承兴国际控股有限公司

Camsing International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

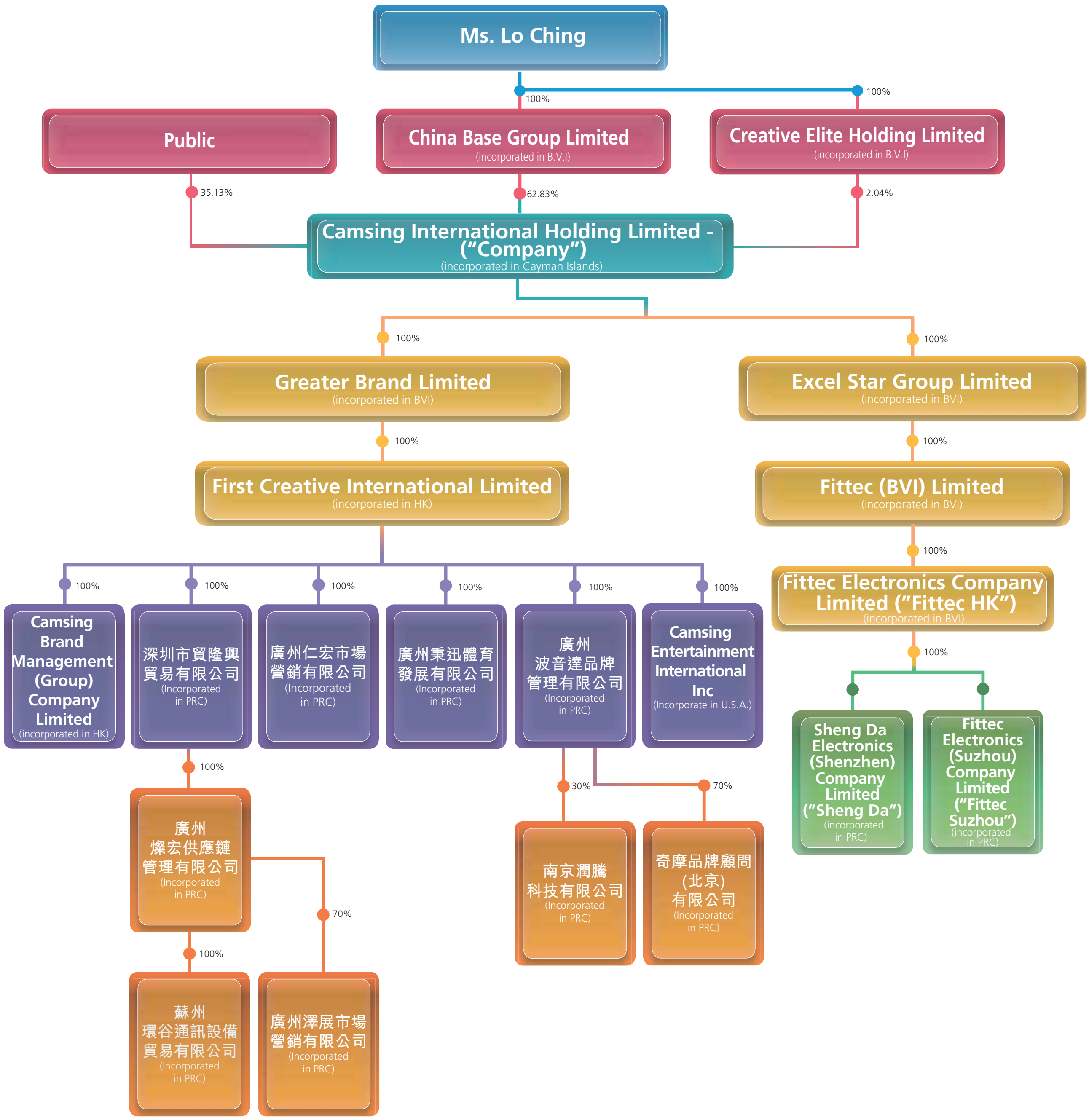
(Stock Code: 2662)

2016/17

Annual Report

Contents

Corporate Structure



Corporate Information

Board of Directors

Executive Directors:

Ms. Lo Ching (Chairman)
Ms. Liu Hui

Independent Non-Executive Directors:

Mr. Lei Jun
Mr. Ross Yu Limjoco
Mr. Zheng Yilei

Company Secretary

Mr. Fung Nam Shan

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Agricultural Bank of China
Standard Chartered Bank (Hong Kong) Limited

Registered Office

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

Principal Place of Business in Hong Kong

Unit 1709, 17/F
New World Tower Phase 1
16-18 Queen's Road
Central
Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Principal Share Registrar

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Share Registrar in Hong Kong

Boardroom Share Registrars (HK) Limited
31/F, 148 Electron Road
North Point
Hong Kong

Website

www.Camsingintl.com

Stock Code

2662

Glossary of Technical Terms

This glossary of technical terms contains explanations of certain terms used in this annual report in connection with us and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"Camsing International"	Camsing International Holding Limited
"EMS"	electronics manufacturing services
"HDD controller"	hard disk drive controller
"PC Motherboards"	Desktop Motherboards, Motherboards for Notebooks/Netbooks
"PRC"	People's Republic of China

Chairman's Statement

Dear Shareholders,

The past financial year was a challenging yet transitioning year for Camsing International.

Global economic growth is facing challenges for the financial year. With the popularity of mobile devices, such as smartphone, tablet, the use of personal computer declined, which also led to the shrinking of hard disk drive market and similar products. The Group has realized the downward trend in the electronics manufacturing industry and reduced its further loss by the disorganization of two subsidiaries which produce personal computer motherboard during the financial year.

At the beginning of the year, the Group shifted its development direction to and focused on the pan-entertainment business. During the financial year, the pan-entertainment business has expanded in scale and achieved positive results in brand licensing, organization and management of cultural and sports activities, thus greatly improving the overall revenue of the Group.

A total revenue of HK$2,934 million was recorded for the financial year, representing an increase of 530% year-on-year with a net profit of HK$45 million reversing the loss in the prior year.

During the financial year, the Group successfully reached cooperation with a number of internationally renowned brands in the field of brand licensing, and actively carried out the organization and management of cultural and sports activities: "Football Mania", a big reality TV show with the co-production of the Group, Manchester City Football Club, and Guangdong TV, made great repercussions; Dozens of Run Cartoon Run were successfully organized at major mainland cities to bring the national first parent-child carnivals for extensive families; The Group carried out a bold attempt for the operation model of sports event organization and sports training.

Through its operations of the above activities and its commitment to IP development, the Group has significantly improved its reputation and has received positive feedback from the community. In the future, the Group will continue to its development of pan-entertainment industry and is committed to creating a more extensive IP system under a new era, a new background, a new pattern, thus providing better products and content for the global consumers.

In the future, the economic outlook of China is still showing growth. The pan-entertainment industry will be affected by certain factors, such as policy dividend, consumer upgrades, etc., and it will continue to draw much attention. The Board expects the pan entertainment business to expand the business portfolio of the Group and diversify the source of income of the Group, which improves the financial performance of the Group and is conducive to the enhancement of returns to shareholders.

On behalf of the Board, I would like to express my appreciation to the management and staff for their dedication and contributions. My thanks also go to our customers, shareholders, and investors for their trust and support through this challenging period.

Chairman
Lo Ching

Hong Kong, 28 September 2017

Financial Review

This year poses both a challenge and opportunity to the Group. For the year ended 30 June 2017 (the "Year"), the Group's audited consolidated revenue amounted to approximately HK$2,934 million (2016: HK$462 million).

The significant contribution to the increase of the revenue comes from the new business, i.e. the pan-entertainment operation and sales and distribution of electronic products which account for a total revenue of HK$2,400 million, of which pan-entertainment operation contributes HK$67 million. The segment result generated from pan-entertainment operation was HK$31 million representing approximately 46% of the total segment results of the new business.

The increase in revenue for the electronics manufacturing business (the"EMS") segment is attributable to the increase of hard disk drive ("HDD") orders. The total shipment of HDD controllers increased from approximately 4.88 million to 8.53 million pieces during the Year as compared to the year before to one Japanese customer. The Group has been providing both assembly services and procurement services to this Japanese customer for its HDD products.

Business Review

Electronics Manufacturing Business

During the year, the Group maintained continuous focus on top-tier clients and products. HDD controllers and PC motherboards remained the major products of the Group, contributing 85.9% of the total electronic manufacturing business segment revenue.

Although the global market of HDD was not good during the Year, the Group recorded an increase in the client's market share of global HDD. The global market share of our client, Toshiba, increased by 9% in 4Q16, reaching a total market share of 24%, an increase of 60% from the global market share of 15% in 2Q15. It was the only HDD major vendor to grow in total revenue in 2016 and increase in revenue share in every product segment including mobile, desktop, performance-optimized enterprise and capacity-optimized enterprise for the Year.

Our customer, Toshiba was the fastest growing vendor in the worldwide US$25 billion HDD segment in 2016 over 2015, as measured by revenue and units. This accolade was recognized in two recent IDC reports: *Worldwide Solid State Storage Quarterly Update, CY 4Q16" and "Worldwide 4Q16 HDD Shipment Results and Four-Quarter Forecast Update."*

The Group is the major provider of printed circuit board (the "PCB") assembly service in China for Toshiba's 2.5-inch and 1.8-inch HDD controllers. The revenue from HDD controllers increased by 52% to HK$402 million from last year's HK$264 million.

The Group believes that the adoption of Solid State Drives ("SSD") in laptops and desktop computers continues at pace and replaces traditional HDD applications. However, it is expected that HDD controllers will still account for the majority of sales of EMS segment in 2017, as HDDs remain the most economical way to store huge data sets. On the other side of the PC market, consumers have high dependency on smartphones and use PCs infrequently, thus stretching PCs life cycles. This side of the market is much bigger than the PC enthusiast segment; thus, steep declines in this infrequent PC user market offset the fast growth of the PC enthusiast market.

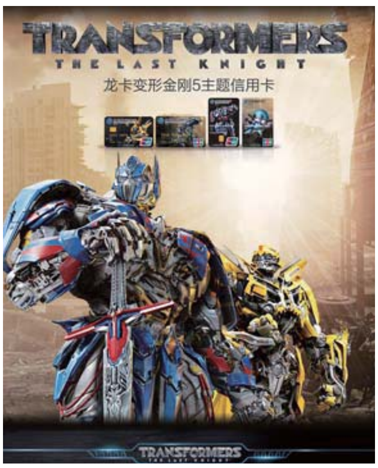
During the Year, the Group has been actively consolidating existing customers and focus on high margin, large volume and good market potential customers. Therefore, the Group disposed two of its subsidiaries which produce personal computer motherboard during the Year since the margin, order volume and global demand have been decreasing. Apart from customer consolidation strategy, the Group also actively looked into fast growing and high potential segment. The Group also provides scanner controller board assembly service to a customer during the Year. The revenue from scanner controller board increased by 26.6% to HK$19.5 million from last year's HK$15.4 million. Moreover, the revenue generated from mainboard of adapter, game console, communication device and electronic whiteboards recorded approximately HK$9.4 million, HK$8.2 million, HK$5.3 million and HK$3.8 million respectively for the Year.

The overall equipment utilization rate was still below the optimum level. As of 30 June 2017, the Group had 29 SMT lines and a production capacity of 44.4 billion chips per year in the PRC.

Pan-Entertainment Operation

During the Year, the pan-entertainment operation of the Group has achieved effective development and significant results, replacing the old business as the main driving force for the development of the Group.

In respect of brand license, as set out in the announcement dated 15 July 2016, subsequent to the completion of the acquisition of Camsing Brand Management (Group) Company Limited by the Group, the Group utilize its experience and resources in the field of intellectual property ("IP") and continues to develop its pan-entertainment operation. The Group has entered into various agreements with different parties for the development, management and licensing of IP, sale and promotion of IP derivative products such as world of warcraft and organisation and operation of sports and entertainment creates such as Run Cartoon Run.



In respect of culture and sports, the Group has entered into sponsorship contracts for the promotion of Mercedes-Benz and Audi by organising a series of family running events called Run Cartoon Run in major cities in the PRC. Such activity is positive and responsive to the current people's health and parent-child relationship, and it obtained great success. In addition, the large football reality show with the cooperation of the group with Guangdong TV Culture Broadcast Limited Co. and Manchester City Football Club Limited, made great repercussions. The program was launched by the Group, inviting celebrity coaches and football stars of Manchester City and well-known domestic artists to build a grassroots star team through selection and phase-out. The theme of the program is positive and combines with the current hot topics of sports, Chinese football, Manchester City etc. received an overwhelmingly positive response since the broadcast. It is now actively preparing for the second season and has been favored by Beijing Jumi Interactive AV Media Company Limited, a subsidiary of Alibaba Pictures Group Limited. As set out in the announcement of the Company dated 28 April 2017, both parties have entered into an agreement for the production, development and marketing of the program.

Also, the Group continued to develop sports industry, and the first is the development of snooker events and its related business. As an IP holder, the Group hosted the CVB Snooker Challenge 2017 and organized a star champions camp Higgins International Snooker Centre with John Higgins, the world's second-ranked snooker star. The camp is a key original sports project of the Group, aiming at the introduction of domestic and foreign top sports stars. It combines with O2O management platform and integrates sports training institutions in the community, which is different from the current stage of decentralized training model, thus establishing the first national fitness professional and interactive experience platform. Besides snooker star Higgins, the Group is also approaching stars from different sports.

The Group has set up foundation for deep cooperation with a number of renowned companies in the PRC. As described in the Company's announcement dated 4 November 2016, the Company entered into cooperation with China Mobile Communication Group Terminal Co., Ltd. With China Mobile's distribution network and experience in the telecommunication industry, the cooperation will provide a channel for the sale and distribution of IP derivative products into the consumer market which is a good match to the Group's future growth strategy. Benefiting from this, the Group recorded revenue amounting to HK$2,334 million from the segment of sales and distribution of electronic products during this financial year, demonstrating the Group's strong strength in sales channel.

Prospect

For the electronics manufacturing business, from a macro perspective, the Directors remain cautiously optimistic about the current macroeconomic environment and IT spending patterns. Since the Group's current electronic manufacturing business had been unprofitable for six consecutive years, although it has been improved during the Year, the Board will consider any investment opportunities, including but not limited to businesses of similar nature and technological know-hows, which will enable the Group to generate profit and shareholders' value in the future. The Board will also review the future profitability of the Group's electronic manufacturing business and may consider disposing any businesses with declining operating results.

