	Number of Shares Held				Approximate Percentage of Shareholding
		Interest in Controlled Corporation	Personal Interest	Family Interest	Total Interest	
Madam CHEUNG Kwai Lan ("Madam CHEUNG") (Note)	The Company	723,565,856	4,656,000	3,020,000	731,241,856	22.22%
Mr. CHAN Tung Mei ("Mr. CHAN") (Note)	The Company	–	3,020,000	728,221,856	731,241,856	22.22%
Madam CHEUNG	Best Frontier Investments Limited ("Best Frontier") (Note)	–	909	1	910	–
Mr. CHAN	Best Frontier (Note)	–	1	909	910	–
Mr. YANG Qing Cai	The Company	–	475,000	–	475,000	0.01%

Note:

723,565,856 Shares were owned by Best Frontier which was owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN respectively. In addition, Madam CHEUNG and Mr. CHAN directly held 4,656,000 Shares and 3,020,000 Shares respectively. Accordingly, Madam CHEUNG is the spouse of Mr. CHAN and so both of them were deemed to be interested in the Shares.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in any Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURE

Save as disclosed in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of acquisition of the Shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDINGS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2018, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as is known to any Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as follows:

Long Positions in the Shares

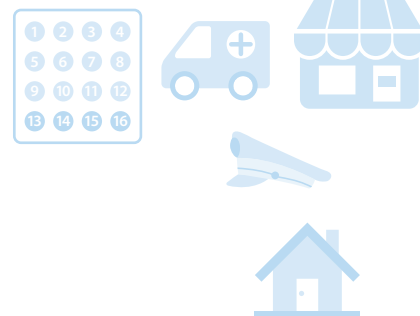
Name of Shareholders	Capacity	Number of Issued Shares Held	Approximate Percentage of the Shareholding
Best Frontier & its concert parties (Note 1)	Beneficial Owner	731,241,856	22.22%
Integrated Asset Management (Asia) Limited (" Integrated Asset ") & its concert parties (Note 2)	Beneficial Owner	538,233,000	16.36%
GAM Hong Kong Limited	Investment Manager	225,085,000	6.84%

Notes:

- 723,565,856 Shares were owned by Best Frontier which was owned as to 99.89% and 0.11% by Madam CHEUNG and Mr. CHAN who are spouses to each other. In addition, Madam CHEUNG and Mr. CHAN directly held 4,656,000 and 3,020,000 Shares respectively. Madam CHEUNG is the spouse of Mr. CHAN and so both of them were deemed to be interested in the Shares.
- 538,233,000 Shares were owned by Integrated Asset which was wholly-owned by Mr. YAM Tak Cheung. The 8% coupon convertible bonds in aggregate amount of HK\$89,625,000 for a term of six months were issued to Integrated Asset pursuant to the first amendment agreement dated 18 January 2017 (the "**CBs**"). The Company received a written consent from Integrated Asset, of which the maturity date of the CBs would be extended for the further six months to 17 January 2018. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full. The adjusted conversion price is HK\$0.359 per conversion share subject to adjustment.

An ordinary resolution was passed at the extraordinary general meeting of the Company held on 18 April 2018 in which the amendments to the terms of the CBs pursuant to the Second Amendment Agreement would be effective from 18 January 2018. The maturity date of the CBs was extended for six months from 17 January 2018 to 17 July 2018, and further extended maturity date upon a prior written consent from Integrated Asset shall be 17 January 2019. Such written consent from Integrated Asset has been received by the Company. A maximum number of 249,651,810 Shares would be allotted and issued to Integrated Asset upon conversion of the CBs in full and thereafter the shareholding of Integrated Asset will be increased to approximately 23.94% of the current issued Share capital of the Company and approximately 22.25% of the enlarged issued Share capital of the Company.

Save as disclosed above, as at 30 June 2018, the Directors or chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company under Section 336 of the SFO.



SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 31 January 2013 (the “**Share Option Scheme**”) under which the Board may, at its discretion, invite eligible persons to take up to subscribe for the Shares in the Company. Eligible persons shall include any Directors, employees and consultants of the Company or of any subsidiary of the Company or such other persons whom at the sole discretion of the Board are deemed to have contributed to the Group at the time when an option is granted to such person. The Share Option Scheme will remain valid for a period of 10 years commencing from the date of adoption of the Share Option Scheme. Details of the Share Option Scheme adopted by the Company are set out in Note 35 to the Consolidated Financial Statements.

The details of the movements in share options under the Share Option Scheme during the year were as follows:–

Name/Category of Participants	Grant Date	Exercise Price (Note 1)	Exercisable Period	Number of Share Options					As at 30 June 2018
				As at 1 July 2017	Granted	Exercised	Cancelled	Lapsed	
Employees	13/06/2014	0.952	01/07/2015 - 30/06/2018	936,000	-	-	-	(936,000)	-
	13/06/2014	0.952	01/07/2016 - 30/06/2018	936,000	-	-	-	(936,000)	-
	13/06/2014	0.952	01/07/2017 - 30/06/2018	1,248,000	-	-	-	(1,248,000)	-
	21/07/2015	1.280	01/07/2016 - 30/06/2019	540,000	-	-	-	(540,000)	-
	21/07/2015	1.280	01/07/2017 - 30/06/2019	540,000	-	-	-	(540,000)	-
	21/07/2015	1.280	01/07/2018 - 30/06/2019	720,000	-	-	-	(720,000)	-
				Sub-total	4,920,000	-	-	-	(4,920,000)
Other Eligible Participants (Note 2)	13/06/2014	0.952	01/07/2015 - 30/06/2018	20,100,000	-	-	-	(20,100,000)	-
	13/06/2014	0.952	01/07/2016 - 30/06/2018	20,100,000	-	-	-	(20,100,000)	-
	21/07/2015	1.280	01/07/2016 - 30/06/2019	10,000,000	-	-	-	-	10,000,000
	21/07/2015	1.280	01/07/2017 - 30/06/2019	10,000,000	-	-	-	-	10,000,000
				Sub-total	60,200,000	-	-	-	(40,200,000)
			Total	65,120,000	-	-	-	(45,120,000)	20,000,000

Notes:

- In respect of share subdivision becoming effective on 17 December 2014, the total number of the Shares that would be eligible to be issued upon full exercise of the share options of the Company granted on 13 June 2014 was adjusted and the corresponding exercise price of HK\$3.806 was adjusted to HK\$0.952 per Share.
- Other Eligible Participants include certain business partners and consultants of the Group.



DIRECTORS' REPORT

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 17.50A OF THE GEM LISTING RULES

In accordance with Rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Directors are set out below:

Mr. TO Yan Ming Edmond retired as an INED, the chairperson of both the Audit Committee and the Remuneration Committee in the annual general meeting held by the Company on 23 November 2017 and was re-appointed as the aforesaid positions on 11 December 2017.

Dr. LIU Ta-pei retired as an INED, the member of the Audit Committee, Remuneration Committee and Nomination Committee in the annual general meeting held by the Company on 23 November 2017 and was re-appointed as the aforesaid positions on 11 December 2017.

Save as disclosed above, there was no other change in information of the Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director, auditors or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur or about the execution and discharge of his duties or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance which is set out in the "Corporate Governance Report" on pages 16 to 22.

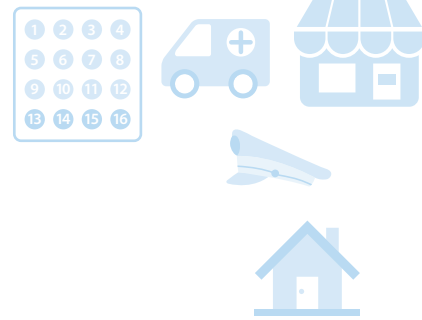
AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three INEDs, Mr. TO Yan Ming Edmond, Mr. YANG Qing Cai and Dr. LIU Ta-pei. The chairperson of the Audit Committee is Mr. TO Yan Ming Edmond. Details of the role and work performed by the Audit Committee are set out in "Corporate Governance Report" in this annual report for the year ended 30 June 2018.

The audited consolidated results of the Group for the year ended 30 June 2018 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained a sufficient public float as required under the GEM Listing Rules.



DIRECTORS' REPORT

EVENTS AFTER REPORTING PERIOD

On 24 July 2018, Sky Base Partners CPA Limited (“**Sky Base**”) has resigned as auditors of the Group with effect from 24 July 2018 and the Board accepted their resignation. The resignation was due to the fact that Sky Base and the Board could not reach a consensus on the audit fee for the year ended 30 June 2018. As confirmed by Sky Base in their notice of resignation, there were no circumstances connected with their resignation that they considered should be brought to the attention of the shareholders of the Company. CCTH CPA Limited has been appointed as the auditors of the Group to fill the casual vacancy created by the resignation of Sky Base with effect from 24 July 2018 until the conclusion of the next annual general meeting of the Company.

AUDITORS

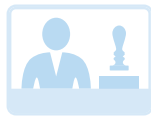
The consolidated financial statements for the years ended 30 June 2017 and 30 June 2018 have been audited by Sky Base and CCTH CPA Limited respectively. Sky Base has resigned as the auditors of the Group with effect from 24 July 2018 and CCTH CPA Limited has been appointed as the auditors of the Group to fill the casual vacancy created by the resignation of Sky Base with effect from 24 July 2018. CCTH CPA Limited will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of CCTH CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

CHEUNG Kwai Lan

Chairperson and Executive Director

Hong Kong, 27 September 2018



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance Report (the “**ESG Report**”) issued by the Company covers the policies and compliance issues relating to the environmental and social aspects of the head office in Hong Kong and its business in PRC and key performance indicators in the environmental aspect during the year ended 30 June 2018. This ESG Report was prepared in accordance with the “Environmental, Social and Governance Reporting Guide” as set out in Appendix 20 of the GEM Listing Rules.

ENVIRONMENT

Emissions

The Group aims to minimize the energy consumption and any adverse impact on the environment during the Group’s operation to provide lottery-related services. Due to the nature of our business, there is lower direct impact to the environment during our operation. Therefore, the Group’s main emissions is the consumption of the electricity, paper, gas and water which is mainly attributable by ways of the lighting system, printing paper, uses of corporate vehicles and air-conditioning in office. The Group performed regular assessments on the Group’s air and greenhouse gas emissions, as well as the generation and disposal of hazardous and non-hazardous waste. During the reporting period, the Group did not aware of any material non-compliance with the environmental laws and regulations.

Key Performance Indicators

1. *Air Pollutants*

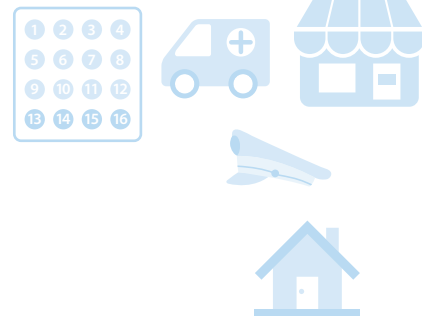
Fuel consumption by motor vehicles was the major source of nitrogen oxides (“**NO_x**”), sulphur oxides (“**SO_x**”) and particulate matter (“**PM**”) emissions. For the year ended 30 June 2018, the NO_x, SO_x and PM emissions were 8,147.53g, 174.00g and 599.89g respectively.

2. *Greenhouse Gas Emissions*

Greenhouse gas came from all sorts of daily activities, such as the use of electricity, water and gas as well as the combustion of fuels in motor vehicles. Total greenhouse gas emissions included carbon dioxide (“**CO₂**”) and other greenhouse gases, such as methane (“**CH₄**”) and nitrous oxide (“**N₂O**”). The Group strives to reduce burning and improve energy and resource use efficiency in its daily operation so as to manage its greenhouse gas emissions.

The combustion of fuels in motor vehicles caused the direct emission of greenhouse gasses. 27,934.14kg CO₂, 62.89kg CH₄ and 5,122.83kg N₂O consumed by motor vehicles were emitted respectively for the year ended 30 June 2018.

The electricity consumption of the Company which mainly came from the daily operation of the office causes the indirect emission of greenhouse gas of CO₂. Indirect CO₂ emission from electricity purchased from power companies was 136,354.81kg for the year ended 30 June 2018.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. *Hazardous Waste Production*

According to the National Catalogue of Hazardous Wastes 《(國家危險廢物名錄)》 which was formulated in accordance with Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes 《(中華人民共和國固體廢物污染環境防治法)》 by the Ministry of Environmental Protection of the People's Republic of China (中華人民共和國環境保護部), printing ink is classified as hazardous waste.

The disposal of printing inks produced by the Company contributed to the total amount of hazardous waste of the Company. For the year ended 30 June 2018, 0.006 tonnes hazardous waste was produced per printer and the intensity of hazardous waste produced was 0.003.

4. *Non-Hazardous Waste Production*

Despite that the non-hazardous waste data during the year was unavailable to the Group, the Group considered only limited non-hazardous waste was produced during printing processes.

The Group is wholly committed to the policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste as set out in this ESG report in the annual report in order to mitigate such pollution.

Use of Resources

To supporting the environmental protection, the Group tries its best effort to minimize the energy and resources consumption during the daily operation of the Group in Hong Kong and PRC offices. The Group strives to build an environmental working environment through our guidance and policies and participation among the staff to minimizing the adverse impact on electricity and office consumables consumption.

In order to reduce the consumption of electricity in office, the Group issues the guidance to the staff for setting the optimal temperature on the air-conditioning, all the lights and electronic appliances in office will be turned off when not in use and turning off all the lights in office during the lunch time.

Also, in order to reduce the consumables consumption in office, the Group encourages all the staffs to save and file the documents electronically, use the recycling paper for printing and print the documents in double-sided and arrange the telephone or video conferences instead of face-to-face meetings.

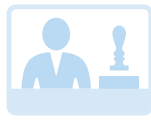
Key Performance Indicators

1. *Energy and Water Consumption*

During the year, the energy and water consumption in the lottery-related business were unavailable as the data was a lump sum and inseparable from other party.

2. *Total packaging material used for finished products*

The Group believed that there was no significant packaging material used for finished products for the year ended 30 June 2018.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is wholly committed to the policies on the efficient use of resources as set out in this ESG report in the annual report in order to reduce the consumption of energy and water.

Environment and Natural Resources

Due to the nature of our business, the Group does not generate the substantial industrial pollutions or hazardous waste. The Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection relation to air, greenhouse gas emissions, discharges into water and land, generation of hazardous and nonhazardous waste.

Key Performance Indicators

The daily operation of the Group did not have material impact on the environment and natural resources. The Group will continue to be wholly committed to the policies on minimising its significant impact on the environment and natural resources as set out in this ESG report in the annual report in order to safeguard the environment and natural resources.

EMPLOYMENT AND LABOUR PRACTICES

Employment

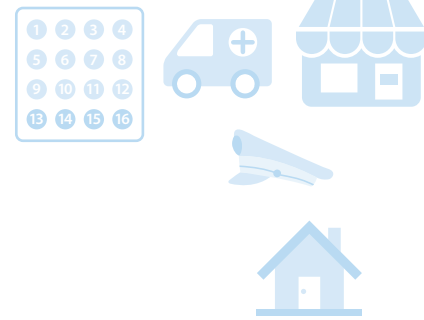
The Group believes that human resources are the most valuable asset and core competitive advantage of the Group. The Group adopts the fair and open recruitment policy to avoid any discrimination on age, gender, race, nationality, religion or marital status. All the applicants will be assessed under the fair recruitment process.

The resting time of the Group's employees is well respected and the employees are also entitled paid holidays pursuant to statutory requirements or otherwise under their respective employment contracts. There is a computerized human resources system in place to continuously monitor the working hours and leave application of the employees. The Group also adopts zero tolerance policy towards sexual harassment at the workplace to protect its employees from unsolicited sexual advances.

The Group rewards all the employees by providing a competitive remuneration package and performs the performance appraisal on annual basis with appropriate bonus, promotion opportunities for career advancement. "Staff Hand Book" will be delivered to all employees for stating all the information regarding employment, business conduct, social security funds, compensation, leave benefits, working hours, etc. A brief orientation is provided to new coming employees to ensure that they aware of all relevant polices. During the reporting period, the Group was not aware of any material non-compliance with all relevant labour and employment laws.

Health and Safety

The Group has been committed to provide the safe, pleasant and healthy working environment to the employees in order to protect their health and safety. In order to maintain a safe and comfortable working environment, the Group designs and plan office layouts based on relevant safety provisions, ensures that fire escapes are not block and clean the office regularly. During the reporting period, the Group review the office environment and safety policies regularly and was not aware of any material non-compliance with the health and safety laws and regulations.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

Staffs continuous development is one of crucial success of the Group. The Group provides on-board trainings and orientation for the new coming staffs. Also, the Group encourages the employees to attend the external applicable training courses or seminars during the office hours which are relevant to the job duties. The employees can entitled the examination leaves when they attend the external examination which applicable to their job duties on the examination day. The Group strives to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

Labour Standards

During the recruitment process, the Group strictly complies with all applicable laws and regulations in the place where it operates. The Group measures clearly that its employees are all above the minimum legal working age requirement and have been fully protected in terms of labour standards. The Group complied with all laws and regulations prohibiting child labour and forced labour. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience will not be employed. All the staffs were employed in accordance with relevant laws and regulations in Hong Kong and PRC and the management regularly review the recruitment process to ensure that no discrimination is incurred.

OPERATING PRACTICES

Supply Chain Management

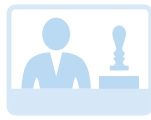
The Group believes that sourcing and selection of suppliers play a crucial part in establishing our product and brand. The Group assesses on supplier with the relevant industrial and environmental standards in supply of materials, and to consider that it is one of the supplier selection criteria. During the procurement process, the Group performs regular assessments on the environmental and social risks of the supply chain management.

Product Responsibilities

The Group and its subsidiaries have an ethic responsibilities on its product or services provided. The Group encourages employees to maintain high standards of product or services provided and are obligated to retain confidence and all information obtained in connection with their employment.

Anti-corruption

All of the Group's operations comply with the legislation on standards of conduct, such as Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and the Prevention of Bribery Ordinance in Hong Kong. The Group has established a corporate culture of integrity and justice, and adopted the clear guidelines for employees which strictly prohibit bribery, extortion, fraud, money laundering and other acts. The Group has also implemented the whistleblowing policy for encouraging the staff to report to the Board if there is any money laundering, bribery and irregularities.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY

Community Investment

The Group believes that the contribution to the society as part of our mission in order to create a more peaceful community. Therefore, the Group encourages our staffs to participate any activities which are benefit to our communities. The Group and controlling shareholders target through donations, sponsorships and charity work by supporting any activities which can help charitable, cultural, medical, educational and other needs of in our community. The Group will consider to support or donate any charitable organizations from time to time where appropriate.



INDEPENDENT AUDITORS' REPORT



CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF CHINA VANGUARD YOU CHAMPION HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Vanguard You Champion Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 43 to 134, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. The Group sustained net current liabilities and net liabilities amounted to approximately HK\$204,963,000 and HK\$59,999,000 respectively as at 30 June 2018 and the Group incurred a loss of approximately HK\$71,585,000 for the year then ended. These conditions, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group and the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the funding as referred to in Note 2 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future. Our opinion is not modified in respect of this matter.



INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS

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

Impairment assessment on trade receivables and other receivables

Refer to notes 25 and 26 to the consolidated financial statements

Key audit matter

As at 30 June 2018, the Group had trade receivables and other receivables, net of provision for doubtful receivables, amounted to HK\$7,900,000 and HK\$6,637,000 respectively. Assessment of impairment provision for these receivables involves management's judgment of the ability of the debtors to make settlement which depends on customers' specific and market conditions that are inherently uncertain.

We have identified impairment assessment on trade receivables and other receivables as a key audit matter due to the magnitude of the receivables and the estimation and judgments involved in the determination of the recoverable amounts of these receivables.

How the matter was addressed in our audit

Our procedures in relation to management's impairment assessment on trade receivables and other receivables included:

- (a) We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts.
- (b) We assessed the classification and accuracy of individual balances in trade receivables and other receivables ageing report by testing the underlying invoices and/or agreement on a sample basis.
- (c) We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluate the provision for doubtful debts made by management for these individual balances.
- (d) We assessed the historical accuracy of the estimates made by the management for the provision for doubtful debts.



Impairment of goodwill and intangible assets

Refer to notes 20 and 21 to the consolidated financial statements

Key audit matter

As at 30 June 2018, the Group had goodwill and intangible assets, net of impairment losses recognised, of approximately HK\$124,284,000 and HK\$20,631,000 respectively.

We focused on the impairment assessment of the goodwill and the intangible assets as a key audit matter due to the magnitude of each of the goodwill and the intangible assets and management's assessment of the value in use of the relevant cash-generating units (CGUs) which involves judgments and estimates about the future results of the related business, key assumptions including revenue growth rate and gross profit margin, long-term growth rate and the discount rates applied to future cash flow forecast.

How the matter was addressed in our audit

Our procedures in relation to impairment assessment of the goodwill and intangible assets included:

- (a) We evaluated and challenged the composition of the Group's future cash flow forecast in each CGU, and the process by which they were drawn up, including testing the underlying value in use calculation.
- (b) We assessed the reasonableness of key assumptions such as revenue growth, future profitability and discount rates with reference to the business and industry circumstances.
- (c) We reconciled input data to supporting evidence, such as approved forecasts of future profits.
- (d) We considered the reasonableness of these forecasts of future profits by comparing them against past results achieved.
- (e) We considered the adequacy of the disclosure of impairment assessments of the goodwill and intangible assets set out in the consolidated financial statements.



INDEPENDENT AUDITORS' REPORT

Business combination

Refer to note 36 to the consolidated financial statements

Key audit matter

During the year, the Group acquired 51% equity interest in Champion Vision Global Limited ("Champion Vision"). In determining the fair value of the assets and liabilities of Champion Vision and its subsidiaries acquired, management reviewed in details the nature of such assets and liabilities and the basis of estimating their fair value. Where the fair value of the assets was not readily available, external valuer was engaged to assess the fair value.

We focused this business combination as a key audit matter because accounting for acquisition requires the identification and valuation of tangible and intangible assets and the allocation of purchase consideration to the assets and liabilities acquired, which involves a number of judgments and assumptions.

How the matter was addressed in our audit

Our procedures in relation to the recognition of the business combination included:

- (a) We considered and challenged management's assessment of the appropriate accounting treatment, the identification and valuation of tangible and intangible assets and the allocation of purchase price to the assets and liabilities acquired.
- (b) Where management has relied on the external valuation for the fair value of the assets acquired, we assessed the competency of the valuers and tested the results of their work.
- (c) We have also considered the adequacy of the Group's disclosure in respect of the acquisition set out in the consolidated financial statements.

OTHER MATTERS

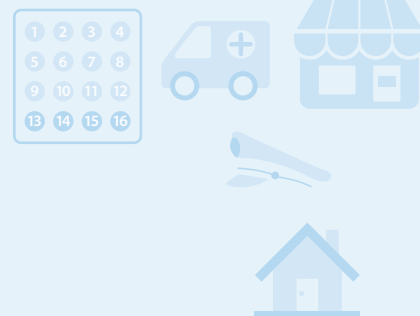
The consolidated financial statements of the Group for the year ended 30 June 2017 were audited by another auditor who expressed an unmodified opinion with material uncertainty related to going concern on the consolidated financial statements on 26 September 2017.

OTHER INFORMATION

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

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

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



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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

CCTH CPA Limited

Certified Public Accountants

Hong Kong 27 September 2018

Ng Kam Fai

Practising certificate number P06573

Unit 5-6, 7/F., Greenfield Tower, Concordia Plaza

1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000 (Restated)
Revenue	10	25,347	26,359
Cost of services		(9,642)	(12,913)
Gross profit		15,705	13,446
Other income and gains	11	13,951	3,954
Provision for doubtful receivables		(8,797)	(43,127)
Impairment loss on assets	12	–	(53,776)
Selling and distribution expenses		(1,409)	(6,837)
Administrative and operating expenses		(80,268)	(84,388)
Finance costs	13	(12,581)	(13,316)
Share of results of joint ventures		–	(31)
Loss before tax	14	(73,399)	(184,075)
Income tax credit	16	1,814	2,835
Loss for the year		(71,585)	(181,240)
Loss for the year attributable to:			
Equity holders of the Company		(61,034)	(175,027)
Non-controlling interests		(10,551)	(6,213)
		(71,585)	(181,240)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018



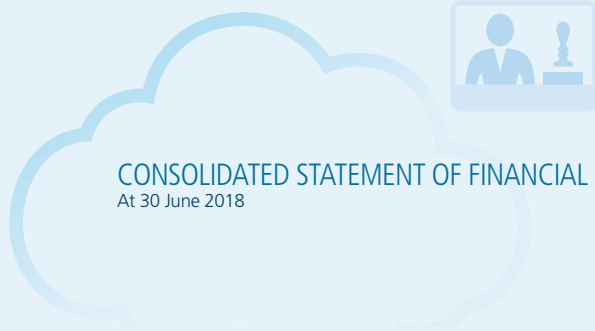
	<i>Notes</i>	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000 (Restated)
Loss for the year		(71,585)	(181,240)
Other comprehensive expenses for the year, net of tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of overseas operations		(87)	(1,192)
Total comprehensive expenses for the year		(71,672)	(182,432)
Total comprehensive expenses for the year attributable to:			
Equity holders of the Company		(61,443)	(176,006)
Non-controlling interests		(10,229)	(6,426)
		(71,672)	(182,432)
		Year ended 30-6-2018	Year ended 30-6-2017
Loss per share attributable to equity holders of the Company			
Basic	18	(HK1.85 cents)	(HK5.40 cents)
Diluted		N/A	N/A



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30-6-2018 HK\$'000	30-6-2017 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	19	3,896	13,260
Goodwill	20	124,284	62,746
Intangible assets	21	20,631	8,509
Available-for-sale financial assets	22	–	–
Interests in joint ventures	23	–	–
		148,811	84,515
Current assets			
Inventories	24	468	1,692
Trade receivables	25	7,900	15,362
Other receivables, deposits and prepayments	26	13,599	18,192
Bank balances and cash	27	4,719	14,302
		26,686	49,548
Current liabilities			
Trade payables	28	250	1,106
Accruals and other payables	29	100,328	16,019
Amounts due to directors	30	39,781	15,076
Obligations under finance leases – current portion	31	194	188
Convertible bonds	32	89,413	89,301
Derivative financial liabilities	32	260	–
Tax liabilities		1,423	1,382
Deferred tax liabilities	33	–	54
		231,649	123,126
Net current liabilities		(204,963)	(73,578)
Total assets less current liabilities		(56,152)	10,937



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	<i>Notes</i>	30-6-2018 HK\$'000	30-6-2017 HK\$'000 (Restated)
Non-current liabilities			
Obligations under finance leases	31	150	344
Deferred tax liabilities	33	3,697	–
		3,847	344
Net (liabilities)/assets			
		(59,999)	10,593
Capital and reserves			
Share capital	34	41,135	41,135
Reserves		(100,527)	(41,781)
Capital deficiency attributable to equity holders of the Company		(59,392)	(646)
Non-controlling interests		(607)	11,239
(Total capital deficiency)/total equity			
		(59,999)	10,593

The consolidated financial statements on pages 43 to 134 were approved and authorized for issue by the Board of Directors on 27 September 2018 and are signed on its behalf by:

CHEUNG Kwai Lan
Director

CHAN Ting
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000 (Note a)	Share option reserve HK\$'000 (Note b)	Translation reserve HK\$'000 (Note c)	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000 (Note e)	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 July 2016	40,338	2,442,537	1,484	35,572	10,056	6,522	24,184	(1)	5,769	(2,430,120)	136,341	13,140	149,481
Loss for the year	-	-	-	-	-	-	-	-	-	(175,027)	(175,027)	(6,213)	(181,240)
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	(979)	-	-	-	-	(979)	(213)	(1,192)
Total comprehensive expenses for the year	-	-	-	-	-	(979)	-	-	-	(175,027)	(176,006)	(6,426)	(182,432)
Change in reserves arising from amendments to terms of convertible bonds (Note d(i))	-	-	-	-	-	-	(20,984)	-	-	24,184	3,200	-	3,200
Deferred tax liabilities arising from amendments to terms of convertible bonds	-	-	-	-	-	-	(528)	-	-	-	(528)	-	(528)
Recognition of equity-settled share-based payments	-	-	-	-	8,407	-	-	-	-	-	8,407	-	8,407
Share options lapsed	-	-	-	-	(6,224)	-	-	-	-	6,224	-	-	-
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	4,525	4,525
Share issued upon exercise of share options	797	37,835	-	-	(10,692)	-	-	-	-	-	27,940	-	27,940
At 30 June 2017 and 1 July 2017	41,135	2,480,372	1,484	35,572	1,547	5,543	2,672	(1)	5,769	(2,574,739)	(646)	11,239	10,593
Loss for the year	-	-	-	-	-	-	-	-	-	(61,034)	(61,034)	(10,551)	(71,585)
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	(409)	-	-	-	-	(409)	322	(87)
Total comprehensive expenses for the year	-	-	-	-	-	(409)	-	-	-	(61,034)	(61,443)	(10,229)	(71,672)
Changes in reserves arising from amendments to terms of convertible bonds in July 2017 (Note d(ii))	-	-	-	-	-	-	528	-	-	2,672	3,200	-	3,200
Deferred tax liabilities arising from amendments to terms of convertible bonds	-	-	-	-	-	-	(528)	-	-	-	(528)	-	(528)
Changes in reserves arising from amendments to terms of convertible bonds in January 2018 (Note d(iii))	-	-	-	-	-	-	(2,672)	-	-	2,672	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	25	-	-	-	-	-	25	-	25
Share options lapsed	-	-	-	-	(1,572)	-	-	-	-	1,572	-	-	-
Acquisition of subsidiaries (Note 36)	-	-	-	-	-	-	-	-	-	-	-	3,326	3,326
Disposal of subsidiaries (Note 37)	-	-	-	-	-	-	-	-	4,415	(4,415)	-	(4,943)	(4,943)
At 30 June 2018	41,135	2,480,372	1,484	35,572	-	5,134	-	(1)	10,184	(2,633,272)	(59,392)	(607)	(59,999)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

Notes:

- (a) The employee share-based compensation reserve comprises the cumulative value of employee services received for the issue of shares under share award scheme.
- (b) The share option reserve comprises the purchase consideration for issued shares of the Company acquired for the Share Options Plan for the purpose of satisfying the exercise of share options to be granted to eligible employees and participants.
- (c) The translation reserve includes the exchange differences on monetary items which form part of the Group's net investment in the foreign operation.
- (d) During the years ended 30 June 2018 and 30 June 2017, the holder of the convertible bonds has given consent for the amendments of the maturity dates of the bonds, as follows:
 - (i) On 18 January 2017, the Company entered into an amendment agreement with the bondholder to extend the maturity date of the convertible bonds to 17 July 2017. In this regard, the equity component of the convertible bonds as at 18 January 2017 was adjusted to HK\$3,200,000, being the fair value of the conversion option of the convertible bonds as at that date.
 - (ii) On 17 July 2017, the bondholder has given written consent to the Company to extend the maturity date of the convertible bonds to 17 January 2018. In this regard, equity component of the convertible bonds as at 17 July 2017 was adjusted to HK\$3,200,000 being the fair value of the conversion option of the convertible bonds as at that date.
 - (iii) On 18 January 2018, the Company entered into a second amendment agreement with the bondholder to amend the maturity date of the bonds to 17 July 2018. Since the Company changed its functional currency from HK\$ to RMB as referred in Note 1 during the year, the equity component of the convertible bonds at 18 January 2018 of HK\$2,672,000 was released to accumulated losses, and the derivative financial liabilities of approximately HK\$2,081,000, which represents the fair value of the conversion option of the convertible bonds at that date, was recognised.
- (e) Capital reserve represents gain on acquisition and disposal of partial interests in subsidiaries.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

<i>Notes</i>	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
OPERATING ACTIVITIES		
Loss before tax	(73,399)	(184,075)
Adjustments for:		
Interest income	11 (9)	(54)
Change in fair value of derivative financial liabilities	11 (1,821)	–
Write back of consideration payable for acquisition of subsidiaries	11 (2,560)	–
Recovery on trade receivables previously written off	11 (298)	–
Gain on liquidation of subsidiaries	11 (9)	(1,242)
Gain on disposal of subsidiaries	11 (6,564)	–
Interest expenses	13 12,581	13,316
Amortisation of intangible assets	14 7,889	3,604
Depreciation of property, plant and equipment	14 4,893	5,859
Loss on disposal of property, plant and equipment	14 816	863
Impairment loss on goodwill	12 –	36,542
Impairment loss on interests in joint ventures	12 –	14,927
Impairment loss on intangible assets	12 –	2,307
Change in fair value of contingent consideration	480	880
Provision for doubtful receivables on:		
– trade receivables	14 –	27,156
– other receivables	14 8,436	4,520
– deposits paid	14 361	11,451
Write off of:		
– property, plant and equipment	14 1,907	–
– trade receivables	14 138	–
– other receivables	14 940	–
– deposits paid	14 1,139	–
– amount due from a related company	14 29	1,671
– inventories	14 683	601
Equity-settled share-based payments	25	8,407
Share of results of joint ventures	–	31
Operating cash flows before movements in working capital	(44,343)	(53,236)
Decrease in inventories	541	2,665
Increase in trade receivables, and other receivables, deposits and prepayments	(1,614)	(699)
Increase/(decrease) in trade payables, accruals and other payables	15,279	(4,258)
Cash used in operations	(30,137)	(55,528)
Tax paid	–	(3,082)
Net cash used in operating activities	(30,137)	(58,610)



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	<i>Notes</i>	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
INVESTING ACTIVITIES			
Interest received		9	54
Purchases of property, plant and equipment		(456)	(4,650)
Proceeds from disposal of property, plant and equipment		4	372
Cash inflow on acquisition of subsidiaries	36	247	–
Cash outflow on disposal of a subsidiary	37	(168)	(12)
Net cash used in investing activities		(364)	(4,236)
FINANCING ACTIVITIES			
Interest paid		(3,602)	(1,809)
Issue of shares upon exercise of share options		–	27,940
Repayment of obligations under finance leases		(188)	(228)
Capital contribution from non-controlling interests		–	4,525
Increase in amounts due to directors		24,705	14,344
Net cash from financing activities		20,915	44,772
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,586)	(18,074)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		14,302	32,999
Effects of foreign exchange rate changes		3	(623)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		4,719	14,302
ANALYSIS OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Bank balances and cash	27	4,719	14,302



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

China Vanguard You Champion Holdings Limited (“the Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and its principal place of business is located at Units 307-313, 3/F., Wireless Centre, Phase One Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

The Company changed its English name from China Vanguard Group Limited to China Vanguard You Champion Holdings Limited and its dual foreign name in Chinese from 眾彩科技有限公司 to 眾彩羽翔股份有限公司 with effect from 25 August 2017.