The Group expects the overall electronics manufacturing industry to keep up to a low growth rate together with the global economy development. However, Shenzhen has increased its minimum wage for the first time since 2015. The monthly minimum wage has increased from RMB2,030 to RMB2,130, and the hourly minimum wage from RMB18.5 to RMB19.5. The changes came into effect on 1 April 2017. With the increase, Shenzhen continues to have the second highest minimum wage in China. Therefore, the drastic increasing labor cost and shortage of labor supply in the PRC would bring in more serious impact to the overall electronics manufacturing business daily operation.

In light of the trend, the Group will continue downsize its electronics manufacturing production facilities in the PRC, as well as to improve its production efficiency by developing semi-automatic equipment, which would give its competitive edge in the long run.

In respect of the pan-entertainment business, the global economy nowadays has made the brand as a valuable asset for the Company and the market. Well-known brands that are familiar among customers are also the Group's strong competitors in the market. In the PRC, the constant enhancement of brand awareness has made customers to make purchase decisions by virtue of product brand. As one of the pioneers of brand licensing, the Group follows this trend and maximizes its profits through the development of an effective mechanism to acquire brand licenses from well-known companies.

With the rise of recreational activities and policy dividends in the PRC, sports have become a trend and a lifestyle new generation is pursuing. Therefore, the entering of the entertainment and sports industry is in line with the market demand. The Group believes that the industry potential in the PRC is huge. The Board is optimistic about the prospects and growth potential of the pan-entertainment operation and expects the pan-entertainment operation to become one of the Group's major revenue sources in the future.

Corporate Governance Report

Corporate Governance Practices

The Group commits to maintain and ensure a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal control practices. We believe that corporate governance in a commercial and profit-making organization is about promoting fairness, transparency, accountability and responsibility. Therefore, it is necessary to direct greater or additional efforts towards enhancing managerial transparency by improving and strengthening disclosure requirements, in order to have better and stronger corporate governance. The following paragraphs set out the principles of corporate governance as adopted by the Group during the reporting year.

The Board confirms that the Group has complied with most of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") except for the deviations as stated in this report.

Chairman and Chief Executive Officer

Under provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Ms. Lo Ching serves as the chairman and also acts as chief executive officer of the Company, which constitutes a deviation from the code provision A.2.1. The Board is of the view that vesting both roles in Ms. Lo will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are three Independent Non-Executive Directors on the Board offering independent advices, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

Appointment and Re-election of Directors

Currently, Mr. Lei Jun, an Independent Non-Executive Director was appointed for a specific term of two years and subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association (the "Articles").

Each of Mr. Ross Yu Limjoco and Mr. Zheng Yilei, being an Independent Non-Executive Director was appointed for a specific term of one year and subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Executive Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Board established nomination committee for the selection and recommendation of candidates for directorships of the Company. The nomination committee shall, base on appropriate experience, personal skills and time commitments, among other, identify and recommend the proposed candidate to the Board for approval.

Securities Transactions by Directors

The Company had adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Rules governing the Listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code for dealing in securities of the Group by the Directors. Having made specified enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code.

Board of Directors

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and internal controls of the Group's business operations. The Executive Directors, constituting the senior management of the Company, are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control and delegation framework of the Company.

The Board comprises two Executive Directors, namely Ms. Lo Ching and Ms. Lui Hui and three Independent Non-Executive Directors, Mr. Lei Jun, Mr. Ross Yu Limjoco and Mr. Zheng Yilei. The members of the Board have no financial, business, family or other material/relevant relationship with each other.

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 15 to 16.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-Executive Directors to be independent.

During the year ended 30 June 2017, the Directors have made active contribution to the affairs of the Group and four Board meetings and two general meetings were held. Details of the Directors' attendance records are set out as follow:

Directors	No. of eligible Board Meetings Attended/Held	No. of eligible general meetings attended/Held
Executive Directors		
Ms. Lo Ching	4/4	2/2
Ms. Liu Hui	4/4	2/2
Independent Non-Executive Directors		
Mr. Lei Jun	4/4	2/2
Mr. Ross Yu Limjoco	4/4	2/2
Mr. Zheng Yilei	4/4	2/2

Every newly appointed Director shall receive a comprehensive, formal and tailored induction on the first occasion of his appointment. All Directors shall be updated and briefed on continuing professional development as is necessary to ensure that they have a proper understanding of the operations and the business of the Company and that they are fully aware of their responsibilities under the applicable laws and regulations. The Board has a procedure for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expenses to enable and facilitate the Directors to make well considered decisions. Appropriate insurance coverage for Directors' and officers' liability has been arranged against possibility of legal action to be taken against the Directors and the management.

According to A.6.5 of the Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the period from 1 July 2016 to 30 June 2017, the Directors also participated in the following trainings:

Name of Directors	Attending or Participating in the briefing session/ seminars/ programmes relevant to the business/
Executive Directors	
Ms. Lo Ching	✓
Ms. Liu Hui	✓
Independent Non-Executive Directors	
Mr. Lei Jun	✓
Mr. Ross Yu Limjoco	✓
Mr. Zheng Yilei	✓

Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

Audit Committee

The Company has established an audit committee with written terms of reference based as suggested under the Code of Best Practice set out in Appendix 14 of the Listing Rules and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. The audit committee comprises Mr. Ross Yu Limjoco as the Chairman, Mr. Lei Jun and Mr. Zheng Yilei, all of whom are Independent Non-Executive Directors. The Board is satisfied that these Directors possess relevant qualifications and management expertise to enable them to discharge fully the duties of the audit committee.

During the financial year, the audit committee held two meetings with respect to discussing matters regarding internal controls, risk management and financial reporting (including the annual results for the year ended 30 June 2016 and interim results for the six months ended 31 December 2016) with the management and external auditors. The audit committee has on 27 September 2017 reviewed the results announcement of the Group for the year ended 30 June 2017.

Attendance records of each audit committee member are set out as follows:

Audit Committee Members	No. of eligible Meetings Attended/Held
Mr. Ross Yu Limjoco	2/2
Mr. Lei Jun	2/2
Mr. Zheng Yilei	2/2

The duties of the Audit Committee shall be:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors;

(b) to consider the plan for each year's audit submitted by the external auditors and discuss the same at a meeting if necessary;

(c) to review and monitor the external auditors' independence and objectivity

(d) to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

(e) to develop and implement policy on the engagement of the external auditors to provide non-audit services.

(f) to review the financial statements of the Company and the Company's annual report and accounts and half-year report, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts and half-year report before submission to the Board, the Committee should focus particularly on:

    (i) any changes to accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from audit;

    (iv) the going concern assumptions and any qualifications;

    (v) compliance with accounting standards; and

    (vi) compliance with requirements under the Listing Rules and other regulatory and legal requirements.

(g) to review the Company's financial controls, internal control and risk management systems;

(h) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(j) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(k) to review the group's financial and accounting policies and practices;

Remuneration Committee

The Board established the remuneration committee and the Board adopted the new terms of reference of remuneration committee in alignment with the mandatory provisions set out in the CG Code.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management and reviewing specific remuneration packages of all Executive Directors and senior management of the Group.

The remuneration committee now comprises three Independent Non-Executive Directors, namely, Mr. Zheng Yilei as the Chairman, Mr. Lei Jun and Mr. Ross Yu Limjoco as members.

During the financial year, the remuneration committee, determined the policy for the remuneration of the Executive Directors, reviewed and made recommendation, to the Board for final determination, of the remuneration package of the Executive Directors and the Directors' fee of the and Independent Non-Executive Directors and approving the terms of Executive Directors' service contracts.

The remuneration committee held two meetings for the year ended 30 June 2017. The attendance records of each remuneration committee member are set out as follows:

Remuneration Committee Members	No. of eligible Meetings Attended/Held
Mr. Ross Yu Limjoco	2/2
Mr. Lei Jun	2/2
Mr. Zheng Yilei	2/2

Nomination Committee

The Board established the nomination committee with written terms of reference based as suggested under the new CG code. The nomination committee now comprises two Independent Non-Executive Directors, namely, Mr. Zheng Yilei and Mr. Lei Jun as the Chairman, and one Executive Director, namely, Ms. Lo Ching.

The Board has adopted a board diversity policy which set out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company. The Company seeks to achieve board diversity policy through the consideration of a member of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board is satisfied that these Directors possess relevant qualifications and management expertise to enable them to discharge fully the duties of the nomination committee.

During the financial year, the nomination committee reviewed the structure, size and composition of the Board, to assess the independence of Independent Non-Executive Directors, nominated re-appointment of Directors.

The nomination committee held one meeting for the year ended 30 June 2017. The attendance records of each nomination committee member are set out follows:

Nomination Committee Members	No. of eligible Meetings Attended/Held
Ms. Lo Ching (Chairman)	1/1
Mr. Lei Jun	1/1
Mr. Zheng Yilei	1/1

The duties of the nomination committee are to review the structure, size and composition of the Board, to identify individuals suitably qualified to become Board members, to assess the independence of independent Non-Executive Directors, to select or make recommendations to the Board on the appointment or re-appointment of directors and succession planning for Directors, in particular the Chairmen and Chief Executive Officer, to determine policy concerning diversity of the Board members.

Corporate Governance functions

The Board did not establish a corporate governance committee. During the Year, the Board have (i) reviewed the Company's policies and practices on corporate governance and made relevant recommendations to the Board, (ii) reviewed and monitored the training and continuous professional development of the Directors, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the code of conduct applicable to employees and Directors; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

Auditors' Remuneration

The Audit Committee of the Group is responsible for considering the appointment of external auditors and reviewing any non-audit functions performed by external auditors. During the year under review, the Group is required to pay an aggregate of approximately HK$2,235,000 to the external auditors for then services of which HK$596,000 was paid for non-audit services performed.

There is no disagreement between the Board and the audit committee on the re-appointment of Messrs. Deloitte Touche Tohmatsu as the Company's independent auditor, and they both have agreed to recommend the re-appointment of Messrs. Deloitte Touche Tohmatsu as the independent auditor for its ensuing year at the 2017 annual general meeting of the Company.

Accountability and Audit

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue its business. Accordingly, the Board has prepared the financial statements of the Group on a going concern basis.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Group's annual and interim reports, price sensitive announcements and financial disclosures required under the Listing Rules, and reports to the regulators as well as information required to be disclosed pursuant to statutory requirements.

Internal Control

The Board and the Audit Committee conducted an annual review on the system of internal control of the Group and its effectiveness covering the financial, operational, human resources and administration, compliance controls and risk management functions and considered them effective and adequate The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board had considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function.

The Group has its internal audit department to perform internal audits for the Group. The internal audit department reviewed business functions in the Group on a systematic and ongoing basis.

Company Secretary

Mr. Fung Nam Shan was nominated by an external service provider as the Company Secretary, and his primary corporate contact person is Ms. Lo Ching, the Chairman of the Board.

According to Rule 3.29 of the Listing Rules, Mr. Fung Nam Shan has taken not less than 15 hours of relevant professional training for the financial year ended 30 June 2017.

Shareholders' Rights

To safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Articles of Association, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.Camsingintl.com) immediately after the relevant general meetings.

Constitutional Documents

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Articles of Association is available on the Company's website and the Stock Exchange's website.

Communication with Shareholders

The Board endeavours to maintain an on-going dialogue with shareholders. All directors are encouraged to attend the general meetings to have personal communication with shareholders. In annual general meeting, Chairman of the Board and the chairman of each committee are required to attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditor is also required to be present to assist the directors in addressing any relevant queries by shareholders. The Company has also set up an investor relations website for communicate with shareholders and public.

The Company's annual general meeting ("AGM") and extraordinary general meeting ("EGM") provide good opportunities for shareholders to air their views and ask directors and management questions regarding the Company. All shareholders of the Company receive the annual report, circulars and notices of AGM and EGM and other corporate communications in a form chosen by each shareholder of the Company. The notices are also published on the Company's website at www.Camsingintl.com. Separate resolutions are required at general meetings on each distinct issue. A shareholder is permitted to appoint any number of proxies to attend and vote in his stead.

Conclusion

The Group strongly believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interest and the management will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the CG Code.

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Ms. Lo Ching, aged 45, is the Chairman of the Company. Ms. Lo was appointed as an Executive Director and the Chairman of the Board on 21 January 2016. Ms. Lo is the executive chairman and the sole ultimate beneficial owner of Guangzhou Camsing Company Limited (廣州承興營銷管理有限公司) ("Guangzhou Camsing"), a company incorporated in the People's Republic of China which principal business activities is promotion and distribution of consumer products. She is responsible for business development, strategic planning and general management of Camsing International and its subsidiaries. She has over 20 years of experience in brands promotion and operation. She is also the executive chairman of Camsing Healthcare Limited ("Camsing Healthcare") (stock code: SGX:BAC), a company listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Ms. Lo is also presently a council member of China Entrep Mulan Club, a member of the International Licensing Industry Merchandiser's Association, a member of the Hong Kong Professionals and Senior Executives Association and a member of the China Enterprise Confederation. Ms. Lo was elected as the "International Person of the Year" in 2011 by Advertising Specialty Institute. She received two Executive Master of Business Administration degrees from the Hong Kong University of Science and Technology and the HEC School of Management in Paris.

Ms. Liu Hui, aged 46, was appointed as an Executive Director on 21 January 2016. Ms. Liu is the vice president of Guangzhou Camsing and is primarily responsible for chairman's office management, large customer distribution business and audit management of Camsing and its subsidiaries. She is also an executive director of Camsing Healthcare. Ms. Liu is also presently a member of China Entrep Mulan Club. She was the Manager of the Securities Investment Department of 北京大地科技實業總公司 (Beijing Dadi Technology Company Limited*) from December 1994 to August 2001. Ms. Liu was the Senior Investment Manager of the Securities Department of 寧都創業投資有限公司 (Ningdu Chuangye Investment Company Limited*) from August 2001 to January 2007. She was also the Audit Manager of the Audit Department of Cinda Securities Company Limited from December 2007 to January 2012. She received an Executive Master of Business Administration degree from the HEC School of Management in Paris in 2009.

Independent Non-Executive Directors

Mr. Lei Jun, aged 47, was appointed as an Independent Non-Executive Director on 21 January 2016. He was the General Manager of the Capital Operation Department of Beijing Capital Airport Holding Company from June 2005 to November 2015. He was a non-executive director of Bank of Communications Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3328, 4605 (preference share)), from August 2008 to December 2015. He worked for Baoshan Iron & Steel Company Limited from July 1992 to April 1995. Mr. Lei was the Deputy Chief of the Enterprise Management Section of Shanghai Baosteel Group Corporation from April 1995 to June 1998. He was the Departmental Deputy General Manager of Fortune Trust & Investment Company Limited from June 1998 to October 2003. He was the General Director of the Management Innovation Department of Shanghai Baosteel Group Corporation from October 2003 to January 2005. He was the General Manager of the Merger and Acquisition Department of Goldstate Securities Company Limited from January to June 2005. Mr. Lei received a Master's Degree in Business Administration from The University of Hong Kong in 2000.

Mr. Ross Yu Limjoco, aged 47, was appointed as an Independent Non-Executive Director on 31 May 2016. Mr. Ross is the assurance and M&A director of Nexia TS Advisory Pte Ltd. He was the managing director of TMS Capital Advisory Limited from May 2014 to March 2016. From 2012 to 2014, he was the chief financial officer and joint company secretary of PSL Holdings Limited (stock code: SGXBLL), a company listed on the SGX-ST. Mr. Ross holds a Bachelor of Science in Business Administration degree with a Major in Accounting from the Philippine School of Business Administration. He is a Practising Member of the Institute of Singapore Chartered Accountants, a Certified Fraud Examiner, a chartered Valuer and Appraisar and a member of each of the Philippine Institute of Certified Public Accountants and International Association of Consultants, Valuators and Analysts.

Mr. Zheng Yilei, aged 38, was appointed as an Independent Non-Executive Director of the Company on 31 May 2016. Mr. Zheng is the partner of Jingtian & Gongcheng, a law firm in the People's Republic of China. Mr. Zheng has been in the legal practice for over 10 years. He started his legal profession in King & Wood Shanghai Office from 2003 to 2006. From 2006 to 2008, he worked for Jones Day Shanghai Office as a senior PRC legal. Afterwards, Mr. Zheng joined Fangda Partners as a senior associate until 2011. Mr. Zheng obtained a Bachelor of Law degree from Peking University Law School in 2001. He holds Master's Degree in Law from Transnational Law & Business University and also Master's Degree in Law from the Law School of University of California, Berkeley.

Senior Management

All the Executive Directors of the Company are respectively responsible for the various aspects of the business and operation of the Group. These Executive Directors of the Company are regarded as the members of the senior management team of the Group.

* *for identification purpose only*

Directors' Report

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 30 June 2017 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management Discussion and Analysis section on pages 6 to 8 of the annual report.

Environmental Policies and Performance

In conducting its business, the Group endeavors to minimize the adverse effects of its operations on the environment. The Group has complied with a number of environmental protection laws of PRC, Hong Kong and Vietnam, in connection with water pollutants, air pollutants, solid waste pollutants, as well as noise pollution generated from its manufacturing operations. During the Year, the Group complied with the applicable environmental laws and regulations and was not subject to any fines or legal action resulting from incidents of non-compliance with any applicable environmental laws and regulations, nor was there any threatened or pending action by any environmental regulatory authority.

Compliance with Relevant Laws and Regulations

During the Year, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Key Relationships with Stakeholders

The Group's long-term success depends on its employees, customers, suppliers and other stakeholders. As the Group recognizes the importance of its employees, it offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including housing and travel allowances depending on their grade and ranking within the Group. The Group also maintains medical insurance for the benefit of its employees. The Group conducts induction training for all of its new employees and on-going training from time to time during their employment. The nature of training offered depends on their specific field of operation. The Group strives to maintain and enhance the relationship with its customers and to maintain a fair and co-operating relationship with its suppliers.

Significant Investment Held

Save as disclosed herein, during the financial year and up to the date of this report, the Group did not hold any significant investment.

Foreign Exchange Exposure

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of the relevant group entities, including HKD, USD, Japanese Yen ("JPY") and Renminbi ("RMB").

Charge on Group's Asset

During the financial year and up to the date of this report, none of the assets of the Group was pledged or charged (2016: nil).

Contingent Liabilities

During the financial year and up to the date of this report, the Group had no contingent liabilities (2016: nil).

Gearing Ratio

At the end of the Year, the gearing ratio of the Group was 0.11 (30 June 2016:nil) which was calculated based on the Group's total borrowing and bonds amounting to HK$42,222,000(30 June 2016: nil) and the equity attributable to owners of the Company amounting to HK$385,221,000 (30 June 2016: HK$362,409,000).

Events After the End of the Reporting Period

1. Acquisition of POW! Entertainment, Inc. ("POW! Entertainment")

   On 5 May 2017, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with POW! Entertainment (the "Acquisition"). Upon the completion of the Acquisition, POW! Entertainment will become the indirect wholly-owned subsidiary of the Company. POW Entertainment is a US public company formed under the laws of Delaware and the shares are traded on the OTC Pink Market in US, which is an independent third party. POW! Entertainment primarily engages in multimedia production and licensing business. The cash consideration of the transaction is US$11,500,000 (approximately HK$89,125,000). Details of the transaction are set out in the announcement issued by the Company dated 5 May 2017.

   The Directors will account for the transaction as business combination. The transaction has not been completed before the date of this announcement.

2. Acquisition of 30% of 潤騰文化科技有限公司 Shares

   On 7 July 2017, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with 南京國通聚富投資管理有限公司("南京國通") and 南京惠通創意展示股份有限公司, both of which are independent third parties under the same substantial shareholder and hold 65% and 35% interest of 潤騰文化科技有限公司 ("潤騰文化"), respectively (the "Vendors"). Pursuant to the acquisition agreement, the Group agreed to acquire and the Vendors agreed to sell 30% of the equity interest in 潤騰文化, a company incorporated in the PRC with limited liability, and principally engages in intellectual properties and brand licensing and management business. The cash consideration of the acquisition is RMB400,000 (approximately HK$461,000).

   The acquisition has been completed in August 2017. The directors are in the process of assessing the fair value of assets and liabilities of 潤騰文化 being acquired by the Group on the completion date.

Save as disclosed above, there are no significant events affecting the Group after the Year and up to the date of this announcement.

Business Review

Major Risks and Uncertainties

The business of the Group is affected by many other factors, such as the global and domestic economic environment. The following lists the major risks and uncertainties the Group is facing, and it is necessary to clarify that other risks and uncertainties involved may not be listed.

1. **The global economy improves as a whole while challenges remain**

   In the first half of 2017, the global economy continued to grow steadily, showing a "simultaneous recovery" for the first time in seven years. Although the global economic recovery improved as a whole in the first half of the year, the future growth is still facing a series of problems and challenges. First, the spread of global trade protectionism and anti-globalization trend continues to rise. International trade resumed its growth in the first half of 2017, but the shadow of trade protectionism that enveloped the world did not dissipate. In particular, United States of America ("US") President Trump is actively promoting the "America first" strategy, and its trade protection policies will have adverse effects on its trading partners and the global economy. Second, the US speeds up the pace of raising interest rate, or will commence the process of "shrinking the balance sheet", threatening the stability of the international financial markets. Third, the high level of global debt is a major concern for the economic growth of major economies, and the emerging economies may become the "hardest hit" of debt.

2. **Continuous decline in global demand for HDD**

   With the development of information technology and the upgrading of mobile terminals, mobile phones and the Internet has replaced personal computers. It explains the continuous shrinking of HDD market, as well as the constant decline of computer production and export volume. At the same time, fierce market competition has also diluted the profits of the electronics industry. It becomes an adaunting challenge for the Group to explore new income source in the industry.

3. **Huge cost and expensive labour**

   With the turnover of the Chinese economy in the first half of 2017, it continues to grow steadily, especially in the remarkable results of the structural adjustment. However, it still does not affect the continuous rising of production and processing costs. Changes in population mobility, accompanied by the advance of urbanization process, have led to the increase in labour cost. Increases in land cost and other material costs have also made it difficult to stabilize operating cost at a low level.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 43 to 44 of this report.

The Board does not recommend the payment of a final dividend for the Year (2016:nil).

Five Year Financial Summary

The result, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are summarized on pages 104 of this report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 24 to the consolidated financial statements.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 30 June 2017 amounted to approximately HK$388,409,000 (2016: HK$383,809,000), which comprises the share premium of approximately HK$366,526,000 (2016: HK$366,526,000) and the contribution surplus of approximately HK$514,645,000 (2016: HK$514,645,000) net of accumulated losses of approximately HK$492,762,000 (2016: HK$497,362,000).

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to payoff its debts as they fall due in the ordinary course of business.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Ms. Lo Ching
Ms. Liu Hui

Independent Non-Executive Directors

Mr. Ross Yu Limjoco
Mr. Zheng Yilei
Mr. Lei Jun

In accordance with Articles 87(1) of the Company's Articles of Association (the "Articles"), at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three year at the general meeting. Accordingly, Ms. Lo Ching and Ms. Liu Hui will retire, and being eligible, offer themselves for re-election as Directors at the forth coming annual general meeting.

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of the Independent Non-Executive Directors are independent.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 16 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors of the Company entered into a service contract with the Company for a term of two years.

Mr. Lei Jun, an Independent Non-Executive Director, entered into a letter of appointment with the Company for a term of two years. Each of Mr. Ross Yu Limjoco and Mr. Zheng Yilei, the Independent Non-Executive Directors, entered into a letter of appointment with the Company and was appointed for a period of one year subject to retirement by rotation under the Article.

Save as aforesaid, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets and profit of the Company from and against all actions, costs, charges, losses, damages and expense which they shall or may incur or sustain. In addition, the Company has arranged for appropriate directors and officers liabilities insurance to indemnify its Directors and officers against liabilities arising out of legal action on corporate activities.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests and short position of the Directors, the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) or pursuant to Section 352 of the SFO to be recorded in the register to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

Ordinary shares of HK$0.1 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ms. Lo Ching ("Ms. Lo")	Interest of controlled corporations (note)	698,769,952	64.87%

Note: Out of the total 698,769,952 Shares 676,864,150 Shares are registered in the name of and beneficially owned by China Base Group Limited ("China Base"), a company incorporated in the British Virgin Islands. The entire issued share capital of China Base is beneficially owned by Ms. Lo. The remaining 21,905,802 Share are beneficially owned by Creative Elite Holdings Limited ("Creative Elite") and Ms. Lo owns the entire issued Share capital of Creative Elite. Accordingly, Ms. Lo is deemed to be interested in 698,769,952 shares held by China Base and Creative Elite respectively under the SFO.

Save as disclosed above, as at 30 June 2017, none of the Directors nor chief executive and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 25 to the consolidated financial statements.

No share options are outstanding in the current and prior years.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the heading "Share Options" above, at no time during the year was the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2017, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the 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 or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position

Ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held		Percentage of the issued share capital of the Company
		Direct interest	Total interest	
China Base	Beneficial owner	676,864,150	676,864,150	62.83%

Note:

These shares are owned by China Base, the entire issued share capital of which is owned by Ms. Lo.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2017.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

Subject to shareholders' approval, the emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 25 to the consolidated financial statements.

Details of Directors' emoluments during the year are set out in note 10 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 92.9% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 40.8% of the Group's total sales for the Year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 75.8% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 24.4% of the Group's total purchases for the Year.

At no time during the year did a Director, a close associate of a Director or a shareholder of the Company (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any beneficial interest in any of the Group's five largest suppliers or customers.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions of the Group are set out in Note 31 to the consolidated financial statements and are fully exempted from the reporting annual review, announcement and independent shareholders' approval requirements under chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the Year.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

There has been no change in the auditor of the Company for the preceding three years.

On behalf of the Board

Ms. Lo Ching
Chairman
28 September 2017

1. About this Report

1.1. Reporting Period

This is the first Environmental, Social and Governance (ESG) Report of Camsing International Holding Limited (together with its subsidiaries, the "Group" or "Camsing") that illustrates and highlight the environment and social performance from 1 July 2016 to 30 June 2017 (the "Year") unless otherwise stated.

1.2. Reporting Scope

The content of this report is mainly focused on the two lines of businesses of the Group's China operations. The assembly services and procurement services of its hard disk drive ("HDD") and personal computer ("PC") motherboard products and its pan-entertainment business from the development, management, and licensing of intellectual properties.

1.3. Reporting Framework

This report follows the disclosure requirement as set out in Appendix 27 to the Listing Rules of the Environmental, Social and Governance Reporting Guide ("ESG Guide") published by the Stock Exchange.

Key Performance Index (KPI) Reference Table

Reference KPI of the ESG Guide		Corresponding KPI in this report
A	Environmental Performance	2.
A1	Emissions Policy and Compliance	2.1.
A1.1	Types of Emissions	2.1.1.
A1.2	Greenhouse Gas Emission	2.1.2.
A1.3.	Hazardous Waste	2.1.3.
A1.4	Non-Hazardous Waste	2.1.4.
A1.5	Emission Mitigation	2.1.5.
A1.6	Hazardous and Non-hazardous Wastes Reduction	2.1.6.
A2	Use of Resources	2.2.
A2.1	Energy Consumption	2.2.1.
A2.2	Water Consumption	2.2.2.
A2.3	Energy Use Efficiency	2.2.1.
A2.4	Water Use Efficiency	2.2.2.

Reference KPI of the ESG Guide		Corresponding KPI in this report
A2.5	Total Packaging Material Used for Finished Products	2.2.3.
A3	The Environment and Natural Resources	2.3.
A3.1	Impacts of Activities on the Environment and Natural Resources	2.3.1.
B	Social Performance	3
B1	Employment Policy and Compliance	3.1.
B1.1	Total Workforce	3.1.1.
B1.2	Employee Turnover Rate	N/A.
B2	Health and Safety Policies and Compliance	3.2.
B2.1	Number and Rate of Work-related Fatalities	3.2.1.
B2.2	Lost Days Due to Work Injury	3.2.1.
B2.3:	Occupational Health and Safety Measures	3.2.3.
B3	Development and Training Policies	3.3.
B3.1	Percentage of Employees Trained	N/A
B3.2	Average Training Hours	3.3.1.
B4	Labour Standards	3.4.
B4.1	Avoid Child and Forced Labour	3.4.1.
B4.2	Steps Taken to Eliminate Child and Forced Labour	3.4.2.
B5.	Supply Chain Management	3.5.
B5.1	Number of Suppliers by Geographical Region	3.5.1.
B5.2	Suppliers Engagement	3.5.2.
B6	Product Responsibility	3.6.
B6.1.	Product Recall or Return	3.6.

Reference KPI of the ESG Guide		Corresponding KPI in this report
B6.2	Products and Service Related Complaints	3.6.
B6.3	Protecting Intellectual Property Rights	3.6.1.
B6.4	Quality Assurance Process	3.6.
B6.5	Consumer Data Protection and Privacy Policies	3.6.2.
B7	Anticorruption Policies and Compliance	3.7.
B7.1	Number of Concluded Legal Cases Regarding Corrupt Practices	3.7.1.
B7.2	Preventive Measures and Whistle-blowing Procedures	3.7.1.
B8.	Community Investment	3.8.
B8.1:	Focus Areas of Contribution	3.8.
B8.2	Resources Contributed	3.8.