The principal activities of the Company is investment holding. The activities of its principal subsidiaries and joint ventures are set out in notes 45 and 23 respectively.

In prior years, the Company’s functional currency was Hong Kong dollar (“HK\$”). Due to the continuing expansion of the Group’s business operations in the People’s Republic of China (“PRC”), the directors have determined that the functional currency of the Company be changed from HK\$ to Renminbi (“RMB”) during the year. The directors have made an assessment of the impact of the change of the functional currency of the Company and concluded that there was no material effect on the results and financial position of the Group.

The consolidated financial statements are presented in HK\$ as the directors consider that HK\$ is the appropriate presentation currency for the users of the Group’s financial statements given that the shares of the Company are listed on the Stock Exchange.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Group, comprising the Company and its subsidiaries, the directors of the Company have given consideration to the future liquidity of the Group in the light of the fact that the Group’s net current liabilities and capital deficiency of HK\$204,963,000 and HK\$59,999,000 respectively at 30 June 2018. As at 30 June 2018, the Group had convertible bonds with principal amounts of HK\$89,625,000 (carrying amounts of HK\$89,413,000) to be matured within one year after that date, convertible bond’s interest payables of HK\$6,832,000 (included in accruals and other payables) and consideration payables of HK\$65,000,000 (included in accruals and other payables), which are included in current liabilities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the date of approval of these consolidated financial statements, after taking into consideration of the measures and arrangements made by the Group subsequent to the end of the reporting period, as detailed below:

- (a) The shareholders and directors of the Company, Madam Cheung Kwai Lan and Mr. Chan Tung Mei, and the director of the Company, Mr. Chan Ting, have agreed to provide shareholder’s loans, if required, to the extent of HK\$75 million to enable the Group to meet its financial obligations within the next 18 months from the date of the consolidated financial statements.
- (b) On 3 September 2018, the Group obtained a written consent from the previous owner of the subsidiaries, under which the due date for payment of the consideration payable to the acquisition of the subsidiaries amounted to HK\$65,000,000, which are included in accruals and other payables (Note 29), was extended to March 2020.
- (c) The holder of the convertible bonds (Note 32) intend to extend the maturity date upon the expiration of the maturity date of 17 January 2019 and not to request repayment of the bonds before 17 January 2020.
- (d) The directors will continuously and closely monitor the Group’s liquidity position and financial performance and implement measures to improve the Group’s cash flows.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS – continued

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next year from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the operations and development of the Group's business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the carrying amounts of the Group's assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in the current year

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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

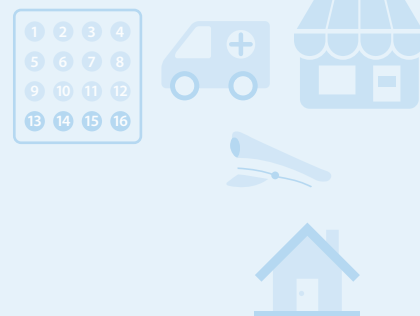
Amendments to HKAS 7 Disclosure Initiative

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

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

A reconciliation between the opening and closing balances of these items is provided in Note 38. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 38, the application of these amendments has had no Impact on the Group's consolidated financial statements.

The application of the other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.



3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

New and revised HKFRSs not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

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

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective date to be determined



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized 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 amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

Based on the Group’s financial instruments and risk management policies as at 30 June 2018, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group’s financial assets. The Group’s available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortized cost and irrevocable credit commitments.



3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

HKFRS 9 Financial Instruments – continued

The directors of the Company anticipate that the application of new hedging requirements may not have a material impact on the Group’s current hedge designation and hedge accounting as most hedging instruments are expected to meet hedge designation and hedge effectiveness upon the application of new hedging requirements.

However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition and the allocation of total consideration to respective performance obligations based on relative fair values may be affected, and more disclosures relating to revenue is required. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

HKFRS 16 Leases

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

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

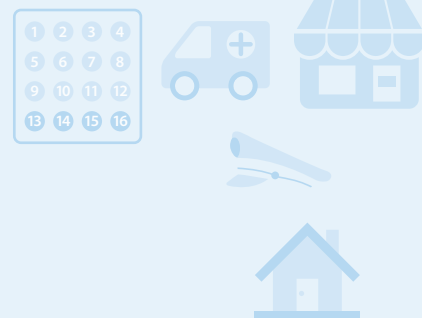
The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of approximately HK\$2,042,000 as disclosed in Note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group completes a detailed review.

Other than the above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group’s consolidated financial statements.



4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial information also comply with the applicable disclosure provisions of the GEM Listing Rules.

The consolidated financial statements have been prepared on the historical cost convention, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use for the purposes of impairment assessment in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

The significant accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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



4. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

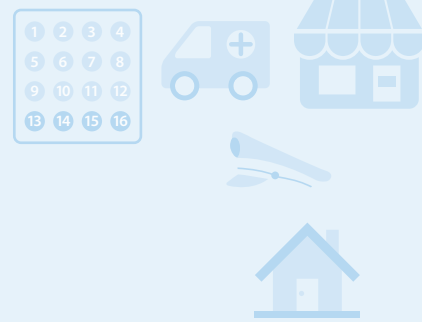
Business combinations – continued

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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 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, 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. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

Investments in subsidiaries

Investment in a subsidiary is accounted for in the Company’s financial statements at cost less any identified impairment loss. Cost includes directly attributable costs of investment. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group’s share of losses of a joint venture exceeds the Group’s interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Investments in joint ventures – continued

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has been passed.

Revenue from the provision of lottery-related services is recognised when the services are rendered.

Revenue from consulting services is recognised when services are rendered.

Revenue from catering services are recognised when services are rendered.

Interest income from a financial asset (other than a financial assets at FVTPL) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment, comprising leasehold land and buildings, furniture, fixtures and equipment, plant and machinery, leasehold improvement, motor vehicles and computer equipment, are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The principal annual rates are as follows:

Leasehold land and buildings	3%-5% or over the lease term but limited to 15 years
Furniture, fixtures and equipment	7%-31%
Plant and machinery	3%-12%
Leasehold improvement	Over the lease term
Motor vehicles	6%-20%
Computer equipment	20%-25%

Property, plant and equipment held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sales.

Impairment loss on tangible and intangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

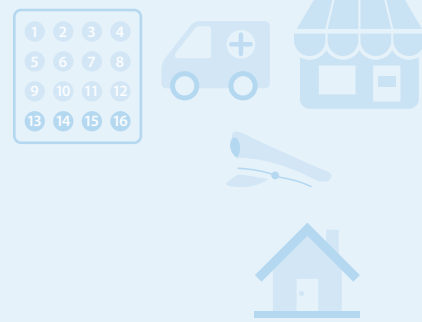
Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the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

Leasing

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

The Group as lessor

Rental income from operating lease is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses on a straight-line basis over the lease term.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing – continued

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 statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligations 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.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments for land” in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Intangible assets

Intangible assets acquired separately are capitalised at cost and those acquired from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against the profit or loss in the year in which the expenditure is incurred.

Useful lives of acquired intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are stated at cost less accumulated amortization and any accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost less any subsequent accumulated impairment losses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – continued

Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets are tested for impairment annually either individually or at the CGU level. Useful lives are also examined on an annual basis and, where applicable, adjustments are made on a prospective basis.

As intangible asset is derecognised on disposal or no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset, is recognised in the consolidated statement of profit or loss and other comprehensive income in the year the intangible asset is derecognised.

Computer software

Costs incurred on the acquisition of computer software are capitalised in the consolidated statement of financial position at cost less amortization and any identified impairment losses.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly defined project will be recovered through future commercial activity.

Where no internally generated intangible asset can be recognised, development cost is charged to profit or loss in the year in which it is incurred.

Service contracts

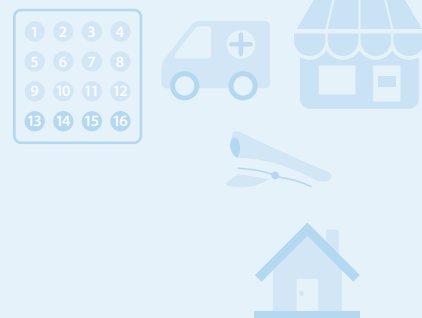
Acquired service contracts are stated at cost less amortisation and any identified impairment losses.

Intellectual property right

Acquired intellectual property right are stated at cost less amortisation and any identified impairment losses.

LED deployment contract

Acquired LED deployment contract are stated at cost less amortisation and any identified impairment losses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rate prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation on or after 1 July 2005 are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

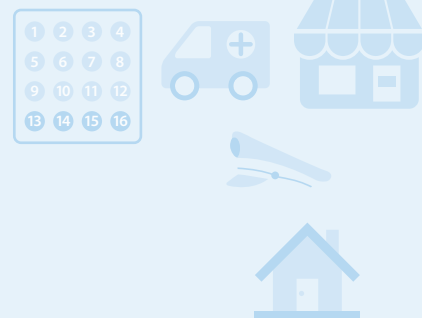
Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



4. SIGNIFICANT ACCOUNTING POLICIES – continued

Employee benefits

(a) Retirement benefits schemes

The Group operates a defined contribution 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 the consolidated statement of profit or loss and other comprehensive income 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.

The employees of the Group's subsidiaries that operated in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute pension, based on a certain percentage of their payroll costs, to the pension schemes. The contributions are charged to consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes.

(b) Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who, in the sole discretion of the Board, have contributed or may contribute to the Group. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(c) Share award scheme

The Group also grants employees and consultants (but not directors) shares of the Company at nil consideration under its share award scheme. Under the share award scheme, the awarded shares are newly issued at par value. The fair value of the employees' and consultants' services received in exchange for the grant of shares newly issued is recognised as staff costs in the consolidated statement of profit or loss and other comprehensive income with a corresponding increase in an employee share-based compensation reserve under equity.

Dividends

Dividends proposed or declared after the date of the reporting period is not recognized as a liability at the date of the reporting period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

Equity-settled share-based payment transactions

Share options granted to directors, employees or other eligible participants of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity as share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

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

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the costs of that asset. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the consolidated statement of profit or loss and other comprehensive income in the year in which they are incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Related parties

- (a) 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 a parent of the Group.
- (b) An entity is related to Group if any of the following conditions 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 the 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 entity;
 - (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;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the Group (or of a parent of the entity).

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 ("FVTPL")) 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 FVTPL are recognized immediately in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on 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 amortized cost of a financial asset 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 financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

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

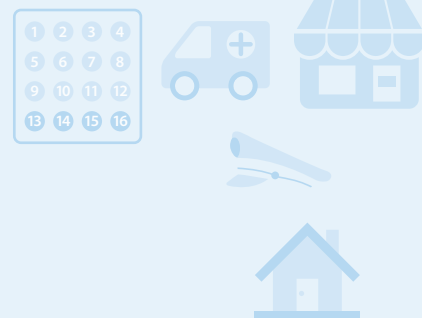
Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables including trade and other receivables, and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. At the end of the reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in consolidated statement of profit or loss and other comprehensive income.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).



4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where 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 financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

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

For trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets – continued

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

Impairment losses on available-for-sale equity investments carried at cost less any impairment loss will not be reversed in profit or loss in subsequent periods.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into 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 the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issued costs.

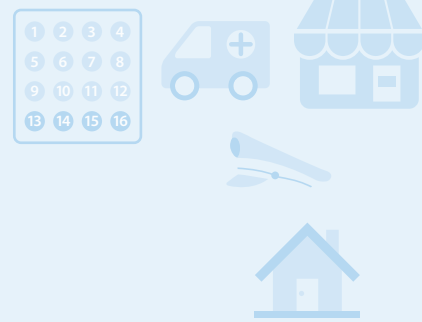
Effective interest method

The effective interest method is a method of calculating the amortised cost of 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 recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, accruals and other payables, amounts due to directors, obligations under finance leases and convertible bonds are subsequently measured at amortised cost, using the effective interest rate method.



4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Convertible bonds issued by the Company

Convertible bonds issued by the Company contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(i) ***Conversion option to be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments***

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

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

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

(ii) ***Conversion option to be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments***

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition

Financial assets are derecognised only when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards or ownership of the financial assets. On derecognition of a financial asset, 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.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

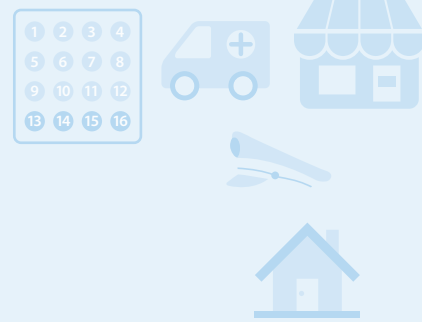
The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based 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 accounting periods.

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

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.



5. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, or changes in facts and circumstances which result in downward revision of future cash flows, a material impairment loss may arise. As at 30 June 2018, the carrying amount of goodwill is HK\$124,284,000 (30-6-2017: HK\$62,746,000). No impairment loss on goodwill was recognised in respect of the current year and impairment loss of HK\$36,542,000 was charged to profit or loss in respect of the year ended 30 June 2017. Details of impairment test for goodwill are set out in Note 20.

Amortisation of intangible assets

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The determination of useful lives and residual values involve management's estimation. The Group assesses annually the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation change for the year of change and the subsequent years.

For the current year, amortisation charge of intangible assets of HK\$7,889,000 (Year ended 30-6-2017: HK\$3,604,000) was charged to profit or loss in respect of the year.

Impairment of intangible assets

The Group assesses the future cash flows expected to arise from the intangible assets. Where the actual cash flows are less than expected, or changes in facts and circumstances which result in downward revision of future cash flows, impairment loss may arise.

As at 30 June 2018, the carrying amount of intangible assets is HK\$20,631,000 (30-6-2017: HK\$8,509,000). No impairment loss on intangible assets was recognised in respect of the current year and impairment loss of HK\$2,307,000 was charged to profit or loss in respect of the year ended 30 June 2017.

Provision for of doubtful receivables

The Group makes provision for doubtful recovery of trade receivables and other receivables based on an assessment of the recoverability of receivables. Provision for doubtful receivables is made when events or changes in circumstances indicate that the balances may not be collectible. The identification of non-recoverability of receivables requires the use of judgement and estimates. Where the expectation on the recoverability of trade receivables and other receivables is different from the original estimate, such difference will impact the carrying amounts of trade receivables and other receivables and doubtful debts expenses in the period which such estimate has been changed.