2. Environmental Performance

The pan-entertainment business focuses on the development, management, and licensing of intellectual properties, environmental concerns towards this new industry is relatively low when compares to the electronic manufacturing business of the Group. The major products manufactured in the Group's Suzhou and Shenzhen manufacturing plants are HDD and PC motherboard products.

2.1. Emissions Policy and Compliance

The Group complies with related environmental protection laws of China and Hong Kong in air (dust and residues) and water emissions, radioactive materials control, solid waste management, noise pollution and energy saving. Policies to promote efficient use of energy to lower cost and emission are in practice.

2.1.1. Types of Emissions

Carbon footprint generated from the manufacturing operations and office locations will be disclosed in this report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (GHG) expressed in terms of equivalent amount of carbon dioxide (CO_2) emission. Hazardous and non-hazardous waste generated from its operations will also be discussed.

Comprising the Group's headquarter office, the Guangzhou office of the pan-entertainment business, and the subsidiaries including the manufacturing plants and warehouses, the Group's operations cover a total floor area of 32,467 m^2 and accounted for 100% of its GHG emissions.

2.1.2. Greenhouse Gas Emissions

There were 6,560.93 tonnes of carbon dioxide equivalent (tCO_2-eq) GHG (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation. With the total operation area of 32,467m^2, the total annual emission intensity due to energy usage was 0.199 tCO_2-eq/m^2. The major source of the GHG emission was from the consumption of electricity of the two manufacturing plants in Suzhou and Shenzhen.

Diesel use for backup generators and refrigerants could generate GHG emission and therefore should be included in the calculation of Scope 1- direct GHG emission. However, the relevant consumption data was not available and thereby not accounted for in this ESG report. The Group will set up a system so that data would be collected systematically for future disclosure.

The following table highlights the carbon footprint of the Group.

Scope	Sources of emission	GHG* emission (in tCO_2-eq)	GHG* emission by scope (in tCO_2-eq)	Distribution
	Stationary	N/A		
1	Mobile (company fleet)	77.61	77.61	1.18%
	Refrigerant	N/A		
2	Purchased electricity	6,451.01	6,451.01	98.32%
	Disposal of paper waste	0.00		
3	Fresh water processing	32.30	32.30	0.49%
	Sewage water processing	0.00		
	Total GHG* emission		**6560.93**	**100%**

* The GHG is calculated according to the 'Guiltiness to Account for and Report on Green House Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by EPD and EMSD.

2.1.3. Hazardous Waste

The production of HDD and PC motherboard products would produce electrical/electronic waste ("e-waste"). Since the products have obtained the relevant TUV[1] testing and CE[2] marking to fulfil the regulatory and safety requirement on electronic and electrical appliance for the relevant export markets, especially for the European market, all e-waste generated from production is required to fulfil the regulatory and safety requirement on electronic and electrical appliance for the relevant export markets, especially for the European market, all e-waste generated from production is required to fulfil the Restriction on Hazardous Waste Directive (RoHS) and Waste Electrical and Electronic Equipment (WEEE) Directive of the CE marking scheme. The HDD and PC motherboard products and its parts should not exceed the limit being set for the CE accredited listed hazardous substances, and the post-consumer parts and e-waste should be appropriately sorted and recycled. The Group will also adopt a new policy to record the total amount of e-waste generated and monitor the recycling performance in the next reporting period.

Other hazardous waste are the organic solvent solution, heavy metal, cyanide and electrolyte residues generated by the electroplating process during products manufacturing. Electroplating waste is potentially hazardous to human health and the environment when they are improperly managed. There were 0.4 tonne of hazardous organic solvent being produced and were treated by accredited waste treatment contractor in China.

2.1.4. Non-hazardous Waste

Various types of raw materials are used in products manufacturing and for the packaging of products in the manufacturing plants, while papers are the main materials used in the offices. As a result, non-hazardous waste from residual materials and paper usage was generated. There are practices in place to collect the waste for recycling and disposal. It was recorded that a total of 27.6 tonnes non-hazardous waste from manufacturing were generated.

2.1.5. Emission Prevention

To prevent and reduce GHG emission, the Group has energy saving practice in place by switching of unused air-conditioning, lighting, and equipment. Another source of air emission that should be highlighted was the substantial use of diesel for transportation vehicles, especially in the PRC. The Group will consider the possibility of using more energy efficient vehicles by phase to reduce GHG emission.

2.1.6. Hazardous Waste and Non-hazardous Waste Reduction

Double sided printing is in practice to minimize the amount of paper use, and some paper waste was collected by local recyclers, there is currently no systematic paper waste recycling program and the amount collected for recycling was not measured and monitored. To reduce paper waste being ended up at landfill, a systematic recycling program and a waste audit will be implemented to improve recycling efficiency and reduce waste generation in the future.

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1 Product safety and quality certification marks

2 The abbreviation of French phrase "Conformité Européene" which literally means "European Conformity". CE marking is a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area (EEA).

2.2. Uses of Resources

2.2.1. Energy

Electricity

The total electricity consumption by the Group was 7,492,157.00 Kilowatt-hour (kWh), with an energy intensity of 257.11 kWh per capita and 14.21 kWh per capita from the manufacturing plants and offices respectively. The Group is actively seeking for more energy efficient production equipment to reduce electricity consumption in the manufacturing process.

Fossil Fuel – Petroleum and Diesel

There are several motor vehicles being used by different subsidiaries for transportation purposes. A total of 25,850.00 litres of and diesel were used for the Group's own fleet, while the operations in China alone contributed to 100% of total fuel usage.

2.2.2. Water

The total water consumption was 76,179.00 m^3 as derived from the domestic use in the manufacturing processes of the manufacturing plants. Nevertheless, the Group would continue to actively include water conservation measure in the plants to enhance water efficiency and save this precious natural resource on earth.

2.2.3. Total Packaging Material Used for Finished Products

There was no detail record provided for the packaging material that were used for the finished products during the reporting period. Packaging materials ranging from plastic wrapping, plastic containers, paper leaflets, bottles, and carton boxes are used for product packaging; thus, packaging waste is produced every day. While there is no official solution unless better eco-design is available as an alternative, considering the daily production of packaging waste, a more systematic program shall be implemented to record the packaging materials that are being used in the next reporting period.

2.3. The Environment and Natural Resources

2.3.1. Impacts of Activities on the Environment and Natural Resources

The Group's operations do not involve in production-related air, water and land pollutions which are regulated under related environmental laws and regulations. As the main manufacturing operations of the Group are taken place in industrial area, most of the emission and waste generated from the manufacturing plants were well treated before they were returned to the environment. Therefore, the direct impact from the Group's activities towards the environment and natural resources is minimal.

3. Social Performance

3.1. Employment Policy and Compliance

Through the Group's many years of operation in the electronic manufacturing business, Camsing understands that its success in the industry is highly dependent on its employees; therefore, it has devised a competitive salary and benefit package to attract, retain, and incentivize employees. Employees' remuneration is structured to ensure that employees are rewarded with their educational qualifications, work experience and interpersonal skills. Recruitment of employees has been difficult in China due to low economic growth of the industry and shortage of labour supply, but a wide range of additional benefits are provided to care for the employees, benefits include allowances in communication, computer, transportation, leaves include birthday, marriage, child birth, compassionate, and company sponsored meals and annual travelling.

Concerns or inquiries regarding to employee compensation and benefits, work safety, and working environment and condition can be submitted to the Group's Human Resources and Administration Department. A suggestion/complaint form is available for employees to use and a suggestion box is placed in the office for convenience purpose.

As at the date of this report, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration relating to labour disputes against the Group.

3.1.1. Total workforce by gender, age group and geographical region

As at 30 June 2017, the total number of employees being employed by the Group was 553 with a combination of 316 men and 237 women with the majority of Han people.

3.2. Health and Safety Policies and Compliance

3.2.1. Occupational Health and Safety Data

Number of Work-related Fatalities	0
Work injury cases with leave of absence > 3 days	1
Lost days due to work injury	94
Work Injury rate	1.98

3.2.2. Occupational Health and Safety Measures

The work injury rate of the Group was 1.98 and the total days lost as resulting from an injured employee was 94 days in the Year. Safety shoes, ear plugs and face masks are provided in the manufacturing plants for the employees, safety precautions tips are communicated through daily briefings and internal communications to promote and enhance safety awareness and practice among employees. Regular health and safety trainings, working environment condition evaluation, noise and emission detection are also conducted regularly to ensure a safe and healthy environment is provided and maintained.

3.3. Development and Training Policies

The Group believes that the skills and talents of employees are the most valuable intangible assets that bring the Company to its success, training budgets are planned annually and training programs are developed and implemented to ensure employees are trained professionally with enhance skillsets and knowledge for their future progression and development.

Various training programs are developed to enhance employees' knowledge and understanding on company working environment, business skills, technical skills, health and safety awareness, and team work spirit.

New Employees Induction Training

- Company Introduction
- Manpower System
- Administrative System
- Financial System
- IT Information Operation
- Professional Quality
- Business Etiquette

Business Skills Training

- Office General Skills
- Office Software Application
- Photographic skills
- Training skills
- Administrative Skills
- Business Affairs Skills
- News Publishing Proces Skills
- Health and Safety Awareness

Management Training

- Management Skills
- Communication Skills
- Action Learning

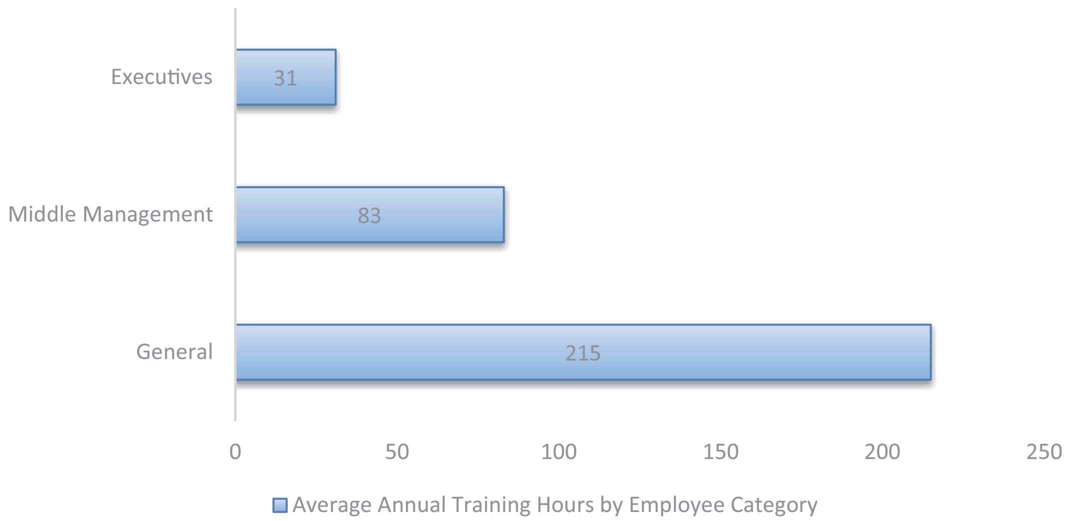
Team Building

- Outreach Training

Supplementary Training

- Reading Session
- Case Studies Session

3.3.1. Average Annual Training Hours Completed per Employee by Employee Category



3.4. Labour Standards

3.4.1. Child and Forced labour

There is no child nor forced labour in the Group as it complies with the related employment ordinance and labour laws of the regions where the Group has an operation in terms of employment management.

3.4.2. Steps taken to eliminate such practices when discovered

The recruitment process is strictly abided by the guidelines of the Group's Human Resource and Administration Department, a recruitment form is used to collect personal, educational, and employment information of job applicants, and as such all necessary data related to employment is verified and the proper and right candidate would be hired in accordance to the job requirement and candidates' expectation for a healthy and sustainable workforce.

3.5. Supply Chain Management

The safety and quality of the final products are among the top priorities of the Group. To ensure product safety and service quality and standard, the Group has a systematic supplier management procedure for its Supply Chain Management Department, Supply Base Management Department, Purchasing Department, Logistics Department and Supplier Quality Management Department to follow. Thus, materials with the right quality and value are procured in a competitive, efficient, cost-effective, and transparent manner. The Group is committed to ensure its supply chain is operating as efficiently as possible to ensure the Group's final products are safe and standardized.

3.5.1. Number of Suppliers by Geographical Region

The Group has a total of 318 suppliers in its supply base supplying the materials and services required by the two manufacturing plants in Suzhou and Shenzhen.

3.5.2. Suppliers Engagement

The Group recognizes the importance of using strategic suppliers who offer reliable, high quality, safe and technologically advanced products to meet the engineering needs of its customers. With the supplier qualifying process and the supplier performance measurement, suppliers are being accessed based on selection criteria including reputation, customer satisfaction guarantee, quality performance, delivery performance, price and payment term. Sourcing for suppliers must undergo supplier survey and supplier on-site audit with acceptable scores to become the strategic suppliers of the Group.

3.6. Product Responsibility

The Group's extensive experience in the manufacturing of HDD and PC motherboard products has obtained the relevant TUV[3] testing and CE[4] marking reflecting its products are well qualified in both safety and quality performance in the market. During the Year, there were no product recall or returns and no product quality issues or complaints from customers.

3.6.1. Protecting Intellectual Property Rights

The new pan-entertainment business of the Group is to develop, manage, and licensing of intellectual properties ("IP") such as brand names and licensed products under a brand. Operating in the field of IP licensing must enter into the license agreements with brand owners in relation to the production and distribution of licensed products under their renowned brands. Therefore, the Group understands and complies with IP rights regulations. As at the date of this report, there was not any material infringement of the intellectual property rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own intellectual property rights.

3.6.2. Consumer Data Protection and Privacy Policies

The Group complies with the Personal Data (Privacy) Ordinance of Hong Kong, all personal data collected from employees, customers and suppliers are kept confidential, company computers and servers are protected from access passwords. As stipulated in the Group's guidelines on ethical policy, employees are instructed of their responsibility to ensure data is collected, used, maintained, managed, stored and handled properly and secured appropriately.

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3 Product safety and quality certification marks

4 The abbreviation of French phrase "Conformité Europóeene" which literally means "European Conformity". CE marking is a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area (EEA).

3.7. Anticorruption Policies and Compliance

It is the Group's commitment to uphold the reputation of highest standards of integrity and business ethics and to conduct business in a transparent and honest manner. As stipulated in the Group's Ethical Policy, bribery, corruption, conflict of interest, fraudulent activities are strictly prohibited. Employees are guided to use good business judgement in the course of business engagement.

Conflict of Interest

The Group's Ethical Policy stated that all employees and their connections including family members, relatives, and close personal friends should avoid the conflict between personal and financial interest and the professional official duties in the Group. Employees should not use their positions in the Group or the Group's resources, properties, and information to pursue opportunities by exercising positioning power to influence or pressure other parties for personal gain is strictly prohibited. A form for the declaration of conflict of interest must be filled and filed from each employee to warrant compliance.

3.7.1. Preventive Measures and Whistle-blowing Procedures

An internal reporting system is established for employees to raise concerns or complaints related to their employment as well as the reporting, handling, and record tracking of activities that seriously affect the interest of the Group such as bribery, corruption, fraudulent activities, and conflict of interest violations. A systematic reporting system flowchart is to be followed for any whistle-blowing report. Reporting cases would be directed to the General Manager, Human Resources and Administration Manager or Directors with cross referral for assessment and investigation.

Results will be addressed to the whistle-blower to ensure fairness and transparency. The Group encourages the whistle-blower to identify himself/herself when raising a concern or providing information to facilitate investigation. During the Year, the Group has not violated any laws or regulations regarding corruption, bribery, fraud, or conflict of interest.

3.8. Community Investment

There is no formal policy on community investment and it has been left to the Board to make their own choices on these matters. As at the date of this report, the Group has employed two persons with disabilities in the Shenzhen manufacturing plant with the aim to support the United Nations' Convention on the rights of persons with disabilities.

4. Stakeholders' Feedback

Stakeholders' comments and feedbacks regarding the Group's performance and approach on environmental, social and governance aspects are welcomed and valued. Questions, suggestions and recommendations could be sent via the 'feedback tab' on the 'contact us' link in the Group's official website at http://www.camsingintl.com/en/contact/index_33.aspx.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CAMSING INTERNATIONAL HOLDING LIMITED
(FORMERLY KNOWN AS FITTEC INTERNATIONAL GROUP LIMITED)
承興國際控股有限公司 (前稱奕達國際集團有限公司)
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Camsing International Holding Limited (formerly known as Fittec International Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 103, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment used in the Group's pure assembly services segment and procurement and assembly services segment as defined in note 5 to the consolidated financial statements	
We identified the impairment of property, plant and equipment used in the Group's pure assembly services segment and procurement and assembly services segment as a key audit matter due to the significant management judgment associated in determining the recoverable amounts of these property, plant and equipment. The determination of recoverable amounts require management of the Group to estimate the higher of value in use and fair values less costs of disposal. Management of the Group carried out a review of the recoverable amount of the related property, plant and equipment which are used in the Group's pure assembly services segment and procurement and assembly services segment by estimating both (i) the value in use of these property, plant and equipment and (ii) the fair value less costs of disposal of these property, plant and equipment to determine the impairment amount required to write down these property, plant and equipment to their recoverable amounts. The value in use of these property, plant and equipment is determined based on the future cash flow forecast with the key assumptions of estimated profit margin, future revenue growth rates and discount rates. The fair value less costs of disposal of these property, plant and equipment is determined based on valuations carried out on that date by an independent qualified professional valuer with consideration of the key inputs including recent transaction prices of similar assets and adjusted for differences in the condition of these assets (comparable utility and age, etc.) under market comparable approach.	Our procedures in relation to impairment of property, plant and equipment used in the Group's pure assembly service segment and procurement and assembly services segment included: • Understanding management's assessment in estimating the recoverable amount of these property, plant and equipment used in the Group's pure assembly services segment and procurement and assembly services segment; • Assessing and evaluating the valuation methodology adopted by the management; • Evaluating the independent external valuer's competence, capabilities and objectivity • Checking, on a sample basis, the recent transaction prices of similar assets to the information available in the second hand market; • Discussing and evaluating the basis of the adjustment in relation to the differences in the condition of the property, plant and equipment made by valuer in the valuation;

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment used in the Group's pure assembly services segment and procurement and assembly services segment as defined in note 5 to the consolidated financial statements – continued	
As disclosed in notes 4 and 14 to the consolidated financial statements, management considered the recoverable amounts of these property, plant and equipment should be determined as the assets' fair value less cost of disposal by reference to the valuations of their market values, where the assets' fair values less cost of disposal are higher than their insignificant value in use amounts. The carrying value of the Group's property, plant and equipment used in the Group's pure assembly services and procurement and assembly services segments as at 30 June 2017 was approximately HK$27,874,000 in aggregate (net of accumulated impairment loss of approximately HK$56,321,000), with impairment loss of approximately HK$675,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017.	• Evaluating management's key assumptions applied to the future cash flows forecast including estimated profit margin, future revenue growth rates and discounted rate applied to the future cash flows, with reference to the historical performance of pure assembly service segment and procurement and assembly services segment and production plan from management; and • Evaluating the historical accuracy of the future cash flows forecast by comparing the historical estimates to actual results in current year.

Key Audit Matters (Continued)

Key audit matter

Revenue recognition of sales and distribution of electronic products and pan-entertainment operation

We identified the revenue recognition of sales and distribution and electronic products and pan-entertainment operation as a key audit matter because they are new business operation of the Group started during the year and their significant amount to the consolidated statement of profit or loss and other comprehensive income.

The accounting policy for revenue recognition is disclosed in note 3 to the consolidated financial statements. Revenue from sales of goods is recognised when the goods are delivered and titles have passed. Licensing fee income included in pan-entertainment operation is recognised on an accrual basis in accordance with the substance of the relevant agreements and is determined on a time basis that recognised on a straight line basis over the period of the agreements. Revenue from events organisation/production services under pan-entertainment operation is recognised when the events are organised/production services are provided.

As disclosed in note 5 to the consolidated financial statements, the Group recognised revenue of approximately HK$2,333,585,000 and HK$67,146,000 from sales and distribution of electronic products, and pan-entertainment operation, respectively, for the year ended 30 June 2017.

How our audit addressed the key audit matter

Our procedures in relation to the revenue recognition of sales and distribution of electronic products and pan-entertainment operation included:

- Obtaining an understanding of the revenue business process of sales and distribution and electronic products and pan-entertainment operation;
- Understanding and testing the Group's key controls over revenue recognition on sales and distribution of electronic products;
- Checking, on a sample basis, sales transactions to delivery notes, customers acknowledgement of goods receipt and invoices to assess the appropriateness of revenue recognition on sales and distribution of electronic products;
- Understanding the Group's revenue recognition policy in relation to the revenue from events organisation/production services and licensing fee income under pan-entertainment operation;
- Obtaining the list of contracts for events organisation/production services under pan-entertainment operation from management and reviewing the appropriateness of revenue recognition by checking to the corresponding contracts and supporting documents including the acknowledge of receipts or evidence for the events organised;
- Obtaining the list of contracts for licensing fee income included in pan-entertainment operation from management and assessing the accuracy of the licensing fee income based on the corresponding contracts; and
- Performing analytical review procedures including gross profit analysis per customers and sales by customers and by months to identify any unusual fluctuation, and obtaining and assessing management's explanations for such fluctuation.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)

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

The engagement partner on the audit resulting in the independent auditor's report is Chiu Mei Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 September 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**2,933,821**	461,922
Cost of sales		**(2,833,475)**	(436,280)
Gross profit		**100,346**	25,642
Other income		**8,074**	4,987
Other gains and losses	6	**25,158**	(2,129)
Change in fair value of derivative financial instruments	20	**(1)**	(12,743)
Distribution costs		**(10,308)**	(10,514)
General and administrative expenses		**(53,300)**	(48,398)
Impairment loss recognised in respect of property, plant and equipment	14	**(675)**	(7,674)
Finance costs	7	**(12,035)**	–
Profit (loss) before tax		**57,259**	(50,829)
Income tax expense	8	**(12,168)**	(849)
Profit (loss) for the year	9	**45,091**	(51,678)
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		**(18,474)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,227)**	(9,102)
Cumulative exchange differences reclassified to profit or loss upon disposal of subsidiaries		**(2,322)**	–
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary		**(402)**	2,901
		(3,951)	(6,201)
Total other comprehensive expense for the year		**(22,425)**	(6,201)
Total comprehensive income (expense) for the year		**22,666**	(57,879)

	NOTE	2017 HK$'000	2016 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**45,233**	(51,678)
Non-controlling interests		**(142)**	–
		45,091	(51,678)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**22,812**	(57,879)
Non-controlling interests		**(146)**	–
		22,666	(57,879)
Basic earnings (loss) per share	13	**HK$0.04**	(HK$0.05)

Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**31,182**	110,681
Prepaid lease payments	15	**–**	3,168
Rental deposits paid		**3,537**	–
		34,719	113,849
Current assets			
Inventories	16	**46,369**	25,524
Trade and other receivables	17	**371,539**	143,042
Prepaid lease payments	15	**–**	90
Tax recoverable		**272**	–
Bank balances and cash	18	**68,902**	148,487
		487,082	317,143
Current liabilities			
Trade and other payables	19	**86,015**	65,725
Derivative financial instruments	20	**–**	877
Tax liabilities		**8,489**	1,981
Borrowing	22	**34,566**	–
		129,070	68,583
Net current assets		**358,012**	248,560
Total assets less current liabilities		**392,731**	362,409
Non-current liability			
Bonds	23	**7,656**	–
Net assets		**385,075**	362,409

	NOTES	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	24	**107,712**	107,712
Share premium and reserves		**277,509**	254,697
Equity attributable to owners of the Company		**385,221**	362,409
Non-controlling interests		**(146)**	–
Total equity		**385,075**	362,409

The consolidated financial statements on pages 43 to 103 were approved and authorised for issue by the Board of Directors on 28 September 2017 and are signed on its behalf by:

Ms. Lo Ching
DIRECTOR

Ms. Liu Hui
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note i)	Special reserve HK$'000 (Note ii)	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2015	96,839	450,739	11,478	6,400	19,730	(91,558)	493,628	–	493,628
Loss for the year	–	–	–	–	–	(51,678)	(51,678)	–	(51,678)
Exchange differences arising on translation of foreign operations	–	–	–	–	(9,102)	–	(9,102)	–	(9,102)
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary (note 28)	–	–	–	–	2,901	–	2,901	–	2,901
Total comprehensive expense for the year	–	–	–	–	(6,201)	(51,678)	(57,879)	–	(57,879)
Dividend recognised as distribution (note 12)	–	(191,742)	–	–	–	–	(191,742)	–	(191,742)
Issue of shares (note 24)	10,873	108,734	–	–	–	–	119,607	–	119,607
Cost of issuing new shares	–	(1,205)	–	–	–	–	(1,205)	–	(1,205)
At 30 June 2016	107,712	366,526	11,478	6,400	13,529	(143,236)	362,409	–	362,409
Profit (loss) for the year	–	–	–	–	–	45,233	45,233	(142)	45,091
Exchange differences arising on translation	–	–	–	–	(19,697)	–	(19,697)	(4)	(19,701)
Cumulative exchange differences reclassified to profit or loss upon disposal of subsidiaries (note 27)	–	–	–	–	(2,322)	–	(2,322)	–	(2,322)
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary (note 28)	–	–	–	–	(402)	–	(402)	–	(402)
Total comprehensive (expense) income for the year	–	–	–	–	(22,421)	45,233	22,812	(146)	22,666
At 30 June 2017	107,712	366,526	11,478	6,400	(8,892)	(98,003)	385,221	(146)	385,075

Notes:

(i) The contributed surplus represents the difference between the fair value of the underlying assets of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange in December 2004.

(ii) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the subsidiaries acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 2005.

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**57,259**	(50,829)
Adjustments for:		
Depreciation of property, plant and equipment	**12,136**	24,347
Finance costs	**12,035**	–
Impairment loss recognised in respect of property, plant and equipment	**675**	7,674
Write-down of inventories	**234**	129
Allowance for doubtful debts recognised (recovered) during the year	**140**	(190)
Loss (gain) on disposals of property, plant and equipment	**61**	(295)
Release of prepaid lease payments	**59**	90
Changes in fair value of derivative financial instruments	**1**	12,743
Gain on disposal of subsidiaries	**(7,281)**	–
Interest income	**(1,855)**	(195)
Gain on bargain purchase arising on acquisition of subsidiaries	**(1,535)**	–
(Gain) loss on deregistration of a subsidiary	**(402)**	2,901
Loss on write-off of property, plant and equipment	**–**	235
Insurance compensation income	**–**	(1,893)
Operating cash flows before movements in working capital	**71,527**	(5,283)
(Increase) decrease in trade and other receivables and deposits	**(251,899)**	20,841
(Increase) decrease in inventories	**(18,891)**	11,588
(Decrease) increase in trade and other payables	**(2,174)**	22,241
Changes in derivative financial instruments	**(878)**	(21,751)
Cash (used in) generated from operations	**(202,315)**	27,636
Income tax paid	**(6,518)**	(849)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(208,833)**	26,787

	NOTES	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	27	91,978	–
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	26	9,146	–
Interest received		1,855	195
Proceeds from disposals of property, plant and equipment		1,519	2,162
Purchase of property, plant and equipment		(3,977)	(2,300)
Insurance compensation received		–	1,893
NET CASH FROM INVESTING ACTIVITIES		100,521	1,950
FINANCING ACTIVITIES			
Borrowings raised		912,548	–
Proceeds on issue of bonds		7,331	–
Repayment of borrowings		(877,982)	–
Interest paid		(11,480)	–
Proceeds on issue of shares, net of share issue expenses		–	118,402
Dividend paid		–	(191,742)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		30,417	(73,340)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(77,895)	(44,603)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		148,487	192,737
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,690)	353
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		68,902	148,487

1. GENERAL

Camsing International Holding Limited (formerly known as Fittec International Group Limited) (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2001 Second Revision) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company's immediate and ultimate holding company is changed from Fittec Holdings Limited to China Base Group Limited, a company incorporated in British Virgin Islands. The ultimate controlling party is Ms. Lo Ching ("Ms. Lo"), an executive director and the Chairman of the Board of Directors of the Company.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 35.

During the current year, the functional currency of the Company was changed from United States dollars ("USD") to Renminbi ("RMB") as the primary economic environment of the Company has been changed to a business environment of The People's Republic of China (the "PRC") upon the commencement of the new business of "sales and distribution of electronics products" and "pan-entertainment operation".

The directors of the Company have determined that RMB better reflects the economic substance of the Company and its business activity as an investment holding company primarily holding "sales and distribution of electronics products" and "pan-entertainment operation" business in the PRC in light of the currency of its primary sources of revenue.