For the current year, provision for doubtful receivables totalled HK\$8,797,000 (Year ended 30-6-2017: HK\$43,127,000) was recognised in consolidated statement of profit or loss and other comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

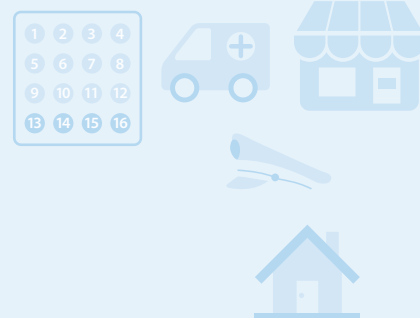
6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes convertible bonds disclosed in Note 32, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses as disclosed in consolidated statement of changes in equity. Management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issuance of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalents)	19,256	40,039
<i>Financial liabilities</i>		
Amortised cost	220,121	115,025
FVTPL	260	–
	220,381	115,025



8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, bank balances and cash, trade payables, other payables, convertible bonds, derivative financial liabilities, amounts due to directors and obligations under finance leases. 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. Management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner. The Group's and the Company's overall strategy remains unchanged from that of the prior year.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. At the end of the reporting period, 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 arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position.

In order to minimize the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are authorised banks in Hong Kong and the PRC.

Foreign currency risk

The Company's subsidiaries mainly operates in the PRC, with most of the transactions denominated and settled in RMB. The appreciation or devaluation of RMB against foreign currencies may have positive or negative impact on the results of operations and financial position of the Group.

At the end of the reporting period, the Group has convertible bonds and certain bank balances denominated in HK\$ and US\$, which are the currencies other than the functional currency of respective group entities. The carrying amounts of the Group's foreign currency denominates monetary assets and liabilities are as follows:

	Assets		Liabilities	
	30-6-2018 HK\$'000	30-6-2017 HK\$'000	30-6-2018 HK\$'000	30-6-2017 HK\$'000
HK\$	8,308	–	217,466	–
US\$	7	7	–	–

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Foreign currency risk – continued

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. The directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities.

The Group uses a 5% sensitivity rate to report foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. If RMB had strengthened/weakened by 5%, loss for the year ended 30 June 2018 would have been increased/decreased by approximately HK\$10,458,000 as a result of foreign exchange losses/gains on translation of transactions denominated in HK\$ (Year ended 30-6-2017: increased/decreased loss by approximately HK\$20,000).

Certain financial assets and liabilities of the Group are denominated in US\$. However, the exchange rate of US\$ against HK\$ is relatively stable, accordingly, no sensitivity analysis has been presented on the currency risk.

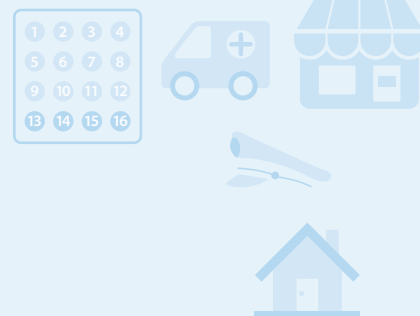
Interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

Convertible bonds at fixed rates expose the Group to fair value interest rate risk. Details of the Group's convertible bonds are set out in Note 32.

Sensitivity analysis

At 30 June 2018, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variable held constant, would increase/decrease the Group's loss by approximately HK\$47,000 (Year ended 30-6-2017: increase/decrease loss by approximately HK\$143,000). The above sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instrument in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the next financial year. The analysis was performed on the same basis for 2017.



8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including short-term investment of cash surpluses and raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables analyse the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay:

30-6-2018

	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Over 5 years HK\$'000	Carrying amounts HK\$'000
Trade payables	250	250	–	–	–	250
Other payables	90,333	90,333	–	–	–	90,333
Obligations under finance leases	353	202	151	–	–	344
Amounts due to directors	39,781	39,781	–	–	–	39,781
Convertible bonds (Note)	89,964	89,964	–	–	–	89,413
	220,681	220,530	151	–	–	220,121

30-6-2017

	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Over 5 years HK\$'000	Carrying amounts HK\$'000
Trade payables	1,106	1,106	–	–	–	1,106
Other payables	9,010	9,010	–	–	–	9,010
Obligations under finance leases	555	202	353	–	–	532
Amounts due to directors	15,076	15,076	–	–	–	15,076
Convertible bonds (Note)	89,964	89,964	–	–	–	89,301
	115,711	115,358	353	–	–	115,025

Note: This is categorised based on contractual terms of redemption at maturity on the assumption that there were no redemption or conversion of the convertible bonds outstanding at the end of the reporting period before the maturity dates.



8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Fair value

- (a) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis.

The Group's derivative financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial liabilities is determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2018 HK\$'000	30 June 2017 HK\$'000		
Derivative financial liabilities	260	–	Level 3	Binominal option pricing model with significant unobservable inputs detailed in note 32(d).

There were no transfers between Level 1 and 2 during both of the years presented.

- (b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis but fair value disclosures are required.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flows analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

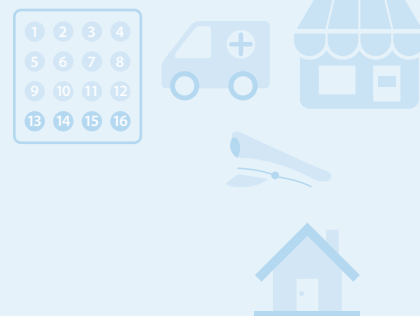
- (c) Reconciliation of Level 3 fair value measurements

The derivative financial liabilities are measured at fair value on Level 2 fair value measurement. Reconciliation of Level 3 fair value measurement is not presented.

9. SEGMENT INFORMATION

The factors that used to identify the Group's operating segments, including the basis of organization, are mainly based on the services provided by the Group's operating divisions as follows:

- (a) Provision of lottery-related services
- (b) Provision of internet plus solution services
- (c) Others services, including catering services and consulting services



9. SEGMENT INFORMATION – continued

For the purposes of monitoring segment performances and allocating resources between segments, all assets and liabilities are allocated to operating segments other than the corporate assets and liabilities.

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

Year ended 30-6-2018

	Lottery-related services HK\$'000	Internet plus solution services HK\$'000	Other services HK\$'000	Total HK\$'000
Segment revenue:				
Reportable segment revenue	21,874	1,443	2,770	26,087
Elimination of inter-segment revenue	–	–	(740)	(740)
Sales to external customers	21,874	1,443	2,030	25,347
Segment loss	(14,152)	(6,861)	(1,562)	(22,575)
Unallocated income				13,283
Unallocated expenses				(51,526)
Finance costs				(12,581)
Share of results of joint ventures				–
Loss before tax				(73,399)
Income tax credit				1,814
Loss for the year				(71,585)



9. SEGMENT INFORMATION – continued

(a) Segment revenue and results – continued

Year ended 30-6-2017

	Lottery- related services HK\$'000 (restated)	Internet plus solution services HK\$'000 (restated)	Other services HK\$'000 (restated)	Total HK\$'000 (restated)
Segment revenue:				
Reportable segment revenue	21,904	–	4,455	26,359
Elimination of inter-segment revenue	–	–	–	–
Sales to external customers	21,904	–	4,455	26,359
Segment loss	(88,682)	–	(376)	(89,058)
Unallocated income				1,313
Unallocated expenses				(82,983)
Finance costs				(13,316)
Share of results of joint ventures				(31)
Loss before tax				(184,075)
Income tax credit				2,835
Loss for the year				(181,240)

(b) Segment assets and liabilities

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

30-6-2018

	Lottery- related services HK\$'000	Internet plus solution services HK\$'000	Other services HK\$'000	Total HK\$'000
Assets				
Segment assets	80,527	77,539	871	158,937
Unallocated assets				16,560
Total assets				175,497
Liabilities				
Segment liabilities	9,083	16,429	253	25,765
Unallocated liabilities				209,731
Total liabilities				235,496



9. SEGMENT INFORMATION – continued

(b) Segment assets and liabilities – continued

30-6-2017

	Lottery- related services HK\$'000 (restated)	Internet plus solution services HK\$'000 (restated)	Other services HK\$'000 (restated)	Total HK\$'000 (restated)
Assets				
Segment assets	117,633	–	1,831	119,464
Unallocated assets				14,599
Total assets				134,063
Liabilities				
Segment liabilities	12,884	–	1,423	14,307
Unallocated liabilities				109,163
Total liabilities				123,470

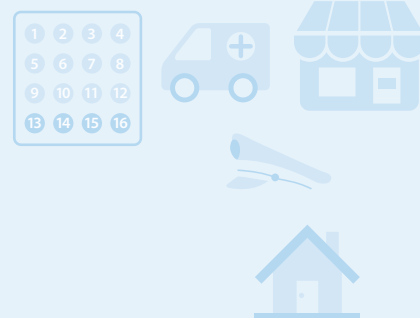


9. SEGMENT INFORMATION – continued

(c) Other segment information

Year ended 30-6-2018

	Lottery- related services HK\$'000	Internet plus solution services HK\$'000	Other services HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	322	99	35	456
Depreciation of property, plant and equipment	4,317	71	505	4,893
Impairment loss on goodwill	–	–	–	–
Impairment loss on intangible assets	–	–	–	–
Loss on disposal of property, plant and equipment	816	–	–	816
Provision for doubtful receivables:				
– trade receivables	–	–	–	–
– other receivables	8,436	–	–	8,436
– deposits paid	361	–	–	361
Write off of:				
– property, plant and equipment	1,907	–	–	1,907
– trade receivables	138	–	–	138
– other receivables	940	–	–	940
– deposits paid	1,139	–	–	1,139
– inventories	683	–	–	683
– amount due from a related company	29	–	–	29
Impairment loss on interests in joint ventures	–	–	–	–
Amortisation of intangible assets	2,960	4,929	–	7,889



9. SEGMENT INFORMATION – continued

(c) Other segment information – continued

Year ended 30-6-2017

	Lottery- related services HK\$'000	Internet plus solution services HK\$'000	Other services HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	5,117	–	293	5,410
Depreciation of property, plant and equipment	5,440	–	419	5,859
Impairment loss on goodwill	36,542	–	–	36,542
Impairment loss on intangible assets	2,307	–	–	2,307
Loss on disposal of property, plant and equipment	863	–	–	863
Provision for doubtful receivables:				
– trade receivables	27,156	–	–	27,156
– other receivables	4,520	–	–	4,520
– deposits paid	–	–	–	–
Write off of:				
– property, plant and equipment	–	–	–	–
– trade receivables	–	–	–	–
– other receivables	–	–	–	–
– deposits paid	–	–	–	–
– inventories	601	–	–	601
– amount due from a related company	1,671	–	–	1,671
Impairment loss on interests in joint ventures	14,927	–	–	14,927
Amortisation of intangible assets	3,604	–	–	3,604



9. SEGMENT INFORMATION – continued

(d) Geographical information

The Group's operations are mainly located in the PRC. The following table provides an analysis of the Group's sales by geographical markets:

	Revenue from external customers	
	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
PRC	25,347	26,359

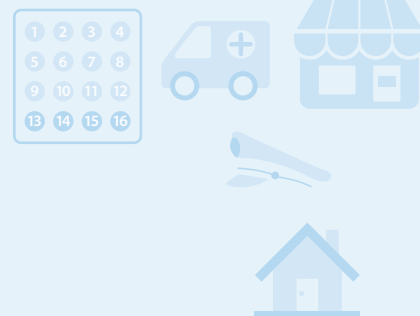
The following is an analysis of the carrying amount of total assets, and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of total assets		Additions to property, plant and equipment	
	30-6-2018 HK\$'000	30-6-2017 HK\$'000	30-6-2018 HK\$'000	30-6-2017 HK\$'000
PRC	170,346	120,769	439	4,583
Hong Kong	5,151	13,294	17	827
	175,497	134,063	456	5,410

Revenue from major products and services

The Group's revenue from its products and services is as follows:

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Lottery-related services	21,874	21,904
Internet plus solution services	1,443	–
Other services	2,030	4,455
	25,347	26,359



9. SEGMENT INFORMATION – continued

(e) Information about major customers

Revenue from customers for the year ended 30 June 2018 contributing over 10% of the total revenue of the Group is as follows:

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Customer A – Provision of lottery-related services	15,129	13,928
Customer B – Provision of lottery-related services	4,430	4,011
Customer C – Provision of lottery-related services	N/A	2,766

Note 1: The revenue from customer C for the year ended 30 June 2018 does not exceed 10% of the total revenue of the Group for the year.

10. REVENUE

The principal activities of the Group are provision of (i) lottery-related services, (ii) internet plus solution services and (iii) other services (including catering services and consulting services).

Revenue represents income from the following services rendered by the Group, net of returns, discounts allowed or sales taxes:

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Lottery-related services	21,874	21,904
Internet plus solution services	1,443	–
Other services	2,030	4,455
	25,347	26,359



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER INCOME AND GAINS

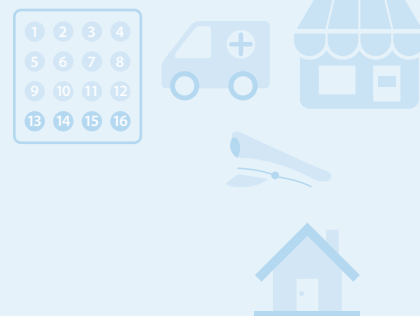
	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Interest income	9	54
Change in fair value of derivative financial liabilities (Note 32)	1,821	–
Write back of consideration payable for acquisition of subsidiaries (Note 29)	2,560	–
Exchange gains	1,816	–
Gain on disposal of subsidiaries (Note 37)	6,564	–
Gain on liquidation of subsidiaries	9	1,242
Recovery of trade receivables previously written off	298	–
Rental income	504	1,848
Others	370	810
	13,951	3,954

12. IMPAIRMENT LOSS ON ASSETS

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Impairment loss on:		
– goodwill	–	36,542
– intangible assets	–	2,307
– interests in joint ventures	–	14,927
	–	53,776

13. FINANCE COSTS

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Interest on:		
– bank overdrafts	4	–
– finance leases	14	16
– convertible bonds	12,563	13,300
	12,581	13,316



14. LOSS BEFORE TAX

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Loss before tax has been arrived at after charging:		
Staff costs (including directors' emoluments (Note 15)):		
– Directors' fees, wages and salaries	44,459	44,137
– Retirement benefits scheme contributions	4,330	6,646
– Equity-settled share-based payment	25	987
Total staff costs	48,814	51,770
Cost of services	2,999	4,865
Auditors' remuneration	763	761
Depreciation of property, plant and equipment:		
– Owned assets	4,729	5,722
– Assets held under finance leases	164	137
Amortisation of intangible assets	7,889	3,604
Equity-settled share-based payment to other eligible participants	–	7,420
Loss on disposal of property, plant and equipment	816	863
Minimum lease payments under operating leases:		
– Land and buildings	6,228	7,638
– Office equipment	65	65
Provision for doubtful receivables on:		
– trade receivables (Note 25)	–	27,156
– other receivables (Note 26)	8,436	4,520
– deposits paid (Note 26)	361	11,451
Write-off of assets included in administrative and operating expenses:		
– property, plant and equipment	1,907	–
– trade receivables	138	–
– other receivables	940	–
– deposits paid	1,139	–
– amount due from a related company	29	1,671
– inventories	683	601
Exchange losses, net	–	2,068



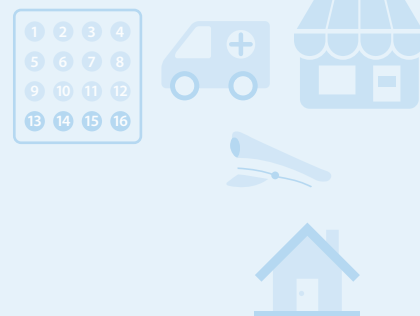
15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments paid or payable to 6 directors (Year ended 30-6-2017: 7 directors), were analysed as follows:

For the year ended 30 June 2018

	Fees HK\$'000	Salaries and other emoluments HK\$'000	Contribution to retirement benefits scheme HK\$'000	Total HK\$'000
Executive Directors				
CHEUNG Kwai Lan	240	5,880	–	6,120
CHAN Ting	240	3,000	18	3,258
Non-executive Director				
CHAN Tung Mei	120	360	–	480
Independent Non-executive Directors				
YANG Qing Cai	120	–	–	120
TO Yan Ming Edmond (note (i))	228	–	–	228
LIU Ta-pei (note (ii))	228	–	–	228
	1,176	9,240	18	10,434



15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

(a) Directors' emoluments – continued

For the year ended 30 June 2017

	Fees HK\$'000	Salaries and other emoluments HK\$'000	Contribution to retirement benefits scheme HK\$'000	Total HK\$'000
Executive Directors				
CHEUNG Kwai Lan	240	6,558	–	6,798
CHAN Ting	240	3,058	18	3,316
Non-executive Director				
CHAN Tung Mei	120	360	–	480
Independent Non-executive Directors				
ZHANG Xiu Fu (<i>note (iii)</i>)	76	–	–	76
YANG Qing Cai	120	–	–	120
TO Yan Ming Edmond (<i>note (i)</i>)	240	–	–	240
LIU Ta-pei (<i>note (ii)</i>)	89	–	–	89
	<u>1,125</u>	<u>9,976</u>	<u>18</u>	<u>11,119</u>

Note (i): To Yan Ming Edmond retired as an independent non-executive director on 23 November 2017 and was re-appointed as independent non-executive director on 11 December 2017.