For the purpose of more convenience to the readers of the consolidated financial statements, these consolidated financial statements are presented in Hong Kong dollars ("HK$"). The directors of the Company selected HK$ as the presentation currency because the shares of the Company are listed on the Stock Exchange and HK$ has been adopted as presentation currency in the Group's consolidated financial statements for years.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 16	Agriculture: Bearer Plants and HKAS 41
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 "Disclosure Initiative"

The Group has applied the amendments to HKAS 1 "Disclosure Initiative" for the first time in the current year. As regards the structure of the consolidated financial statements, the amendments to HKAS 1 provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The information on capital risk management and financial instruments have been reordered in notes 32 and 33 to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs and interpretations issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued by the HKICPA but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
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 Contract[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfer of Investment property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014 – 2016[5]

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 a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 "Financial Instruments"

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

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

Based on the Group's financial instruments and risk management policies as at 30 June 2017, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 may result in earlier recognition of credit losses on the Group's financial assets measured at amortised cost taking into account the estimated credit risk of customers the Group has business with an the actual impairment of receivables experienced.

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

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. rebates, sales return and etc.) as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

2. APPLICATION OF 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 recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. 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 cash flows except for the short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability which will be presented as operating cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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 2017, the Group has non-cancellable operating lease commitments of approximately HK$37,035,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases 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 directors of the Company complete a detailed review.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 7 "Disclosure Initiative"

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 changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities 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.

The amendments apply prospectively for annual periods beginning on or after 1 July 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company do not expect that the application of other new and amendments to HKFRSs and interpretations will have material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value, as explained in the accounting policies below.

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

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

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.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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 into line with the Group's accounting policies.

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

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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation 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.

Revenue recognition

Revenue is measured at the fair value of 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.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sales of goods is recognised when the goods are delivered and titles have passed.

Revenue from events organisation/production services under pan-entertainment operation is recognised when the events are organised/production services are provided.

Service income is recognised when services are provided.

Licensing fee income is recognised on an accrual basis in accordance with the substance of the relevant agreements. Licensing fee income determined on a time basis are recognised on a straight-line basis over the period of the agreements.

Interest income 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.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the leases 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 leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

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" in the consolidated statement of financial position and is amortised over the lease terms on a straight line basis. When the lease payments cannot be allocated reliably between land and the building elements, the entire lease is generally classified as a finance lease.

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 recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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 (loss) before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 is 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 settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings (classified as finance lease), held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted-average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Inventories under pan-entertainment operation are stated at costs in the period in which they are incurred.

Financial instruments

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

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 or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised 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 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.

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial assets 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 a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (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.

Financial liabilities and equity instruments

Debt and equity instruments issued by the group entity are classified as either financial liabilities or as equity in accordance with 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 issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities at FVTPL of the Group comprise derivative financial instruments classified as held for trading.

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities and is included in the "change in fair value of derivative financial instruments" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 33c.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

The Group's other financial liabilities including trade and other payables, borrowing and bonds are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are classified as financial assets or liabilities held for trading and are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets with definite useful lives 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 of disposal 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 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 immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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 years.

The following are 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 within the next financial year.

Impairment of property, plant and equipment used in the Group's pure assembly services segment and procurement and assembly services segment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. These carrying amounts of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The review performed by the management of the Group comprises a comparison of the carrying amount and recoverable amount of the property, plant and equipment. The determination of recoverable amounts require management of the Group to estimate the higher of value in use and fair value less costs of disposal. Where the value in use or fair value less costs of disposal are less than expected, or unfavourable changes in facts and circumstances which result in downward revision of the estimated future cash flows for the purpose of determining the value in use, additional impairment loss may arise.

The recurring loss of Fittec Electronics Company Limited ("Fittec Electronics"), a subsidiary of the Company and the excessive production capacity of Fittec Electronics as a result of weak market demand indicate that an impairment loss may recognise in property, plant and equipment used in the Group's pure assembly services segment and procurement and assembly services segment.

Management of the Group carried out a review of the recoverable amount of the related property, plant and equipment which are used in the Group's pure assembly services segment and procurement and assembly services segment by estimating both (i) the value in use of these property, plant and equipment and (ii) the fair value less costs of disposal of these property, plant and equipment to determine the impairment amount required to write down these property, plant and equipment to their recoverable amounts. The value in use of these property, plant and equipment is determined based on the future cash flow forecast with key assumption of estimated profit margin, future revenue growth rates and discount rates. The fair value less costs of disposal of these property, plant and equipment is determined based on valuations carried out on that date by an independent qualified professional valuer with consideration of the key inputs including recent transaction prices of similar assets and adjusted for differences in the condition of these assets (comparable utility and age etc.) under market comparable approach.

At 30 June 2017, the carrying amount of property, plant and equipment used in pure assembly services segment and procurement and assembly services segment is approximately HK$27,874,000 in aggregate (net of accumulated impairment loss of approximately HK$56,321,000) (2016: carrying amount of approximately HK$110,681,000 in aggregate, net of accumulated impairment loss of approximately HK$56,575,000). Details are set out in note 14.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Allowance of inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the weighted-average method. Net realisable value is generally the merchandise's selling price quoted from the market for similar items. Management of the Group reviewed the aged analysis of the inventories for production of printed circuit boards and related products at the end of the reporting period to identify obsolete and slow-moving inventory items that are no longer suitable for use in production and to write down to their net realisable values based on the latest selling prices and current marketable conditions. If the net realisable value of inventories of the Group becomes much lower than its carrying amount subsequently, a material allowance may arise. At the end of the reporting period, the carrying amount of inventories was approximately HK$44,685,000 (2016: HK$25,524,000).

Estimated impairment loss on trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of accounts by management's estimation. In determining whether impairment is required, the Group takes into consideration the likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original interest rate and the carrying value. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 30 June 2017, the carrying amount of trade receivables, net of allowance for doubtful debts of approximately HK$179,000 (2016: HK$39,000), was approximately HK$317,382,000 (2016: HK$123,212,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2017 **HK$'000**	2016 HK$'000
Sales of goods	**2,747,344**	285,346
Rendering of services	**172,602**	176,576
Licensing fee income	**13,875**	–
	2,933,821	461,922

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information

The Group is principally engaged in the business of provision of (i) pure assembly services; (ii) procurement and assembly services; (iii) sales and distribution of electronic products, a new business which commenced during the year; and (iv) pan-entertainment operation, including licensing fee income and provision of events organisation/production services, a new business which commenced in the second half of the year.

In previous years, the Group reported its primary segment information based on three major operating and reportable segments including (i) pure assembly services; (ii) procurement and assembly services; and (iii) repair and maintenance services; all for printed circuit boards and related products.

During the current year, management has changed the presentation of the information reported to the chief operating decision makers ("CODM") (i.e. the executive directors of the Company), due to the commencement of the new business and for a more meaningful presentation of its business operations, consistent with the Group's long-term strategy and for the purpose of allocating resources to the segments and assessing the performance of the segments. The information reported to CODM in respect of the Group's business is based on the operating and reportable segments mentioned below.

In compliance with the requirement of HKFRS 8 "Operating Segments", the change of the presentation of the information reported to CODM has led to change in the segment report for prior period. The Group is now organised into the four operating and reportable segments as (i) pure assembly services including the repair and maintenance services for printed circuit boards and related products; (ii) procurement and assembly services, (iii) sales and distribution of electronic products; and (iv) pan-entertainment operation.

	2017 **HK$'000**	2016 HK$'000 (restated)
Results		
Segment revenue		
Pure assembly services	**119,331**	176,576
Procurement and assembly services	**413,759**	285,346
Sales and distribution of electronic products	**2,333,585**	–
Pan-entertainment operation	**67,146**	–
	2,933,821	461,922
Segment results		
Pure assembly services (Note 1)	**16,728**	4,829
Procurement and assembly services (Note 2)	**14,940**	13,199
Sales and distribution of electronic products	**36,511**	–
Pan-entertainment operation	**31,431**	–
	99,610	18,028
Unallocated operating expenses	**(63,608)**	(58,912)
Other income	**8,074**	4,987
Unallocated other gains and losses	**25,219**	(2,189)
Change in fair value of derivative financial instruments	**(1)**	(12,743)
Finance costs	**(12,035)**	–
Profit (loss) before tax	**57,259**	(50,829)

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

The segment revenues are all from external customers and there are no inter-segment sales for both years.

Notes:

1. The segment result of the pure assembly services segment for the year ended 30 June 2017 included the impairment loss recognised on property, plant and equipment of approximately HK$675,000 (2016: HK$7,674,000), the loss on disposals of property, plant and equipment of approximately HK$61,000 (2016: gain of HK$295,000) and loss on write-off of property, plant and equipment of nil (2016: HK$235,000) for the year ended 30 June 2017.

2. The segment result of the procurement and assembly services segment for the year ended 30 June 2017 included the write-down of certain categories of inventory of approximately HK$234,000 (2016: HK$129,000).

Segment profit represents the profit earned by each segment without allocation of other income, other gains and losses (excluding the items described in the above notes), change in fair value of derivative financial instruments, distribution costs, general and administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue from its major products and services:

	2017	2016
	HK$'000	HK$'000
Electronics products	**2,333,585**	–
HDD Controllers	**401,708**	264,333
Events organisation/production service	**53,271**	–
Desktop and notebook PC Motherboards	**56,108**	115,275
Licensing fee	**13,875**	–
Others	**75,274**	82,314
	2,933,821	461,922

Geographical segments

An analysis of the Group's revenue by geographical market of the customers is presented based on the shipment destination irrespective of the origins of the goods, location of services performed and location of licenses granted to be used as below:

	2017	2016
	HK$'000	HK$'000
PRC	**2,473,705**	78,072
Japan	**403,029**	269,097
Taiwan	**57,087**	114,753
	2,933,821	461,922

Analysis of segment assets and liabilities has not been presented as it is not regularly reviewed by the CODM.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

The Group's non-current assets by geographical location of the assets is detailed below:

	2017 HK$'000	2016 HK$'000
PRC	27,416	65,135
Hong Kong	3,766	5,397
Vietnam	–	43,317
	31,182	113,849

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	Year ended 2017 HK$'000	 2016 HK$'000
Customer A[1]	1,196,397	–
Customer B[2]	804,146	–
Customer C[3]	401,708	264,333
Customer D[4]	N/A	112,410

1 Revenue derived from the sales and distribution of electronic products segment was approximately HK$1,196,397,000 (2016: nil).

2 Revenue derived from the sales and distribution of electronic products segment was approximately HK$804,146,000 (2016: nil).

3 Revenue derived from the procurement and assembly services segment was approximately HK$401,708,000 (2016: HK$264,333,000).

4 Revenue derived from the pure assembly services segment was not over 10% of the total sales of the Group (2016: approximately HK$112,410,000).

6. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Net foreign exchange gain	16,044	219
Gain on disposal of subsidiaries (note 27)	7,281	–
Gain on bargain purchase arising on acquisition of subsidiaries (note 26)	1,535	–
Gain (loss) on deregistration of a subsidiary (note 28)	402	(2,901)
(Loss) gain on disposals of property, plant and equipment	(61)	295
Loss on write-off of property, plant and equipment	–	(235)
Others	(43)	493
	25,158	(2,129)

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on borrowings	11,710	–
Interest on bonds	325	–
	12,035	–

8. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
The income tax expense comprises:		
PRC Enterprise Income Tax		
Current tax	12,168	107
Underprovision in prior years	–	742
	12,168	849

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Group for both years. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both years.

PRC

Under the Enterprise Income Tax Law of the PRC (the "EIT Law"), the PRC income tax rate for the Company's subsidiaries established in the PRC was 25% for both years.

Vietnam

In accordance with the relevant tax rules and regulations in Vietnam, the Vietnam income tax rate for Mega Step Electronics (Vietnam) Company Limited, the Company's subsidiary incorporated in Vietnam and was disposed of during the current year as set out in note 27, was 20% for both years. No provision for Vietnam corporate income tax has been made as the assessable profits arising are wholly absorbed by tax losses brought forward for both years.

8. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit (loss) before tax	**57,259**	(50,829)
Tax at the PRC Enterprise Income Tax rate 25% (2016: Hong Kong Profit Tax rate of 16.5%)	**14,315**	(8,387)
Tax effect of expenses not deductible for tax purposes	**2,577**	4,590
Tax effect of income not taxable for tax purposes	**(4,827)**	(766)
Tax effect of tax losses not recognised	**2,797**	8,518
Utilisation of tax losses not recognised previously	**(2,000)**	(2,668)
Underprovision in prior years	**–**	742
Effect of different tax rate of group entities operating in jurisdictions other than PRC (2016: Hong Kong)	**(694)**	(1,180)
Income tax expense for the year	**12,168**	849

Due to commencement of the new business by the Group during the year, Group's tax expense were mainly incurred from PRC operations. For a more meaningful presentation, the management changed the Group's tax rate in the above reconciliation from Hong Kong Profit Tax rate of 16.5% to PRC Enterprise Income Tax rate of 25%.

Details of the deferred taxation are set out in note 21.

9. PROFIT (LOSS) FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	1,094	4,481
Other staff costs	80,764	109,313
Retirement benefit scheme contributions (excluding contributions in respect of directors of the Company)	6,349	8,114
Total staff costs	88,207	121,908
Auditors' remuneration		
– audit services	1,639	1,521
– non-audit services	596	423
Depreciation of property, plant and equipment	12,136	24,347
Release of prepaid lease payments	59	90
Cost of inventories recognised as an expense (including write-down of inventories of approximately HK$234,000 (2016: HK$129,000))	2,695,893	272,147
Allowance for doubtful debts recognised (recovered)	140	(190)
Interest income	(1,855)	(195)
Rework charges to customers (included in other income)	(1,691)	(722)
Insurance compensation received (included in other income)	–	(1,893)

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the five (2016: thirteen) directors were as follows:

For the year ended 30 June 2017

Name of Director	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Ms. Lo (note a)	–	570	24	594
Ms. Liu Hui (note a)	–	140	–	140
Independent Non-Executive Directors				
Mr. Lei Jun (note a)	120	–	–	120
Mr. Ross Yu Limjoco (note c)	120	–	–	120
Mr. Zheng Yilei (note c)	120	–	–	120
	360	710	24	1,094

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 30 June 2016

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Ms. Lo (note a)	–	–	–	–
Ms. Liu Hui (note a)	–	–	–	–
Mr. Lam Chi Ho (note b)	–	1,774	11	1,785
Ms. Sun Mi Li (note b)	–	1,479	11	1,490
Mr. Tsuji Tadao (note b)	386	39	–	425
Independent Non-Executive Directors				
Mr. Lei Jun (note a)	161	–	–	161
Mr. Ross Yu Limjoco (note c)	10	–	–	10
Mr. Zheng Yilei (note c)	10	–	–	10
Mr. Yung Wing Ki, Samuel (note d)	140	–	–	140
Mr. Lee Kang Bor, Thomas (note d)	140	–	–	140
Mr. Chung Wai Kwok, Jimmy (note b)	178	–	–	178
Mr. Tam Wing Kin (note b)	71	–	–	71
Mr. Sin Man Yin (note b)	71	–	–	71
	1,167	3,292	22	4,481

Notes:

(a) Appointed on 21 January 2016
(b) Resigned on 4 February 2016
(c) Appointed on 31 May 2016
(d) Appointed on 21 January 2016 and resigned on 31 May 2016

Ms. Lo is also the chief executive officer of the Company and her emoluments disclosed above (2016: borned by the ultimate holding company) include those for services rendered by her as the chief executive officer.