Note (ii): LIU Ta-pei appointed as an independent non-executive director on 17 February 2017. He retired and reappointed as an independent non-executive director on 23 November 2017 and 11 December 2017 respectively.

Note (iii): ZHANG Xiu Fu resigned as an independent non-executive director on 17 February 2017.



15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

(b) Senior management's emoluments

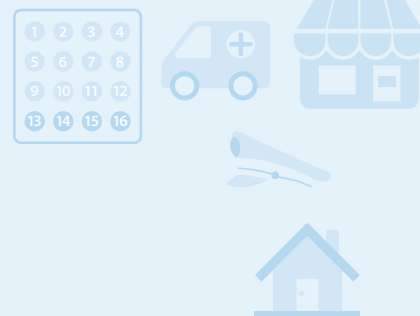
The five highest paid employees of the Group during the year include two directors (Year ended 30-6-2017: two directors) whose emoluments are set out above. The emoluments paid or payable to the remaining three (Year ended 30-6-2017: three) highest paid employees, who are not a director of the Company, are as follows:

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Salaries, allowances and other benefits	4,305	3,996
Contributions to retirement benefits scheme	54	54
	4,359	4,050

The emoluments of the three individuals (year ended 30-6-2017: three individuals) fell within the following bands:

	Year ended 30-6-2018 No. of individuals	Year ended 30-6-2017 No. of individuals
Nil – HK\$1,000,000	–	1
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$1,500,001 – HK\$2,000,000	1	1

No emoluments were paid by the Group to the directors as an inducement to join the Group or as compensation for loss of office for both of the years presented.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INCOME TAX CREDIT

The amount of tax credit to the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Over provision in prior years		
– Hong Kong Profits Tax	–	20
– Other jurisdiction	–	595
	–	615
Deferred tax	1,814	2,220
Income tax credit for the year	1,814	2,835

Hong Kong Profits Tax has been provided at 16.5% (year ended 30-6-2017: 16.5%) to the assessable profit derived in Hong Kong. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

The income tax credit can be reconciled to the loss before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Loss before tax	(73,399)	(184,075)
Tax at the applicable tax rate	(14,016)	(33,846)
Tax concession	–	(271)
Tax effect of expenses that are not deductible for tax purposes	7,805	24,665
Tax effect of income that is not taxable for tax purposes	(637)	(906)
Tax effect of tax losses not recognised	5,034	8,215
Tax effect on profits or losses attributable to a joint venture	–	5
Others	–	(82)
Tax effect of over provision in prior years	–	(615)
Income tax credit	(1,814)	(2,835)



17. DIVIDENDS

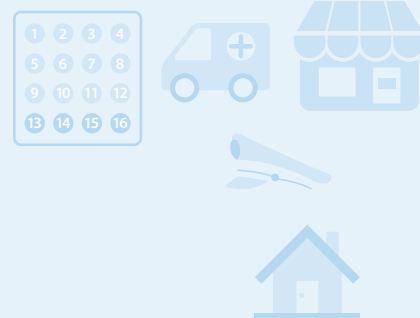
No dividend was paid or proposed during the year ended 30 June 2018, nor has any dividend been proposed since the end of the reporting date (Year ended 30-6-2017: Nil).

18. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to the equity holders of the Company is based on the following data:

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Loss for the year for the purpose of basic loss per share		
Loss for the year attributable to the equity holders of the Company	(61,034)	(175,027)
	Year ended 30-6-2018 '000	Year ended 30-6-2017 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	3,290,855	3,243,380

No diluted loss per share for both of the years presented is shown as the exercise of the outstanding convertible bonds and share options issued by the Company would result in anti-dilutive of the loss per share of the Company.



19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Leasehold improvement HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Total HK\$'000
COST							
At 1 July 2016	1,319	8,480	8,282	4,982	6,300	13,864	43,227
Additions	–	94	–	505	820	3,991	5,410
Disposals	(1,301)	(1,780)	(1,935)	(269)	(2,144)	(472)	(7,901)
Exchange realignment	(18)	(112)	(112)	(40)	(55)	(175)	(512)
At 30 June 2017 and 1 July 2017	–	6,682	6,235	5,178	4,921	17,208	40,224
Additions	–	11	–	326	–	119	456
Acquisition of subsidiaries (Note 36)	–	47	–	30	–	194	271
Disposals/write offs	–	(1,164)	–	(1,218)	(387)	(1,313)	(4,082)
Disposal of subsidiaries (Note 37)	–	–	–	–	–	(3,787)	(3,787)
Exchange realignment	–	190	184	94	72	503	1,043
At 30 June 2018	–	5,766	6,419	4,410	4,606	12,924	34,125
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 July 2016	401	5,949	7,920	1,868	4,231	6,788	27,157
Charged for the year	40	694	249	1,059	607	3,210	5,859
Eliminated on disposals	(436)	(1,452)	(1,917)	(70)	(1,744)	(155)	(5,774)
Exchange realignment	(5)	(72)	(105)	(1)	(40)	(55)	(278)
At 30 June 2017 and 1 July 2017	–	5,119	6,147	2,856	3,054	9,788	26,964
Charged for the year	–	446	–	1,225	517	2,705	4,893
Eliminated on disposals/write offs	–	(317)	–	(272)	(130)	(636)	(1,355)
Eliminated on disposals of subsidiaries (Note 37)	–	–	–	–	–	(893)	(893)
Exchange realignment	–	139	181	19	53	228	619
At 30 June 2018	–	5,387	6,328	3,828	3,494	11,192	30,229
CARRYING AMOUNTS							
At 30 June 2018	–	379	91	582	1,112	1,732	3,896
At 30 June 2017	–	1,563	88	2,322	1,867	7,420	13,260



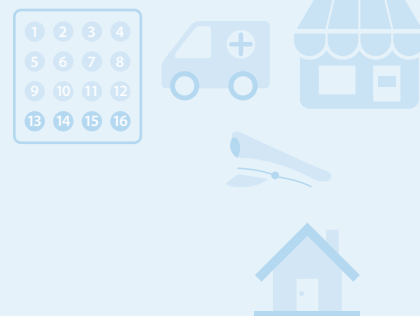
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. PROPERTY, PLANT AND EQUIPMENT – continued

At 30 June 2018, the Group's property, plant and equipment with the carrying amount of HK\$519,000 (30-6-2017: HK\$683,000) were held under finance leases.

20. GOODWILL

	HK\$'000
COST	
At 1 July 2016, 30 June 2017 and 1 July 2017	184,255
Arose from acquisition of subsidiaries (<i>Note 36</i>)	61,538
Eliminated on disposal of subsidiaries (<i>Note 37</i>)	(50,904)
At 30 June 2018	194,889
IMPAIRMENT	
At 1 July 2016	84,967
Impairment loss recognised for the year	36,542
At 30 June 2017 and 1 July 2017	121,509
Eliminated on disposal of subsidiaries (<i>Note 37</i>)	(50,904)
At 30 June 2018	70,605
CARRYING AMOUNTS	
At 30 June 2018	124,284
At 30 June 2017	62,746



20. GOODWILL – continued

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating units (“CGUs”):

	30-6-2018	30-6-2017
	HK\$'000	HK\$'000
Lottery-related services	62,746	62,746
Internet plus solution services	61,538	–
	124,284	62,746

Lottery-related services

The recoverable amount of the CGU has been determined based on value in use calculation. The recoverable amount is based on cash flow projection throughout the budgeted period. The cash flow beyond the five-year period has been extrapolated using a steady of 3% (Year ended 30-6-2017: 5%) per annum growth rate which is expected to be the long-term growth rate of lottery business in the PRC. The key assumptions for the value in use calculation are discount rates, growth rates and expected changes to selling prices and direct costs. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Discount rate adopted for the cash flow projection is 12.5% (Year ended 30-6-2017: 10%). The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on management expectation.

The management believe that any reasonably possible change in the key assumptions would not cause the carrying amount of the CGU of lottery-related services to exceed its recoverable amount.

Based on the value in use of the CGUs of lottery-related services, no impairment loss is recognised on the relevant goodwill in respect of the current year, and impairment loss amounted to HK\$36,542,000 was recognised in respect of the year ended 30 June 2017 in relation to this goodwill.

Internet-plus solution services

The recoverable amount of the CGU has been determined based on value in use calculation. The recoverable amount is based on cash flow projection throughout the budgeted period. The cash flow beyond the five-year period has been extrapolated using a 3% per annum growth rate which is expected to be the long-term growth rate of internet plus solution services in the PRC. The key assumptions for the value in use calculation are discount rates, growth rates and expected changes to selling prices and direct costs. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Discount rate adopted for the cash flow projection is 14.5%. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on management expectation.

The management believe that any reasonably possible change in the key assumptions would not cause the carrying amount of the CGU of internet plus solution services to exceed its recoverable amount.

Based on the value in use of the CGU of internet-plus solution services, no impairment is recognised on the relevant goodwill in respect in the current year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INTANGIBLE ASSETS

	Research and development HK\$'000	Computer software HK\$'000	Service contracts HK\$'000	Intellectual property right HK\$'000	LED deployment contract HK\$'000	Total HK\$'000
COST						
At 1 July 2016	251	5,694	8,878	5,835	3,618	24,276
Disposal of a subsidiary	–	(2,447)	–	–	–	(2,447)
Exchange realignment	(3)	(77)	(121)	(79)	(49)	(329)
At 30 June 2017 and at 1 July 2017	248	3,170	8,757	5,756	3,569	21,500
Acquisition of subsidiaries (note 36)	–	–	19,715	–	–	19,715
Disposals	(255)	–	(482)	–	(3,674)	(4,411)
Exchange realignment	7	90	258	170	105	630
At 30 June 2018	–	3,260	28,248	5,926	–	37,434
AMORTISATION						
At 1 July 2016	–	5,589	1,871	1,167	–	8,627
Charged for the year	–	22	1,735	1,140	707	3,604
Eliminated on disposals	–	(2,447)	–	–	–	(2,447)
Exchange realignment	–	(76)	(9)	(5)	(3)	(93)
At 30 June 2017 and at 1 July 2017	–	3,088	3,597	2,302	704	9,691
Charged for the year	–	22	6,663	1,204	–	7,889
Eliminated on disposals	–	–	(290)	–	(725)	(1,015)
Exchange realignment	–	89	79	49	21	238
At 30 June 2018	–	3,199	10,049	3,555	–	16,803
IMPAIRMENT						
At 1 July 2016	251	–	–	–	724	975
Impairment loss recognised for the year	–	–	186	–	2,121	2,307
Exchange realignment	(3)	–	1	–	20	18
At 30 June 2017 and at 1 July 2017	248	–	187	–	2,865	3,300
Impairment loss recognised for the year	–	–	–	–	–	–
Eliminated on disposals	(255)	–	(193)	–	(2,939)	(3,387)
Exchange realignment	7	–	6	–	74	87
At 30 June 2018	–	–	–	–	–	–
CARRYING AMOUNTS						
At 30 June 2018	–	61	18,199	2,371	–	20,631
At 30 June 2017	–	82	4,973	3,454	–	8,509



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. INTANGIBLE ASSETS – continued

Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. The estimated useful lives are as follows:

Research and development	5 years
Computer software	5 years
Service contracts	3-5 years
Intellectual property right	5 years
LED development contract	5 years

The carrying amounts of computer software, services contracts and intellectual property right will be amortised over their remaining useful lives of 3 years, 3 years and 2 years respectively (2017: 4 years, 3 years and 3 years respectively).

Impairment loss recognised on intangible assets for the year ended 30-6-2018 amounted to Nil (Year ended 30-6-2017: HK\$2,307,000).



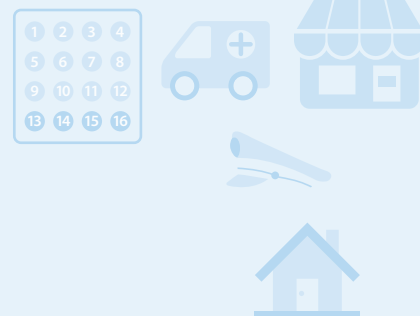
22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed investment HK\$'000 <i>(Note a)</i>	Unlisted investment HK\$'000 <i>(Note b)</i>	Total HK\$'000
COST			
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	3	63,780	63,783
IMPAIRMENT			
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	3	63,780	63,783
CARRYING VALUES			
At 30 June 2018	–	–	–
At 30 June 2017	–	–	–

(a) Listed investment represents investment in an equity securities listed in Hong Kong. By considering that there was a significant decline in the fair value of the listed equity securities below its cost, the change in fair value is considered to be objective evidence of impairment and charged to profit or loss directly.

(b) Unlisted investment represents investment in an unlisted equity securities issued by private entities established in the PRC. In the opinion of directors, the Group is unable to exercise significant influence on the financial and operation of the investee, therefore, the investment is classified as available-for-sale financial assets.

The unlisted investment is measured at cost less impairment at the end of the reporting date because the range of reasonable fair value estimates is so significant that the directors of the Company are in the opinion that its fair value cannot be measured reliably.



23. INTERESTS IN JOINT VENTURES

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Cost of investments in unlisted joint ventures	47,860	47,860
Share of post acquisition profits less losses of joint ventures	(39,457)	(39,457)
	8,403	8,403
Amounts due from joint ventures	6,779	6,586
Impairment loss recognised	(14,927)	(14,927)
Exchange realignment	(255)	(62)
	–	–

The amounts due from joint ventures are unsecured, interest free and have no fixed repayment term.

Details of the joint ventures as at 30 June 2018 were as follows:

Name	Form of business structure	Place of establishment and operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Principal activities
				Directly	Indirectly	
北京中文發數字科技有限公司 (China Culture Development Digital Technology Co., Ltd.) ("China Culture")	Sino-foreign equity joint venture	PRC	Registered	49%	–	Research and development of software and information technology products; system integrations; technology consultancy and other services
重慶禮光博軟科技發展有限公司 (Chongqing Lightsoft Technology Development Co., Ltd.) ("Chongqing Lightsoft")	Limited liability company	PRC	Registered	–	55%	Development of software, and trading of computer hardware

Chongqing Lightsoft is a 55% owned subsidiary of China Culture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

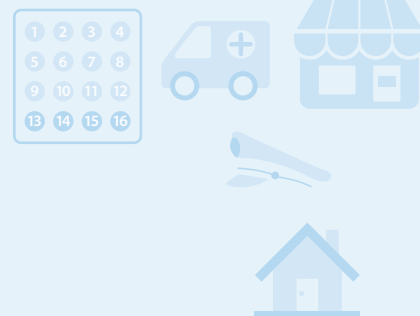


23. INTERESTS IN JOINT VENTURES – continued

Summarised consolidated statement of financial position of China Culture and its subsidiary, Chongqing Lightsoft, and reconciliation of the carrying amount of interests in joint ventures recognised in the consolidated financial statements are as follows:

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Current assets	52,697	51,230
Non-current assets	953	1,164
Current liabilities	(14,434)	(14,021)
Translation reserve	(20,569)	(16,648)
Other reserve	(1,465)	(4,575)
	17,182	17,150
Reconciled to the Group's interests in the joint venture:		
Gross amounts of the joint venture's net assets	17,182	17,150
Group's effective interest	49%	49%
Carrying amounts of interests in joint venture	8,419	8,403
	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Revenue	–	40
Other income/(expenses)	55	(155)
Profit/(loss) for the year	55	(115)
Profit/(loss) for the year attributable to:		
Equity holders of China Culture	32	(63)
Non-controlling interests	23	(52)
	55	(115)
Group's share of profit/(loss) of the joint venture		
– recognised	–	(31)
– unrecognised	16	–
	16	(31)

Note: The share of results of the joint ventures for the year has not been recognised in the consolidated financial statements as the directors consider that the joint ventures are inactive during the year and it is appropriate to recognise impairment loss in full against the cost at the Group's investments in and amounts due from joint ventures.