The executive directors' emoluments shown above (2016: borned by the ultimate holding company) were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the years ended 30 June 2017 and 2016, no emoluments were paid by the Group to the directors and the chief executive officer as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, neither the chief executive officer nor any of the directors waived any emoluments during the years ended 30 June 2017 and 2016.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included one director (2016: three directors). The emoluments of the five highest paid employees were as follows:

	2017 HK$'000	2016 HK$'000
Directors' fees	–	386
Basic salaries and allowances	6,235	7,736
Bonus	491	57
Retirement benefit scheme contributions	69	72
	6,795	8,251

Their emoluments were within the following bands:

	2017		2016	
	No. of directors	No. of employees	No. of directors	No. of employees
Nil to HK$1,000,000	1	2	–	2
HK$1,000,001 to HK$1,500,000	–	–	1	–
HK$2,000,001 to HK$2,500,000	–	1	–	–
HK$2,500,001 to HK$3,000,000	–	1	1	–
HK$3,000,001 to HK$3,500,000	–	–	1	–

12. DIVIDEND

No interim and final dividend was proposed during 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

A special dividend of HK$0.198 per ordinary share amounting to approximately HK$191,742,000 in aggregate was paid to the ordinary shareholders during the year ended 30 June 2016.

13. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the year ended 30 June 2017 is based on the profit attributable to owners of the Company of approximately HK$45,233,000 (2016: loss of approximately HK$51,678,000) and 1,077,128,000 (2016: 972,553,000) shares in issue.

Diluted earnings (loss) per share is not presented for the years ended 30 June 2017 and 2016 as there is no potential ordinary shares in issue during the year or at the end of the reporting period.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Total HK$'000
COST							
At 1 July 2015	40,994	8,990	93,337	17,503	91,533	527,071	779,428
Exchange realignment	(1,199)	(629)	(5,837)	(365)	(1,682)	(15,334)	(25,046)
Additions	530	4	103	343	1,700	335	3,015
Disposals	–	(41)	(756)	–	(905)	(33,101)	(34,803)
Write-off	–	–	–	(2,061)	(416)	(1,138)	(3,615)
At 30 June 2016	40,325	8,324	86,847	15,420	90,230	477,833	718,979
Exchange realignment	(878)	(409)	(3,320)	(165)	(1,212)	(14,380)	(20,364)
Additions	–	3	2,543	304	1,127	–	3,977
Acquisition of subsidiaries (note 26)	–	–	–	–	25	–	25
Disposals	–	–	–	(1,732)	(1,283)	(18,794)	(21,809)
Disposal of subsidiaries (note 27)	(36,878)	(6,722)	(48,836)	(2,633)	(4,069)	(84,918)	(184,056)
At 30 June 2017	2,569	1,196	37,234	11,194	84,818	359,741	496,752
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 July 2015	5,312	8,008	58,114	13,282	80,129	466,126	630,971
Exchange realignment	(162)	(600)	(3,762)	(277)	(1,364)	(12,213)	(18,378)
Provided for the year	1,184	5	4,268	1,617	2,165	15,108	24,347
Eliminated on disposals	–	(41)	(756)	–	(870)	(31,269)	(32,936)
Eliminated on write-off	–	–	–	(1,896)	(413)	(1,071)	(3,380)
Impairment loss recognised in profit or loss	–	–	–	–	–	7,674	7,674
At 30 June 2016	6,334	7,372	57,864	12,726	79,647	444,355	608,298
Exchange realignment	(145)	(391)	(2,100)	(139)	(1,000)	(12,811)	(16,586)
Provided for the year	811	5	3,071	1,489	1,185	5,575	12,136
Eliminated on disposals	–	–	–	(1,732)	(1,181)	(17,316)	(20,229)
Eliminated upon disposals of subsidiaries (note 27)	(6,277)	(5,842)	(24,416)	(2,202)	(3,080)	(76,907)	(118,724)
Impairment loss recognised in profit or loss	–	–	–	–	–	675	675
At 30 June 2017	723	1,144	34,419	10,142	75,571	343,571	465,570
CARRYING AMOUNT							
At 30 June 2017	1,846	52	2,815	1,052	9,247	16,170	31,182
At 30 June 2016	33,991	952	28,983	2,694	10,583	33,478	110,681

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The leasehold land and buildings with carrying amount of HK$1,846,000 is located in Hong Kong (2016: leasehold land and buildings of HK$1,896,000 is located in Hong Kong and buildings of HK$32,095,000 are located in Vietnam). In the opinion of the directors of the Company, allocation between the land and building elements of the property in Hong Kong could not be made reliably.

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold land and buildings	Shorter of 2% or the lease terms of 43 years to 50 years
Furniture and fixtures	20%
Leasehold improvements	10%
Motor vehicles	20%
Office equipment	20%
Plant and machinery	7.5% to 20%

During the years ended 30 June 2017 and 2016, in view of the recurring loss of Fittec Electronics and the excessive production capacity of Fittec Electronics as a result of weak market demand, the management of the Group carried out a review of the recoverable amounts of the related property, plant and equipment of Fittec Electronics which are used in the Group's pure assembly services segment and procurement and assembly services segment. The review led to the recognition of an impairment loss of approximately HK$675,000 (2016: HK$7,674,000) which has been recognised in profit or loss for the year ended 30 June 2017. The recoverable amounts of these property, plant and equipment, have been determined as the assets' fair values less cost of disposal by reference to the valuations of their market values where the assets' fair values less cost of disposal are higher than their insignificant value in use amounts. These valuations are performed by independent qualified professional valuers from Malcolm Associates Appraisal Limited, who are members of the Institute of Valuers and not connected with the Group.

The fair value of the plant and machinery was determined based on the market comparable approach that reflects recent transaction prices of similar assets, adjusted for differences in the condition of the asset (comparable utility, age and etc.). There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the plant and machinery, the highest and best use of the plant and machinery is their current use.

The fair value hierarchy of the plant and machinery is Level 3.

There were no transfers into and out of Level 3 during the current and prior years.

Management also assessed the potential for impairment of the Group's remaining property, plant and equipment and is satisfied that no objective evidence of impairment loss existed for these assets.

15. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
The Group's prepaid lease payments comprise leasehold land in Vietnam	–	3,258
Analysed for reporting purposes as:		
Current assets	–	90
Non-current assets	–	3,168
	–	3,258

The prepaid lease payments were derecognised when the relevant subsidiary was disposed of during the year, details are set out in note 27.

16. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	25,919	14,848
Work in progress	6,428	3,077
Finished goods	12,338	7,599
	44,685	25,524
Production in progress under pan-entertainment operation	1,684	–
	46,369	25,524

17. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**317,561**	123,251
Less: allowance for doubtful debts	**(179)**	(39)
	317,382	123,212
Prepayments for purchase of raw materials and electronic products	**26,386**	5,870
Prepayments for pan-entertainment operation	**20,296**	–
Prepayments for operating expenses	**1,453**	1,052
Deposits and other receivables (Note)	**6,022**	12,908
Trade and other receivables	**371,539**	143,042

Note: As at 30 June 2017, included in other receivables, approximately HK$81,000 is due from a related company in which Ms. Lo has significant influence. The balance is unsecured, interest-free and repayable on demand and has been fully repaid subsequent to the end of the reporting period.

The Group allows credit periods ranging from 30 to 120 days to its trade customers. The following is an aged analysis of the Group's trade receivables, net of allowance for doubtful debts presented based on the dates of delivery of goods/dates of rendering of services at the end of the reporting period which approximated the respective revenue recognition dates:

	2017 HK$'000	2016 HK$'000
0-30 days	**254,332**	52,187
31-60 days	**32,484**	46,184
61-90 days	**24,845**	22,937
91-120 days	**5,712**	1,868
Over 365 days	**9**	36
Trade receivables	**317,382**	123,212

At the end of the reporting period, the Group's trade and other receivables that were denominated in currencies other than the functional currency of the relevant entities are set out below:

	2017 HK$'000	2016 HK$'000
HK$	**–**	4,808
USD	**186**	11,905
RMB	**97**	–
	283	16,713

17. TRADE AND OTHER RECEIVABLES (Continued)

Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Limits attributed to customers are reviewed regularly. 98.4% (2016: 97.7%) trade receivables were neither past due nor impaired at 30 June 2017 and had good repayment history.

Included in the Group's trade receivables balance, approximately HK$5,040,000 (2016: HK$2,858,000) were past due at the end of the reporting period but for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which were past due but not impaired

	2017 **HK$'000**	2016 HK$'000
31 – 60 days	**4,211**	984
61 – 90 days	**556**	156
91 – 120 days	**273**	1,682
Over 365 days	**–**	36
	5,040	2,858

The above trade debtors are related to customers that have good repayment history. Management believes that no allowances for impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality of these customers and the balances are still considered to be fully recoverable.

Movement in the allowance for doubtful debts

	2017 **HK$'000**	2016 HK$'000
At beginning of the year	**39**	229
Impairment losses recognised during the year	**140**	–
Amounts recovered during the year	**–**	(190)
At end of the year	**179**	39

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of trade receivable from the date credit was initially granted up to the end of the reporting period.

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group (2016: cash held by Group and short-term bank deposits) bearing at market interest rate (2016: market interest rate and have original maturity of three months or less). The effective interest rates on short-term bank deposits ranged from 0.01% to 0.30% (2016: 0.01% to 1.00%) per annum.

At the end of the reporting period, the Group's bank balances and cash that were denominated in currencies other than the functional currency of the relevant entities, are set out below:

	2017 HK$'000	2016 HK$'000
HK$	16,515	117,677
USD	313	6,359
Japanese Yen ("JPY")	216	757
RMB	544	495
	17,588	125,288

19. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	48,439	42,549
Receipt in advance from customers	21,269	–
Accruals and other payables (Note)	16,307	23,176
	86,015	65,725

Note: As at 30 June 2016, included in accruals and other payables, approximately HK$1,000 and approximately HK$280,000, respectively, were due to Ms. Lo and a related company in which Ms. Lo has significant influence. The balances were unsecured, interest-free and repayable on demand and had been fully repaid in the current year.

The credit periods for purchase of goods ranging from 30 to 180 days. The aged analysis of the Group's trade payables presented based on the dates of delivery of goods/dates of rendering of services at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
0 – 30 days	44,552	40,332
31 – 60 days	2,509	1,346
61 – 90 days	1,034	515
91 – 180 days	344	326
Over 181 days	–	30
	48,439	42,549

19. TRADE AND OTHER PAYABLES (Continued)

At the end of the reporting period, the Group's trade and other payables that were denominated in currencies other than the functional currency of the relevant entities are set out below:

	2017 HK$'000	2016 HK$'000
HK$	333	3,270
JPY	39	42
RMB	412	3,693
USD	660	–
	1,444	7,005

20. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into forward foreign exchange contracts to cover the anticipated foreign currency exposures. The Group is a party to a number of forward foreign exchange contracts in the management of its exchange rate exposures. All contracts are matured during the year.

During the year ended 30 June 2017, fair value loss of approximately HK$1,000 (2016: HK$12,743,000) was recognised directly in profit or loss.

The details of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

At 30 June 2016

Buy	Sell	Notional amount USD	Maturity date	Contracted exchange rate (per USD1)
RMB	USD	700,000/1,400,000	12 August 2016 (note)	RMB6.4000

Note: The contract requires the Group to sell USD and to buy RMB monthly at contracted exchange rate and contains knock-out features that will automatically terminate the contracts in certain conditions. The notional amount to be settled is determined under certain conditions set out in the contract.

21. DEFERRED TAXATION

The followings are the deferred tax liability (asset) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2015	2,164	(2,164)	–
(Credited) charged to profit or loss	(950)	950	–
At 30 June 2016	1,214	(1,214)	–
(Credited) charged to profit or loss	(648)	648	–
At 30 June 2017	566	(566)	–

At the end of the reporting period, the Group had unused tax losses of approximately HK$209,900,000 (2016: HK$263,004,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$3,432,000 (2016: HK$7,358,000) of such losses as at 30 June 2017. No deferred tax asset has been recognised in respect of approximately HK$206,468,000 (2016: HK$255,646,000) due to the unpredictability of future profit streams.

As at 30 June 2017, the tax losses amounted to approximately HK$55,359,000 (2016: HK$105,219,000) will be expired in one to five years, other losses may be carried forward indefinitely. Unrecognised tax losses of approximately HK$4,410,000 (2016: HK$6,855,000) expired during the year and unrecognised tax losses of approximately HK$46,614,000 had released upon disposal and deregistered of subsidiaries during the year as set out in notes 27 and 28, respectively.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in respect of temporary differences attributable to the undistributed profit earned by PRC subsidiaries as at 30 June 2017 of HK$36,944,000 (2016: nil), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. BORROWING

During the year ended 30 June 2017, the Group obtained a new loan from an independent third party amounting to approximately HK$34,566,000 (2016: nil). The loan is unsecured, carried fixed interest rate at 8% per annum and is repayable within one year.

During the year ended 30 June 2017, the Group also obtained loans from an independent third party amounting to RMB762,000,000 (equivalent to approximately HK$877,982,000). The loans were guaranteed by Ms. Lo and a related company in which Ms. Lo has significant influence, pledged by certain trade receivables and carried fixed interest rates at 8.5% to 9.5% per annum. The loans were fully repaid during the year ended 30 June 2017 with interest payments amounting RMB9,888,000 (equivalent to approximately HK$11,478,000).

23. BONDS

	2017 HK$'000
The movements of the bonds are set out below:	
Carrying value at beginning of the year	–
Initial amortised bonds issued during the year	7,331
Effective interest charged for the year	325
Carrying value at end of the year	7,656
Bonds at amortised cost, due more than one year	7,656

During the year ended 30 June 2017, the Company issued principal amounts of HK$70,000,000 bonds with 7.129% per annum coupon rate that is obligated to pay till 2029 and due on 24 July 2035 (the "Initial Bonds"). All the interests expenses approximately to HK$60,569,000 have been prepaid at the dates of issuance. The holders of the Initial Bonds have converted all of the Initial Bonds into 0.06% per annum coupon rate bonds that are due on 24 July 2035 (the "Replacement Bonds") at nil consideration during the year and continue to entitle the interests expenses prepaid under the Initial Bonds.