24. INVENTORIES

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Raw materials and consumables	66	67
Finished goods	402	1,625
	468	1,692

25. TRADE RECEIVABLES

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Trade receivables	76,920	82,195
Less: Provision for doubtful receivables	(69,020)	(66,833)
Trade receivables, net of provision	7,900	15,362

Payment terms of trade debts are mainly on credit. Invoices are normally payable within 30 to 180 days from invoice date. The following is an aged analysis of trade receivables at the end of the reporting period:

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
0 to 30 days	3,525	4,919
31 to 60 days	1,792	1,314
61 to 180 days	1,541	5,993
181 to 365 days	68	339
Over one year	69,994	69,630
	76,920	82,195

The trade receivables with the carrying amount of HK\$Nil (30-6-2017: HK\$3,583,000) are neither past due nor impaired at the end of the reporting period.

The Group has policies for allowances of doubtful receivables which are based on the evaluation of collectability and age analysis of accounts and on the management's judgement including the credit worthiness, collaterals and the past collection history of each customer.

For the year ended 30 June 2018, the Group made an allowance of HK\$Nil (Year ended 30-6-2017: HK\$27,156,000) in respect of trade receivables, which was past due at the reporting date with long age and slow repayments were received from respective customers since the due date.



25. TRADE RECEIVABLES – continued

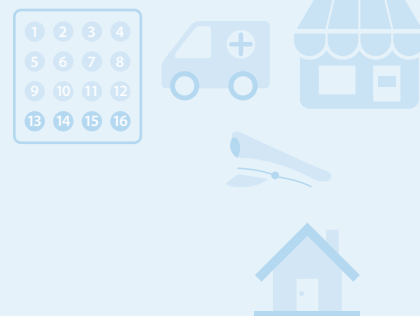
Movements in the provision for doubtful receivables are as follows:

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Balance at the beginning of the year	66,833	40,003
Provision for doubtful receivables for the year	–	27,156
Eliminated on disposal of a subsidiary	(248)	–
Exchange realignment	2,435	(326)
Balance at the end of the year	69,020	66,833

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted. The trade receivables past due but not provided for were either settled after the end of the reporting period or no historical default of payments by the respective customers. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in the Group's trade receivables are receivables with the aggregate carrying amount of HK\$4,375,000 (30-6-2017: HK\$11,779,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances. The aging of these overdue trade receivables but not impaired is as follows:

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
0 to 30 days	–	1,335
31 to 60 days	1,792	1,314
61 to 180 days	1,541	5,994
181 to 365 days	68	340
Over one year	974	2,796
	4,375	11,779



26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Other receivables	23,902	20,465
Less: Provision for doubtful receivables	(17,265)	(10,090)
Other receivables, net of provision	6,637	10,375
Deposits paid	17,512	18,352
Less: Provision for doubtful recovery	(12,668)	(12,290)
Deposits paid, net of provision	4,844	6,062
Prepayments	2,118	1,755
	13,599	18,192

Movements in provision for other receivables are as follows:

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Balance at the beginning of the year	10,090	5,626
Provision for doubtful receivables for the year	8,436	4,520
Eliminated on disposal of subsidiaries	(1,781)	–
Exchange realignment	520	(56)
Balance at the end of the year	17,265	10,090

Included in other receivables, less provision, are the consideration receivable for disposal of subsidiaries and the amount due from a related company amounted to HK\$2,500,000 (30-6-2017: HK\$Nil) and HK\$2,791,000 (30-6-2017: HK\$1,762,000) respectively, which is unsecured, interest free and has no fixed repayment terms.

Movements in provision for deposits paid are as follows:

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Balance at the beginning of the year	12,290	778
Provision for doubtful receivables for the year	361	11,451
Exchange realignment	17	61
Balance at the end of the year	12,668	12,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



27. BANK BALANCES AND CASH

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	157	9,724
Renminbi	4,555	4,571
United States dollar	7	7
	4,719	14,302

Included in the bank balances are bank deposits amounted to HK\$4,292,000 (30-6-2017: HK\$4,464,000) which was denominated in RMB and placed with banks in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

28. TRADE PAYABLES

An aged analysis of the Group's trade payables at the end of the reporting period, based on the date of goods and services received, is as follows:

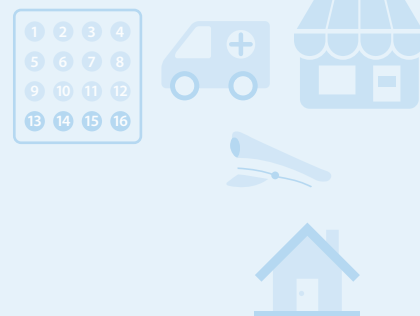
	30-6-2018 HK\$'000	30-6-2017 HK\$'000
0 to 30 days	–	921
181 to 365 days	–	50
Over 1 year	250	135
	250	1,106

29. ACCRUALS AND OTHER PAYABLES

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Consideration for acquisition of subsidiaries payable (<i>Notes a and b</i>)	65,000	2,080
Amount due to non-controlling interest (<i>Note c</i>)	15,334	–
Interest on convertible bonds payable	6,832	3,246
Sundry payables and accrued charges	13,162	10,693
	100,328	16,019

Notes:

- (a) As at 30 June 2018, the consideration for acquisition of subsidiaries payable amounted to HK\$65,000,000 was unsecured, interest free and due for settlement on or before 18 October 2018.
- (b) The consideration payables as at 30 June 2017 amounted to HK\$2,080,000 arose from the acquisition of subsidiaries which took place in the year ended 30 June 2015. Management of the Group is of the view that the consideration payable has been long overdue and the Group is unlikely to make settlement of the payables, accordingly the consideration payable together with the change in fair value amounted to HK\$480,000 for the current year are written back during the year and included in other income and gains (*Note 11*).
- (c) The amount due to non-controlling interest is unsecured, interest free and repayable on demand.



30. AMOUNTS DUE TO DIRECTORS

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Amounts due to:		
– Madam Cheung Kwai Lan	34,639	15,076
– Mr. Chan Ting	5,142	–
	39,781	15,076

The amounts due to directors are unsecured, interest free and have no fixed repayment terms.

31. OBLIGATIONS UNDER FINANCE LEASES

The Group leased a motor vehicles under finance lease. The average lease term is four years (30-6-2017: four years). Interest rates on the lease is fixed at 3.13% per annum. The Group has option to purchase the motor vehicle for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	30-6-2018 HK\$'000	30-6-2017 HK\$'000	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Within one year	202	202	194	188
In the second to fifth year inclusive	151	353	150	344
Less: future finance charges	353 (9)	555 (23)		
Present value of lease obligations	344	532	344	532
Less: amount due within one year shown under current liabilities			(194)	(188)
Amount due after one year			150	344



32. CONVERTIBLE BONDS

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Convertible bonds:		
– Liability component	89,413	89,301
– Derivative conversion option component	260	–
– Equity component	–	2,672
Classified under current liabilities:		
– Convertible bonds	89,413	89,301
– Derivative financial liabilities	260	–
Included in reserves	–	2,672

(a) 2% Coupon Bonds Due 2017 (“2% Bonds”)

On 17 January 2014, the Company issued the 2% Bonds due on 17 January 2017 with a principal amount of HK\$89,625,000, which is interest bearing at a rate of 2% per annum, as a general working capital and repayment of borrowings. The Bonds are convertible into ordinary shares of the Company with a conversion price of HK\$2.39 per share. As a result of the share subdivision implemented on 17 December 2014, the number of the shares to be issued upon full conversion of the 2% Bonds was adjusted to 150,000,000 shares at the conversion price of HK\$0.598 per share.

The 2% Bonds contain liability and equity components. The effective interest rate of the liability component is 13.89% per annum. The equity component is presented under the equity heading of “convertible bonds reserve”.

The fair value of the liability component of the 2% Bonds at the issue date was valued by an independent valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

Detail of principal valuation parameters have been applied in determining the liability component and equity component was summarised as follows:

(a) Principal amount:	HK\$89,625,000
(b) Coupon rate:	2% per annum
(c) Maturity date:	17 January 2017
(d) Conversion price:	HK\$2.39
(e) Risk-free rate:	0.687%
(f) Expected volatility:	70.45%
(g) Expected dividend yield:	0%



32. CONVERTIBLE BONDS – continued

(b) 8% Bonds July 2017

On 18 January 2017, the Company entered into an amendment agreement with the bondholder to amend certain terms and conditions of 2% Bonds. The conversion price shall be the same to HK\$0.359 per share and it can be converted into for the maximum of 249,651,810 shares. The maturity date shall be extended to 17 July 2017 and a further six months extension to 17 January 2018 upon a written consent from the bondholder. The interest rate shall be 8% per annum and paid semi-annually from the date of the amendment agreement.

The revised 2% Bonds (the “8% Bonds July 2017”) contain liability and equity components. The effective interest rate of the liability component is 16.32% per annum. The equity component is presented under the equity heading of “convertible bonds reserve”.

The fair value of the liability component of the 8% Bonds July 2017 at the date of its amendments was valued by an independent valuer determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

Detail of principal valuation parameters have been applied in determining the liability component and equity component was summarised as follows:

(a)	Principal amount:	HK\$89,625,000
(b)	Coupon rate:	8% per annum
(c)	Maturity date:	17 July 2017
(d)	Conversion price:	HK\$0.359
(e)	Risk-free rate:	0.771%
(f)	Expected volatility:	89.30%
(g)	Expected dividend yield:	0%

(c) 8% Bonds January 2018

On 17 July 2017, the Company obtained written consent from the bondholder, under which the maturity date of the 8% Bonds July 2017 was extended to 17 January 2018 with other terms and conditions remained unchanged.

The revised 8% Bonds July 2017 (the “8% Bonds January 2018”) contain liability and equity components. The effective interest rate of the liability component is 16.32% per annum. The equity component is presented under the equity heading of “convertible bonds reserve”.

The fair value of the liability component of the 8% Bond January 2018 at the date of its amendments was valued by management based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.



32. CONVERTIBLE BONDS – continued

(c) 8% Bonds January 2018 – continued

Detail of principal valuation parameters have been applied in determining the liability component and equity component was summarised as follows:

(a)	Principal amount:	HK\$89,625,000
(b)	Coupon rate:	8% per annum
(c)	Maturity date:	17 January 2018
(d)	Conversion price:	HK\$0.359
(e)	Risk-free rate:	0.771%
(f)	Expected volatility:	89.30%
(g)	Expected dividend yield:	0%

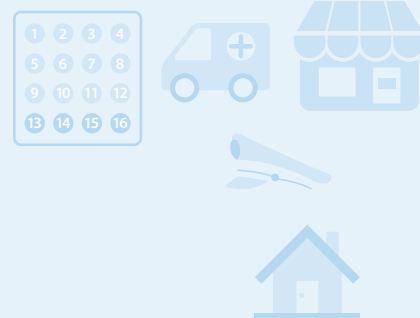
(d) 8% Bonds July 2018

On 18 January 2018, the Company entered into a second amendment agreement with the bondholder, under which the maturity date of the bonds was extended to 17 July 2018 and interest is payable at the interest rate 8% per annum up to the maturity date, with other terms and conditions remained unchanged.

Following the change of the functional currency of the Company during the current year, as detailed in note 1, the revised 8% Bonds January 2018 (the “8% Bonds July 2018”) contain liability and conversion option derivative components. The effective interest rate of the liability component is 13.37% per annum.

The fair value of the liability component and conversion option derivative component of the 8% Bonds July 2018 at the date of its amendments and at the end of the reporting period was valued by an independent valuer based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan. Detail of principal valuation parameters have been applied in determining the liability component and conversion option derivative component was summarised as follows:

	At date of amendment	At 30-6-2018	
(a)	Principal amount:	HK\$89,625,000	HK\$89,625,000
(b)	Coupon rate:	8% per annum	8% per annum
(c)	Maturity date:	17 July 2018	17 July 2018
(d)	Conversion price:	HK\$0.359	HK\$0.359
(e)	Risk-free rate:	0.812%	1.470%
(f)	Expected volatility:	94.04%	37.30%
(g)	Expected dividend yield:	0%	0%



32. CONVERTIBLE BONDS – continued

Movements of the convertible bonds for the years is set out below:

	Liability component				Total HK\$'000	Derivative component HK\$'000	Equity component HK\$'000
	2% Bonds HK\$'000	8% Bonds July 2017 HK\$'000	8% Bonds January 2018 HK\$'000	8% Bonds July 2018 HK\$'000			
At 1 July 2016	83,434	-	-	-	83,434	-	24,184
Movements during the period from 1 July 2016 to 17 January 2017							
Imputed interest charge	7,178	-	-	-	7,178	-	-
Interest paid	(987)	-	-	-	(987)	-	-
Arose from amendment of terms of convertible bonds, net of tax effects	(89,625)	86,425	-	-	(3,200)	-	(21,512)
Movements during the period from 18 January 2017 to 30 June 2017							
Imputed interest charge	-	6,122	-	-	6,122	-	-
Interest payable or paid	-	(3,246)	-	-	(3,246)	-	-
At 30 June 2017 and 1 July 2017	-	89,301	-	-	89,301	-	2,672
Movements during the period from 1 July 2017 to 17 July 2017							
Imputed interest charge	-	662	-	-	662	-	-
Interest paid	-	(338)	-	-	(338)	-	-
Arose from amendment of terms of convertible bonds, net of tax effects	-	(89,625)	86,425	-	(3,200)	-	-
Movements during the period from 18 July 2017 to 17 January 2018							
Imputed interest charge	-	-	6,785	-	6,785	-	-
Interest payable included in accruals and other payables	-	-	(3,585)	-	(3,585)	-	-
Arose from second amendment of terms of convertible bonds, net of tax effects	-	-	(89,625)	87,544	(2,081)	2,081	(2,672)
Movements during the period from 18 January 2018 to 30 June 2018							
Imputed interest charge for the year	-	-	-	5,116	5,116	-	-
Interest payable included in accruals and other payables	-	-	-	(3,247)	(3,247)	-	-
Change in fair value of derivative financial liabilities (Note 11)	-	-	-	-	-	(1,821)	-
At 30 June 2018	-	-	-	89,413	89,413	260	-



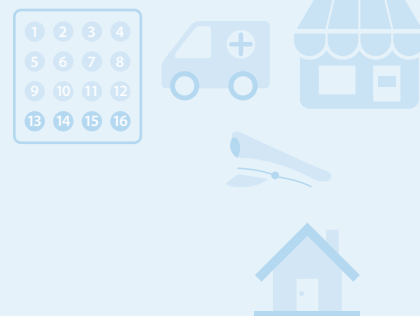
33. DEFERRED TAX LIABILITIES

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Deferred tax liabilities classified under:		
– current liabilities	–	54
– non-current liabilities	3,697	–
	3,697	54

Movements of the deferred tax liabilities are as follows:

	Business combination HK\$'000	Convertible bonds HK\$'000	Total HK\$'000
At 1 July 2016	–	1,746	1,746
Deferred tax recognised on equity component of convertible bonds	–	528	528
Deferred tax credit to profit or loss	–	(2,220)	(2,220)
At 30 June 2017 and 1 July 2017	–	54	54
Acquisition of subsidiaries (<i>note 36</i>)	4,929	–	4,929
Deferred tax recognised on equity component of convertible bonds	–	528	528
Deferred tax credited to profit or loss	(1,232)	(582)	(1,814)
At 30 June 2018	3,697	–	3,697

At the end of the reporting period, the Group has unused tax losses of approximately HK\$114,584,000 (30-6-2017: HK\$104,496,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams. Included in unused tax losses are losses of approximately HK\$44,227,000 (30-6-2017: HK\$33,440,000) that will expire within one to five years from the end of the reporting period. Other losses may be carried forward indefinitely.



34. SHARE CAPITAL

	Number of shares '000	Nominal amounts HK\$'000
<i>Ordinary shares of HK\$0.0125 each</i>		
Authorized:		
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	16,000,000	200,000
Issued and fully paid:		
At 1 July 2016	3,227,065	40,338
Issued upon exercise of share options (<i>Note below</i>)	63,790	797
At 30 June 2017, 1 July 2017 and 30 June 2018	3,290,855	41,135

Note: During the year ended 30 June 2017, the Company issued 63,790,000 new shares of HK\$0.0125 each for a consideration of HK\$27,940,000 as a result of the exercise of share options granted by the Company.

35. SHARE-BASED PAYMENT TRANSACTION

Share Option Scheme

The Company has adopted a new share option scheme on 31 January 2013 which will remain valid for a period of 10 years commencing from 31 January 2013. The Board may, at its discretion, invite eligible persons to take up options to subscribe for the shares in the Company. Eligible persons shall include any employee, directors (including executive, non-executive and independent non-executive directors) and consultants of the Company or of any subsidiary of the Company or such other persons who at the sole determination of the Board have contributed to the Group at the time when an option is granted to such person.

At 30 June 2018, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 0.61% (30-6-2017: 1.98%) of the shares of the Company in issue at that date.

The maximum number of shares issued and to be issued on the exercise of options granted and to be granted to each eligible participant (included both exercised and outstanding options) in any 12 month period must not exceed 1% of the total issued share capital of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to Shareholder's approval in a general meeting.

Share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings. The Group recognized the total expenses of approximately HK\$25,000 for the year ended 30 June 2018 (Year ended 30-6-2017: approximately HK\$8,407,000) in relation to share options granted by the Company.

The maximum number of shares of the Company which may be issued upon exercise of all the outstanding options granted and yet to be issued under the Share Option Scheme or any other schemes must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.



35. SHARE-BASED PAYMENT TRANSACTION – continued

Share Option Scheme – continued

The exercise price of the share options is determinable by the directors, and may not be less than the highest of:

- (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day;
- (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share of the Company.

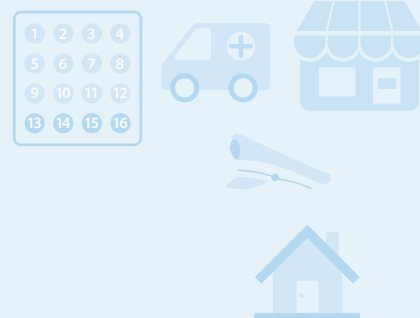
During the years ended 30 June 2018 and 30 June 2017, no share options were granted by the Company. Details of the share options granted, exercised, cancelled and lapsed during both of the years presented are set out as follows:

Year ended 30 June 2018

Grantee	Grant date	Exercise price per share HK\$	Exercisable period	Number of Share Options					Balance as at 30 June 2018
				Balance as at 1 July 2017	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	
Other Eligible Participants*	21/07/2015	1.280	01/07/2016 – 30/06/2019	540,000	–	–	–	(540,000)	–
	21/07/2015	1.280	01/01/2017 – 30/06/2019	540,000	–	–	–	(540,000)	–
	21/07/2015	1.280	01/01/2018 – 30/06/2019	720,000	–	–	–	(720,000)	–
	13/06/2014	0.952	01/07/2015 – 30/06/2018	936,000	–	–	–	(936,000)	–
	13/06/2014	0.952	01/07/2016 – 30/06/2018	936,000	–	–	–	(936,000)	–
	13/06/2014	0.952	01/07/2017 – 30/06/2018	1,248,000	–	–	–	(1,248,000)	–
	13/06/2014	0.952	01/07/2015 – 30/06/2018	20,100,000	–	–	–	(20,100,000)	–
	13/06/2014	0.952	01/07/2016 – 30/06/2018	20,100,000	–	–	–	(20,100,000)	–
	21/07/2015	1.280	01/07/2016 – 30/06/2019	10,000,000	–	–	–	–	10,000,000 [#]
	21/07/2015	1.280	01/01/2017 – 30/06/2019	10,000,000	–	–	–	–	10,000,000 [#]
			Total	65,120,000	–	–	–	(45,120,000)	20,000,000

* Other Eligible Participants include certain employees, business partners and consultants of the Group.

In prior years, 20,000,000 share options were granted to certain eligible participants subject to satisfactory performance to be provided by the eligible participants. Such eligible participants subsequently failed to perform their obligations as required by the Group and are not eligible to exercise the options. The share options remained uncanceled as at the end of the reporting period.



35. SHARE-BASED PAYMENT TRANSACTION – continued

Share Option Scheme – continued

Year ended 30 June 2017

Grantee	Grant date	Exercise price per share HK\$	Exercisable period	Number of Share Options					
				Balance as at 1 July 2016	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	Balance as at 30 June 2017
Executive directors									
Madam CHEUNG Kwai Lan	10/12/2013	0.438	01/04/2014 – 31/03/2017	900,000	-	(900,000)	-	-	-
	10/12/2013	0.438	01/01/2015 – 31/03/2017	900,000	-	(900,000)	-	-	-
	10/12/2013	0.438	01/01/2016 – 31/03/2017	1,200,000	-	(1,200,000)	-	-	-
Mr. CHAN Ting	10/12/2013	0.438	01/04/2014 – 31/03/2017	900,000	-	-	-	(900,000)	-
	10/12/2013	0.438	01/01/2015 – 31/03/2017	900,000	-	-	-	(900,000)	-
	10/12/2013	0.438	01/01/2016 – 31/03/2017	1,200,000	-	-	-	(1,200,000)	-
Non-Executive directors									
Mr. CHAN Tung Mei	10/12/2013	0.438	01/04/2014 – 31/03/2017	660,000	-	(660,000)	-	-	-
	10/12/2013	0.438	01/01/2015 – 31/03/2017	900,000	-	(900,000)	-	-	-
	10/12/2013	0.438	01/01/2016 – 31/03/2017	1,200,000	-	(1,200,000)	-	-	-
Independent Non-Executive directors									
Mr. ZHANG Xiu Fu (resigned on 17 February 2017)	10/12/2013	0.438	01/04/2014 – 31/03/2017	600,000	-	-	-	(600,000)	-
	10/12/2013	0.438	01/01/2015 – 31/03/2017	600,000	-	-	-	(600,000)	-
	10/12/2013	0.438	01/01/2016 – 31/03/2017	800,000	-	-	-	(800,000)	-
Mr. YANG Qing Cai	10/12/2013	0.438	01/04/2014 – 31/03/2017	125,000	-	-	-	(125,000)	-
	10/12/2013	0.438	01/01/2015 – 31/03/2017	600,000	-	-	-	(600,000)	-
	10/12/2013	0.438	01/01/2016 – 31/03/2017	800,000	-	-	-	(800,000)	-
			Sub-total	12,285,000	-	(5,760,000)	-	(6,525,000)	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SHARE-BASED PAYMENT TRANSACTION – continued

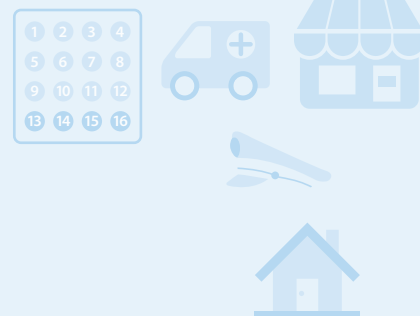
Share Option Scheme – continued

Year ended 30 June 2017

Grantee	Grant date	Exercise price per share HK\$	Exercisable period	Number of Share Options						
				Balance as at 1 July 2016	Granted during the reporting period	Exercised during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	Balance as at 30 June 2017	
Other Eligible Participants*	10/12/2013	0.438	01/04/2014 – 31/03/2017	1,342,000	–	(1,318,000)	–	(24,000)	–	
	10/12/2013	0.438	01/01/2015 – 31/03/2017	2,578,000	–	(2,430,000)	–	(148,000)	–	
	10/12/2013	0.438	01/01/2016 – 31/03/2017	9,900,000	–	(8,282,000)	–	(1,618,000)	–	
	10/12/2013	0.438	01/04/2014 – 31/03/2017	10,760,000	–	(3,000,000)	–	(7,760,000)	–	
	10/12/2013	0.438	01/04/2015 – 31/03/2017	10,800,000	–	(3,000,000)	–	(7,800,000)	–	
	10/12/2013	0.438	01/07/2014 – 31/03/2017	46,000,000	–	(24,000,000)	–	(22,000,000)	–	
	10/12/2013	0.438	01/07/2015 – 31/03/2017	48,155,000	–	(16,000,000)	–	(32,155,000)	–	
	21/07/2015	1.280	01/07/2016 – 30/06/2019	1,266,000	–	–	–	(726,000)	540,000	
	21/07/2015	1.280	01/01/2017 – 30/06/2019	1,266,000	–	–	–	(726,000)	540,000	
	21/07/2015	1.280	01/01/2018 – 30/06/2019	1,688,000	–	–	–	(968,000)	720,000	
	13/06/2014	0.952	01/07/2015 – 30/06/2018	4,044,000	–	–	–	(3,108,000)	936,000	
	13/06/2014	0.952	01/07/2016 – 30/06/2018	4,044,000	–	–	–	(3,108,000)	936,000	
	13/06/2014	0.952	01/07/2017 – 30/06/2018	5,392,000	–	–	–	(4,144,000)	1,248,000	
	13/06/2014	0.952	01/07/2015 – 30/06/2018	20,100,000	–	–	–	–	20,100,000	
	13/06/2014	0.952	01/07/2016 – 30/06/2018	20,100,000	–	–	–	–	20,100,000	
	21/07/2015	1.280	01/07/2016 – 30/06/2019	10,000,000	–	–	–	–	10,000,000 [#]	
	21/07/2015	1.280	01/01/2017 – 30/06/2019	10,000,000	–	–	–	–	10,000,000 [#]	
				Sub-total	207,435,000	–	(58,030,000)	–	(84,285,000)	65,120,000
				Total	219,720,000	–	(63,790,000)	–	(90,810,000)	65,120,000

* Other Eligible Participants include certain employees, business partners and consultants of the Group.

In prior years, 20,000,000 share options granted to certain eligible participants subject to satisfactory performance to be provided by the eligible participants. Such eligible participants subsequently failed to perform their obligations as required by the Group and are not eligible to exercise the options. The share options remained uncanceled as at the end of the reporting period.



36. ACQUISITION OF SUBSIDIARIES

Year ended 30 June 2018

On 29 September 2017, a wholly-owned subsidiary of the Company entered into an agreement to acquire 51% equity interest in Champion Vision Global Limited (“Champion Vision”) for a consideration of HK\$65,000,000. Champion Vision is an investment holding company and, through its subsidiaries, including Qianhai Chudao Technology (Shenzhen) Limited, are principally engaged in the provision of internet plus solution services. The acquisition was completed on 29 September 2017 and was accounted for using the acquisition method of accounting. The subsidiaries were acquired so as to enable the Group to explore its business in provision of internet related services.

Acquisition-related costs amounted to approximately HK\$120,000 have been excluded from the cost of acquisition and have been recognised directly as an expense and included in the “administrative and operating expenses” line item in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised of the date of acquisition

	HK\$'000
Property, plant and equipment	271
Intangible assets	19,715
Trade receivables	67
Other receivables, deposits and prepayments	802
Bank balances and cash	247
Accruals and other payables	(9,385)
Deferred tax liabilities	(4,929)
	6,788

The fair values of trade receivables of Champion Vision and its subsidiaries at the date of acquisition amounted to approximately HK\$67,000, which represented the gross contractual amounts at the date of acquisition.

The fair value of the intangible assets at the date of acquisition was valued by an independent professional valuer, using the discounted cash flow method to arrive at the present value of the expected future economic benefits that will flow to the Group arising from these intangible assets. The inputs to the model are as follows:

Risk-free rate	3.62%
Discount rate	16.50%
Expected useful lives	3 years



36. ACQUISITION OF SUBSIDIARIES – continued

Goodwill arising from acquisition

	HK\$'000
Cash consideration payable	65,000
Plus: Non-controlling interests	3,326
Less: Recognised amount of identified net assets acquired	(6,788)
	<hr/>
Goodwill arising on acquisition	61,538

Goodwill in the acquisition because the cost of combination included a control premium addition, the consideration for the acquisition effectively included amounts in relation to benefit of expected synergies, revenue growth and future market development. These benefits are not response separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not expected to be deductible for tax purpose.

Non-controlling interests

The non-controlling interests in Champion Vision recognised at the acquisition date were measured by reference to the non-controlling interest's proportionate share of the recognised amount of the net assets of Champion Vision.

Net cash inflow arising on acquisition of subsidiaries

	HK\$'000
Cash consideration paid	–
Bank balances and cash acquired	247
	<hr/>
Net cash inflow on acquisition	247

The consideration payable amounted to HK\$65,000,000 was included in accruals and other payables (Note 29).

Impact of acquisition on the results of the Group

Included in the revenue and loss for the year ended 30 June 2018 were revenue of HK\$1,443,000 and loss of HK\$6,861,000 respectively attributable to Champion Vision and its subsidiaries.

Had the acquisition of Champion Vision been effected at the beginning of the year ended 30 June 2018, the revenue of the Group for that year would have been HK\$25,610,000, and the loss for that year would have been HK\$78,060,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 30 June 2018, nor is it intended to be a projection of future results.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. DISPOSAL OF SUBSIDIARIES

On 18 October 2017, the Group disposed of 100% equity interest in United Power Asia Investment Limited (“United Power”) for a cash consideration of HK\$2,500,000. United Power is an investment holding company and, through its subsidiaries including 51% equity interest in Anhui Ao Cai Information Technology Limited (“Anhui Ao Cai”) (Note 45(b)), was principally engaged in the provision of lottery-related services.

Consideration receivable

	HK\$'000
Consideration in cash	2,500

Analysis of assets and liabilities at the date of disposal over which control was lost

	HK\$'000
Non-current assets	
Property, plant and equipment	2,894
Current assets	
Trade receivables	1,368
Other receivables, deposits and prepayments	616
Amounts due from group companies	14,656
Bank balances and cash	168
Current liabilities	
Trade payables	(907)
Amounts due to group companies	(17,916)
Net assets disposed of	879

Gain on disposal of subsidiaries

	HK\$'000
Consideration for disposal	2,500
Net assets disposed of	(879)
Non-controlling interests	4,943
Gain on disposal of subsidiaries recognised in profit or loss	6,564

In addition, in prior years the Group disposed of 49% equity interest in Anhui Ao Cai which resulted in a loss of HK\$4,415,000 taken to the capital reserve. Such loss, upon the completion of the disposal of United Power by the Group, was transferred to the accumulated losses during the year.



37. DISPOSAL OF SUBSIDIARIES – continued

Net cash outflow arising from disposal

	HK\$'000
Consideration for disposal received	–
Less: Bank balances and cash disposed of	(168)
Net cash outflow arising from disposal	(168)

The consideration receivable amounted to HK\$2,500,000 was included in other receivables, deposits and prepayments (Note 26).

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

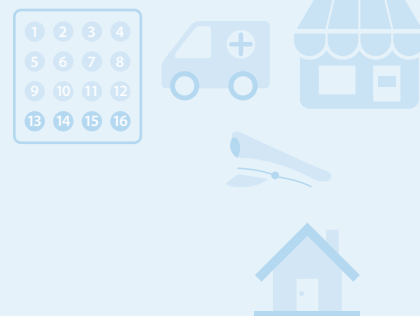
The table below details changes in the Group's liabilities arising from financing activities for the year ended 30 June 2018, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable (included in accruals and other payables) HK\$'000	Convertible bonds HK\$'000	Obligations under finance leases HK\$'000	Amounts due to directors HK\$'000	Total HK\$'000
At 1 July 2017	3,246	89,301	532	15,076	108,155
Other non-cash changes	–	(5,281)	–	–	(5,281)
Finance costs	7,188	5,393	–	–	12,581
Financing cash (outflows)/inflows	(3,602)	–	(188)	24,705	20,915
At 30 June 2018	6,832	89,413	344	39,781	136,370

39. MAJOR NON-CASH TRANSACTIONS

During the year, the Group incurred imputed interest on convertible bonds of HK\$12,563,000 (Year ended 30-6-2017: HK\$13,300,000).

During the year, the Group incurred share-based payment expenses for the share option granted of HK\$25,000 (Year ended 30-6-2017: HK\$8,407,000).



40. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 30 June 2018, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Within one year	1,858	5,841
In the second to fifth years inclusive	184	1,762
	2,042	7,603

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for an average terms of 1 to 5 years.

The Group as lessor

As at 30 June 2018, the Group had commitments for future minimum lease arrangement in respect of rented premises under non-cancellable operating leases which fall due as follows:

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Within one year	–	2,095
In the second to fifth years inclusive	–	2,372
	–	4,467



41. CAPITAL COMMITMENTS

	30-6-2018	30-6-2017
	HK\$'000	HK\$'000
Capital contribution to joint ventures contracted but not provided for	11,144	10,971

42. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

The employees of the Group's subsidiaries that operated in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute pension, based on a certain percentage of their payroll costs, to the pension schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

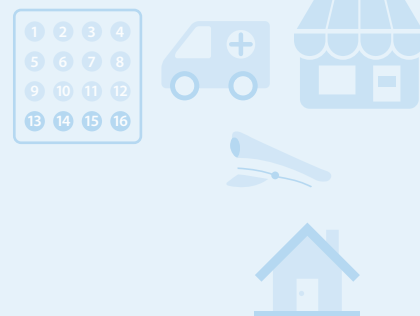
The total expenses recognised in profit or loss of HK\$4,102,000 (Year ended 30-6-2017: approximately HK\$6,646,000) represent contributions payable to the retirement benefit schemes in respect of the current accounting period.

43. SHARE AWARD SCHEME

On 24 January 2005, the Company adopted a share award scheme for employees and consultants, excluding executive directors and chief executive, of the Group for the purpose of recognizing the contributions of certain employees and consultants of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate them and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity. Under the scheme, following the making of an award to employees and consultants, the relevant newly issued shares vest over a period of time provided that the employees and consultants continue to contribute to the Group at the relevant time and satisfies any other conditions specified at the time the award is made. The maximum aggregate number of shares that can be awarded under the scheme is limited to 20% of the issued share capital of the Company and no cash consideration should be paid for the shares allotted under the share award scheme.

No share award was granted during the year ended 30 June 2018 (Year ended 30-6-2017: Nil).

The fair value of shares under the share award scheme is measured by the last 14 days of trading average of the quoted market price of the shares on the Stock Exchange before the date of grant.



44. RELATED PARTY TRANSACTIONS

(a) Balances with related parties

- (a) Amounts due to directors of HK\$39,781,000 (30-6-2017: HK\$15,076,000) are unsecured, interest free and has no fixed repayment terms.
- (b) Amount due from a related company of HK\$2,791,000 (30-6-2017: HK\$1,762,000). The amount is unsecured, interest free and has no fixed repayment terms. The Company's director, Madam Cheung Kwai Lan, is the member of committee of the related company.
- (c) Amounts due from subsidiaries of a joint venture of HK\$1,135,000 (30-6-2017: HK\$1,102,000). The amounts, which are unsecured, interest free and have no fixed repayment terms, are fully impaired.

(b) Compensation of directors and key management personnel

The remuneration of directors and other members of key management for the year were as follows:

	Year ended 30-6-2018 HK\$'000	Year ended 30-6-2017 HK\$'000
Short term benefits	14,701	16,849
Post-employment benefits	90	105
Equity-settled share-based payment	–	–
	14,791	16,954

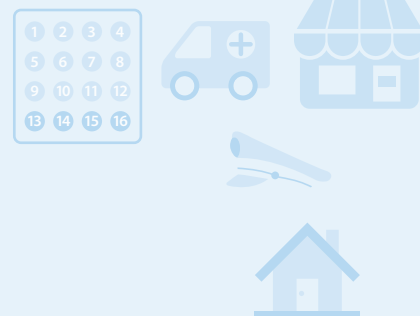


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) Particulars of the Company's principal subsidiaries as at 30 June 2018 are as follows:

Name	Place of incorporation and operation	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
彩米(北京)科技有限公司 # (Caimi (Beijing) Science and Technology Co., Ltd*) (Note 2)	PRC	Registered capital RMB25,593,290	–	50.79%	Provision of lottery-related services
Cheerfull Group Holdings Limited	BVI	Ordinary shares US\$50,000	–	100%	Investment holding
China Success Enterprises Limited	BVI	Ordinary shares US\$2,000	100%	–	Investment holding
China Vanguard Corporate Management Limited	Hong Kong	Ordinary shares HK\$20,000,000	100%	–	Corporate management
黑龍江省博眾信息技術有限公司 # (Heilongjiang Bozone IT Co. Limited*) (Note 2)	PRC	Registered capital RMB500,000	–	65%	Provision of lottery-related hardware and software systems
深圳市博眾信息技術有限公司 # (Shenzhen Bozone IT Co. Limited*) (Note 1)	PRC	Registered capital RMB50,000,000	–	100%	Provision of lottery-related hardware and software systems
深圳市龍江風采信息技術有限公司 # (Shenzhen Longjiang Fengcai IT Co. Limited*) (Note 2)	PRC	Registered capital RMB1,000,000	–	100%	Provision of lottery-related hardware and software systems
深圳生港餐飲管理有限公司 # (Shenzhen Sheng-Gang Catering Investment Limited*) (Note 2)	PRC	Registered capital RMB100,000	–	100%	Food and catering services



45. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name	Place of incorporation and operation	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
深圳生港科技有限公司 [#] (Shenzhen Sheng-Gang Technology Co. Limited [†]) (Note 2)	PRC	Registered capital US\$6,809,751	100%	–	Investment holding
前海初道科技(深圳)有限公司 [#] (Qianhai Chudao Technology (Shenzhen) Limited [†]) (Note 2)	PRC	Registered capital RMB5,000,000	–	51%	Provision of internet plus solution services

[#] The statutory financial year end date of these subsidiaries is 31 December.

[†] For identification purpose only.

Notes:

- Wholly-foreign-owned enterprises established under the law of the PRC.
- A limited liability company established under the law of the PRC.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

Information about the composition of the Group at the end of reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of non-wholly owned subsidiaries	
		30-6-2018	30-6-2017
Provision of lottery-related services	PRC	6	11
Provision of internet plus solution services	PRC	1	–
		7	11

Principal activity	Place of incorporation and operation	Number of wholly owned subsidiaries	
		30-6-2018	30-6-2017
Provision of lottery-related services	PRC	6	6
		6	6



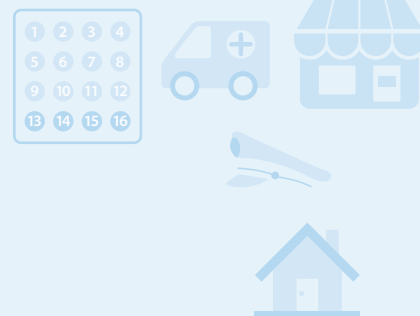
45. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		30-6-2018	30-6-2017	30-6-2018 HK\$'000	30-6-2017 HK\$'000	30-6-2018 HK\$'000	30-6-2017 HK\$'000
安徽奥彩信息科技有限公司 (Anhui Ao Cai Information Technology Limited) (note)	PRC	N/A	49%	(1,719)	(3,253)	–	6,577
Caimi (Beijing) Science and Technology Co., Ltd.	PRC	49.21%	49.21%	(77)	(2,867)	445	506
Champion Vision Global Limited	Samoa and PRC	49%	N/A	(5,174)	–	(1,795)	–
Individual immaterial subsidiaries with non-controlling interests				(3,581)	(93)	743	4,156
Total				(10,551)	(6,213)	(607)	11,239

Note: This subsidiary was disposed of by the Group on 18 October 2017 (Note 37).



45. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests – continued

Summarized financial information in respect of each of the Group's subsidiaries that have material non-controlling interests are set out below. The summarized financial information below represents amount before intragroup elimination.

(i) Anhui Ao Cai Information Technology Limited

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Non-current assets	–	7,583
Current assets	–	29,833
Current liabilities	–	(41,141)
Non-current liabilities	–	–
Equity attributable to equity holders of the Company	–	(10,302)
Non-controlling interests	–	6,577
	Period from 1-7-2017 to 18-10-2017 HK\$'000	Year ended 30-6-2017 HK\$'000
Revenue	503	2,034
Expenses	(4,013)	(8,779)
Loss for the period/year	(3,510)	(6,745)
Loss attributable to equity holders of the Company	(1,791)	(3,492)
Loss attributable to non-controlling interests	(1,719)	(3,253)
	(3,510)	(6,745)
Net cash outflows from operating activities	(889)	(3,150)
Net cash outflows from investing activities	–	(5,111)
Net cash inflows from financing activities	–	9,182
Net cash (outflow)/inflows	(889)	921

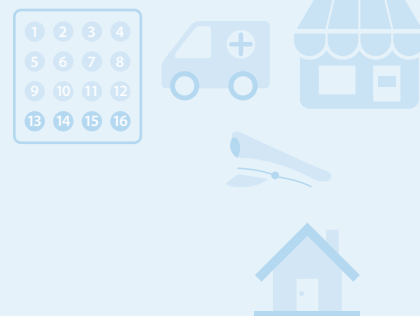


45. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests – continued

(ii) Caimi (Beijing) Science and Technology Co., Ltd.

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Non-current assets	–	–
Current assets	1,723	2,432
Current liabilities	(819)	(1,405)
Non-current liabilities	–	–
Equity attributable to equity holders of the Company	459	521
Non-controlling interests	445	506
	Year ended 30-6-2018 HK\$'000	31-1-2017 to 30-6-2017 HK\$'000
Revenue	–	1,479
Expenses	(157)	(7,304)
Loss for the year	(157)	(5,825)
Loss attributable to equity holders of the Company	(80)	(2,958)
Loss attributable to non-controlling interests	(77)	(2,867)
	(157)	(5,825)
Net cash outflows from operating activities	(448)	(4,252)
Net cash outflows from investing activities	–	(156)
Net cash outflows from financing activities	–	(1,560)
Net cash outflows	(448)	(5,968)



45. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests – continued

(iii) Champion Vision Global Limited

	30-6-2018 HK\$'000
Non-current assets	19,164
Current assets	26,047
Current liabilities	(41,180)
Non-current liabilities	(3,697)
Equity attributable to equity holders of the Company	170
Non-controlling interests	164
	Period from 29-9-2017 to 30-6-2018 HK\$'000
Revenue	1,447
Expenses	(12,006)
Loss for the period	(10,559)
Loss attributable to equity holders of the Company	(5,385)
Loss attributable to non-controlling interests	(5,174)
	(10,559)
Net cash inflows from operating activities	19
Net cash inflows from investing activities	–
Net cash inflows from financing activities	–
Net cash inflows	19



46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

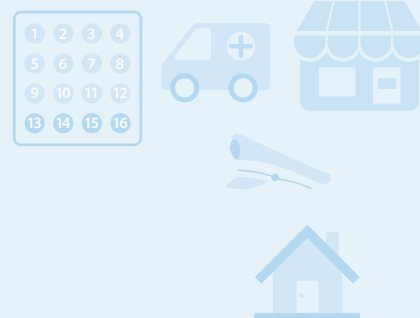
(a) Statement of Financial Position

	30-6-2018 HK\$'000	30-6-2017 HK\$'000
Non-current assets		
Interests in subsidiaries	106,628	113,305
Property, plant and equipment	1,028	1,841
Intangible assets	60	82
	107,716	115,228
Current assets		
Other receivables, deposits and prepayments	1,254	1,296
Bank balances and cash	116	9,422
	1,370	10,718
Current liabilities		
Accruals and other payables	(25,628)	(18,570)
Amounts due to directors	(36,302)	(13,745)
Obligations under finance leases	(194)	(188)
Convertible bonds	(89,413)	(89,301)
Derivative financial liabilities	(260)	–
	(151,797)	(121,804)
Net current liabilities	(150,427)	(111,086)
Total assets less current liabilities	(42,711)	4,142
Non-current liabilities		
Obligations under finance leases	(150)	(344)
Deferred tax liabilities	–	(54)
	(150)	(398)
Net (liabilities)/assets	(42,861)	3,744
Share capital	41,135	41,135
Reserves	(83,996)	(37,391)
(Total capital deficiency)/total equity	(42,861)	3,744

The Company's statement of financial position was approved and authorised by the Board of Directors on 27 September 2018 and are signed on its behalf by:

CHEUNG Kwai Lan
Director

CHAN Ting
Director



46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued

(b) Reserves of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Share option reserve HK\$'000	Convertible bonds reserve HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2016	40,338	2,442,537	1,484	35,572	10,056	24,184	2,569	(2,498,106)	58,634
Loss and total comprehensive expenses for the year	-	-	-	-	-	-	-	(87,685)	(87,685)
Changes in reserve arising from amendments to terms of convertible bonds	-	-	-	-	-	(20,984)	-	24,184	3,200
Deferred tax liabilities arising from amendments to terms of convertible bonds	-	-	-	-	-	(528)	-	-	(528)
Recognition of equity-settled share-based payments	-	-	-	-	8,407	-	-	-	8,407
Share options lapsed	-	-	-	-	(6,224)	-	-	-	(6,224)
Shares issued upon exercise of share options	797	37,835	-	-	(10,692)	-	-	-	27,940
At 30 June 2017 and 1 July 2017	41,135	2,480,372	1,484	35,572	1,547	2,672	2,569	(2,561,607)	3,744
Loss and total comprehensive expenses for the year	-	-	-	-	-	-	-	(49,302)	(49,302)
Changes in reserves arising from amendments to terms of convertible bonds in July 2017	-	-	-	-	-	528	-	2,672	3,200
Deferred tax liabilities arising from amendments to terms of convertible bonds	-	-	-	-	-	(528)	-	-	(528)
Changes in reserves arising from amendments to terms of convertible bonds in January 2018	-	-	-	-	-	(2,672)	-	2,672	-
Recognition of equity-settled share-based payments	-	-	-	-	25	-	-	-	25
Share options lapsed	-	-	-	-	(1,572)	-	-	1,572	-
At 30 June 2018	41,135	2,480,372	1,484	35,572	-	-	2,569	(2,603,993)	(42,861)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. COMPARATIVE FIGURERS

The following comparative figures in respect if the prior year ended 30 June 2017 have been reclassified to conform with current year's presentation:

- (a) Staff costs approximately HK\$8,048,000 was reclassified from administrative and operating expenses to cost of services.



FIVE-YEAR FINANCIAL SUMMARY

For the year ended 30 June 2018

RESULTS

	2018 HK\$'000	For the year ended 30 June			
		2017 HK\$'000 (Restated)	2016 HK\$'000 (Restated)	2015 HK\$'000 (Restated)	2014 HK\$'000 (Restated)
Revenue	25,347	26,359	34,657	123,736	95,786
Cost of sales	(9,642)	(12,913)	(12,255)	(15,365)	(13,053)
Gross profit	15,705	13,446	22,402	108,371	82,733
Other income	13,951	3,954	10,203	3,876	10,451
Selling and distribution expenses	(1,409)	(6,837)	(6,276)	(5,246)	(1,268)
Administrative and operating expenses	(80,268)	(84,388)	(97,084)	(79,868)	(60,098)
Provision for doubtful receivables	(8,797)	(43,127)	(46,465)	–	–
Impairment loss on assets	–	(53,776)	(85,712)	–	–
Gain on disposal of subsidiaries and associates	–	–	–	4,665	–
Finance costs	(12,581)	(13,316)	(11,988)	(10,720)	(9,753)
Share of result of joint ventures	–	(31)	(490)	(905)	(2,881)
(Loss)/profit before tax	(73,399)	(184,075)	(215,410)	20,173	19,184
Income tax credit/(expenses)	1,814	2,835	1,568	(2,329)	(6,038)
(Loss)/profit for the year	(71,585)	(181,240)	(213,842)	17,844	13,146

Certain figures in respect of the years ended 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017 have been restated to conform with the presentation of the consolidated results for the year ended 30 June 2018.

ASSETS AND LIABILITIES

	30-6-2018 HK\$'000	30-6-2017 HK\$'000	30-6-2016 HK\$'000	30-6-2015 HK\$'000 (Restated)	30-6-2014 HK\$'000 (Restated)
Total assets	175,497	134,063	259,311	467,296	436,478
Total liabilities	(235,496)	(123,470)	(109,830)	(109,345)	(98,984)
Net (liabilities)/assets	(59,999)	10,593	149,481	357,951	337,494
(Capital deficiency)/equity attributable to equity holders of the Company	(59,392)	(646)	136,341	345,509	326,864
Non-controlling interests	(607)	11,239	13,140	12,442	10,630
(Total capital deficiency)/total equity	(59,999)	10,593	149,481	357,951	337,494



GLOSSARY

“Articles of Association”	Articles of Association of the Company
“BVI”	British Virgin Islands
“Best Frontier”	Best Frontier Investments Limited, a company incorporated in the British Virgin Islands
“Board”	the Board of Directors
“CCDDT”	China Culture Development Digital Technology Co., Ltd.
“CG Code”	“Corporate Governance Code and Corporate Governance Report”, Appendix 15 of GEM Listing Rules
“CGU(s)”	Cash generating unit(s)
“PRC”	the People’s Republic of China, which for the purpose of this report, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Code of Conduct”	Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Directors
“Company” or “China Vanguard” or “CVG”	China Vanguard You Champion Holdings Limited
“Connected”	has the meaning ascribed to this term under GEM Listing Rules
“Director(s)”	the Director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standard
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“INED(s)”	Independent Non-executive Director(s)
“new and revised HKFRSs”	new and revised standards, amendments and interpretations
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Ordinary share(s) of HK\$0.0125 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sports Lottery”	Selected Sport lottery products in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollar, the lawful currency of United States of America
“Welfare Lottery”	Selected Welfare lottery products in the PRC
“Year 2017”	financial year ended 30 June 2017
“Year 2018”	financial year ended 30 June 2018