The Replacement Bonds are non-callable until 24 October 2025 and non-puttable until 24 October 2020. Interest on the Replacement Bonds will be payable annually in arrears at the interest rate of 0.06% per annum first payable on 24 October 2018 and last payable on 24 October 2034.

The early redemption option is considered as closely related to the host debt. The effective interest rate of the bonds is 13.34% per annum.

The proceeds of the bonds are used for the general working capital of the Group.

24. SHARE CAPITAL

	Number of shares	Amounts HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2015, 30 June 2016 and 30 June 2017	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2015	968,394,000	96,839
Issue of shares upon placement	108,734,000	10,873
At 30 June 2016 and 2017	1,077,128,000	107,712

On 3 June 2016, the Company entered into a placing agreement to place up to 108,734,000 new shares to independent third parties at HK$1.1 per share. On 16 June 2016, 108,734,000 new shares were issued and allotted upon the placement. The net proceeds have been utilised for general working capital and/or future investment of the Group as and when opportunities arise.

25. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 16 November 2005 for the primary purpose of providing incentives to directors of the Company and eligible employees, and expired on 15 November 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including any full-time or part-time employee of the Company or any member of the Group, including any Executive, Non-Executive Directors and Independent Non-Executive Directors, advisors, consultants of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of listing of shares of the Company unless prior approval is obtained from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1 per grant. Options may be exercised from the date of grant to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No share options were granted during both years nor outstanding at the end of the reporting period.

26. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of 深圳市貿隆興貿易有限公司 ("貿隆興")

On 25 July 2016, an indirect wholly-owned subsidiary of the Company entered into acquisition agreements with two independent third parties of the Group. Pursuant to the acquisition agreements, the Group agreed to acquire and the counterparties agreed to sell respectively 95% and 5% of the equity interest in 貿隆興, a company established in the PRC with limited liability, principally engages in investment holding and its subsidiary, a company established in the PRC with limited liability, principally engages in supply chain management, import and export goods, and wholesale of equipment supplies. The cash consideration of the acquisition is RMB10,000,000 (equivalent to approximately HK$11,635,000). The acquisition was completed on 27 July 2016.

Acquisition-related costs amounting to approximately HK$61,000 that related to the above acquisition have been excluded from the cost of acquisition and have been recognised as an expense in the current year, included in "other gains or losses" line item in the consolidated statement of profit or loss and other comprehensive income.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Inventories	4,524
Trade and other receivables	14,045
Bank balances and cash	20,992
Trade and other payables	(25,978)
Tax liabilities	(544)
	13,039

Included in trade and other payables, approximately HK$19,455,000 are due to a related party in which Ms. Lo has significant influence which has been settled before the end of the reporting period.

The fair value of trade and other receivables at the date of acquisition amounted to HK$14,045,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$14,045,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil.

Gain on bargain purchase arising on acquisition:

	HK$'000
Consideration transferred	11,635
Less: Net assets acquired	(13,039)
Gain on bargain purchase arising on acquisition	(1,404)

None of the gain on bargain purchase arising on the acquisition is expected to be taxable for tax purpose.

26. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisition of 深圳市貿隆興貿易有限公司 ("貿隆興")

Net cash inflow arising on acquisition:

	HK$'000
Cash consideration	11,635
Less: Bank balances and cash	(20,992)
	(9,357)

Included in the profit for the year is HK$16,480,000 attributable to 貿隆興 and its subsidiary. Revenue for the year includes approximately HK$2,338,471,000 attributable to 貿隆興 and its subsidiary.

Had the acquisition of 貿隆興 been effected at the beginning of the year, the total amount of revenue of the Group for the year ended 30 June 2017 would have been approximately HK$2,949,545,000, and the amount of the profit for the year would have been approximately HK$45,479,000. 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, nor is it intended to be a projection of future results.

(b) Acquisition of Camsing Brand Management (Group) Company Limited

On 1 July 2016, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with Guangzhou Camsing Limited Company 廣州承興營銷管理有限公司 ("Guangzhou Camsing"), a company under the control of Ms. Lo. Pursuant to the acquisition agreement, the Group agreed to acquire and Guangzhou Camsing agreed to sell the entire equity interest in Camsing Brand Management (Group) Company Limited 香港承興品牌管理有限公司 ("Camsing Brand"), a company incorporated in Hong Kong with limited liability, and principally engages in the intellectual properties and brand licensing and management business. The cash consideration of the acquisition is approximately HK$1,785,000. The acquisition was completed on 25 July 2016.

There was no acquisition-related costs that related to the above acquisition.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	14
Trade and other receivables	3,713
Bank balances and cash	1,042
Trade and other payables	(2,853)
	1,916

Included in trade and other receivables, approximately HK$1,735,000 are due from a related party in which Ms. Lo has significant influence which has been settled before the end of the reporting period.

26. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Camsing Brand Management (Group) Company Limited (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to HK$3,713,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$3,713,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil.

Gain on bargain purchase arising on acquisition:

	HK$'000
Consideration transferred	1,785
Less: Net assets acquired	(1,916)
Gain on bargain purchase arising on acquisition	(131)

None of the gain on bargain purchase arising on the acquisition is expected to be taxable for tax purpose.

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration	1,785
Less: Bank balances and cash	(1,042)
	743

Included in the profit for the year is HK$4,114,000 loss attributable to Camsing Brand. Revenue for the year includes approximately HK$2,250,000 attributable to Camsing Brand.

Had the acquisition of Camsing Brand been effected at the beginning of the year, the total amount of revenue of the Group for the year ended 30 June 2017 would have been approximately HK$2,933,913,000, and the amount of the profit for the year would have been approximately HK$45,055,000. 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, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Camsing Brand been acquired at the beginning of the year, the directors calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

26. ACQUISITION OF SUBSIDIARIES (Continued)

(c) Acquisition of 奇摩品牌顧問(北京)有限公司 ("奇摩")

On 30 August 2016, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with Ms. Liu Hui ("Ms. Liu"), a director of the Company. Pursuant to the acquisition agreement, the Group agreed to acquire and Ms. Liu agreed to sell 70% of the equity interest in 奇摩, a company incorporated in PRC with limited liability, and principally engages in consulting on economic trade and corporate management. There is no consideration for the acquisition. The acquisition was completed on 30 August 2016.

There was no acquisition-related costs that related to the above acquisition.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	11
Trade and other receivables	691
Bank balances and cash	532
Trade and other payables	(1,192)
Tax liabilities	(42)
	–

Included in trade and other payables, approximately HK$1,088,000 are due to a related party in which Ms. Lo has significant influence which has been settled at the end of the reporting period.

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$691,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$691,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil.

Net cash inflow arising on acquisition:

	HK$'000
Cash consideration	–
Less: Bank balances and cash	(532)
	(532)

Included in the profit for the year is approximately HK$100,000 loss attributable to 奇摩. Revenue for the year includes approximately HK$3,237,000 attributable to 奇摩.

26. ACQUISITION OF SUBSIDIARIES (Continued)

(c) Acquisition of 奇摩品牌顧問(北京)有限公司 ("奇摩") (Continued)

Had the acquisition of 奇摩 been effected at the beginning of the year, the total amount of revenue of the Group for the year ended 30 June 2017 would have been approximately HK$2,934,572,000, and the amount of the profit for the year would have been approximately HK$45,258,000. 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, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had 奇摩 been acquired at the beginning of the year, the directors calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

27. DISPOSAL OF SUBSIDIARIES

On 15 December 2016, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a company (the "Purchaser") which is wholly-owned by Mr. Lam Chi Ho, who is a director of certain subsidiaries of the Company and was a former executive director of the Company. The Group has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of Time Ally Global Limited ("Time Ally") and the amount due and owing by Time Ally and its subsidiaries ("Disposal Group") to the Group at a consideration of HK$100,000,000 (the "Transaction"). Detail of the Transaction are set out in the circular issued by the Company dated 20 February 2017. The Transaction was completed on 13 March 2017.

Consideration received:

	HK$'000
Cash	100,000

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	65,332
Prepaid lease payment	3,123
Inventories	3,236
Trade and other receivables	23,616
Bank balances and cash	8,022
Trade and other payables	(8,288)
Intercompany account	(315,074)
Net liabilities disposed of	(220,033)

27. DISPOSAL OF SUBSIDIARIES (Continued)

Gain on disposal of a subsidiary:

	HK$'000
Consideration received	100,000
Net liabilities disposed of	220,033
Loan assignment	(315,074)
Cumulative exchange differences reclassified to profit or loss upon disposal of subsidiaries	2,322
Gain on disposal	7,281

Net cash inflow arising on disposal:

	HK$'000
Cash consideration	100,000
Less: bank balances and cash disposed of	(8,022)
	91,978

Included in the profit for the year is approximately HK$5,865,000 loss attributable to Disposal Group. Revenue for the year includes approximately HK$58,656,000 attributable to Disposal Group. The subsidiaries disposed of during the year did not have significant contribution to the cash flows of the Group during the period prior to the disposal.

28. DEREGISTRATION OF SUBSIDIARIES OF THE COMPANY

(a) During the year ended 30 June 2017, a wholly-owned subsidiary of the Company, Fung Da Electronics (Shenzhen) Company Limited ("Fung Da") was deregistered on 13 February 2017.

The gain of Fung Da at the date of deregistration is as follows:

	HK$'000
Exchange reserve released	402
Gain on deregistration of a subsidiary	402

(b) During the year ended 30 June 2016, a wholly-owned subsidiary of the Company, Fittec Electronics (Thailand) Co., Ltd. ("Fittec Thailand") was deregistered on 27 November 2015.

The loss of Fittec Thailand at the date of deregistration is as follows:

	HK$'000
Exchange reserve released	(2,901)
Loss on deregistration of a subsidiary	(2,901)

The subsidiary deregistered of during both years did not have significant contribution to the results and cash flows of the Group during the period prior to the deregistration.

29. OPERATING LEASES

During the year, the Group made minimum lease payments of approximately HK$12,382,000 (2016: HK$10,150,000) under operating leases in respect of its factory and office premises. Leases are negotiated, and monthly rentals are fixed, for a range of one to five years (2016: one to four years).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

The Group as leasee

	2017 HK$'000	2016 HK$'000
Within one year	11,555	4,956
In the second to fifth year inclusive	25,480	5,857
	37,035	10,813

The Group as lessor

During the year, the Group earned rental income of approximately HK$3,259,000 (2016: nil) under operating subleases in respect of its factory and office premises. Leases are negotiated, and monthly rentals are fixed, for a range of one to three years (2016: nil).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017 HK$'000	2016 HK$'000
Within one year	2,792	–
In the second to fifth year inclusive	4,572	–
	7,364	–

30. RETIREMENT BENEFIT PLANS

The Group operates the following defined contribution schemes for its employees:

(i) Plans for Hong Kong employees

The Group participates in a MPF Scheme for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

(ii) Plans for PRC employees

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

(iii) Plans for Vietnam employees

The employees employed in Vietnam are members of the state-managed retirement benefit schemes operated by the Vietnam government. The subsidiary incorporated in Vietnam is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The total cost of approximately HK$6,373,000 (2016: HK$8,136,000) charged to profit or loss represents contributions paid or payable to the above schemes by the Group for the year.

31. RELATED PARTY DISCLOSURES

(a) During the year, the Group entered into the following transactions with related parties:

	2017	2016
	HK$'000	HK$'000
Licensing fee income (included in revenue)	**650**	–
Licensing fee expenses (included in cost of sales)	**91**	–
Rental income (included in other income)	**1,081**	–

The above transactions are with related companies in which Ms. Lo has significant influence.

During the year, a related company in which Ms. Lo has significant influence sublicenses an intellectual property to Group with no consideration.

During the year ended 30 June 2017, the Group acquired Camsing Brand from a related company, Guangzhou Camsing and 奇摩 from Ms. Liu. Details of the acquisition are set out in notes 26(b) and 26(c).

(b) Details of related party balances are disclosed in notes 17 and 19.

31. RELATED PARTY DISCLOSURES (Continued)

(c) Details of borrowing which was guaranteed by Ms. Lo and a related company in which Ms. Lo has significant influence, during the year ended 30 June 2017 are set out in note 22.

(d) As at 30 June 2017, certain banking facilities amounting to HK$300,000 granted to the Group were guaranteed by Ms. Lo.

(e) Compensation of key management personnel

	2017	2016
	HK$'000	HK$'000
Short-term employee benefits	**5,841**	7,619
Post-employment benefits	**51**	36
	5,892	7,655

The remuneration of directors of the Company and the key management personnel of the Group, was determined by the remuneration committee of the Group having regard to the performance of individuals and market trends.

32. 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowings and bonds disclosed in notes 22 and 23, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium and various reserves.

The directors of the Company review the capital structure on regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issue and the issue of new debt.

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	390,115	277,539
Financial liabilities		
Amortised cost	96,003	48,959
Fair value through profit or loss derivative financial instruments	–	877

b. Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, trade and other receivables, bank balances and cash, trade and other payables, bonds and borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of the relevant group entities, including HK$, USD, JPY and RMB.

During the year ended 30 June 2016, the Group entered into forward foreign exchange contracts to cover the anticipated foreign currency exposures. These contracts were arranged mainly to hedge the currency fluctuation of RMB against USD of a group entity. These contracts were matured in August 2016 and no new contracts entered by the Group. Details of the outstanding forward foreign exchange contracts are listed in note 20.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
HK$	16,515	122,485	7,989	3,270
USD	499	18,264	660	–
JPY	216	757	39	42
RMB	642	495	412	3,693

33. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in the value of the functional currencies against the relevant foreign currencies. 5% (2016: 5%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items but excludes monetary items denominated in USD and HK$ for entities with HK$ and USD as functional currencies, respectively, as the directors of the Company consider that the Group's exposure to USD and HK$ is insignificant on the ground that HK$ is pegged to USD. The sensitivity analysis adjusts their translation at the year end for a 5% (2016: 5%) change in foreign currency rates.

Market risk *(Continued)*
Currency risk (Continued)

2017

	HK$ Impact HK$'000	USD Impact HK$'000	JPY Impact HK$'000	RMB Impact HK$'000
5% appreciation of the functional currencies				
Increase (decrease) in post-tax profit for the year	(306)	11	(7)	(9)
5% depreciation of the functional currencies				
(Decrease) increase in post-tax profit for the year	306	(11)	7	9

2016

	USD Impact HK$'000	JPY Impact HK$'000	RMB Impact HK$'000
5% appreciation of the functional currencies			
Increase (decrease) in post-tax loss for the year	712	30	(134)
5% depreciation of the functional currencies			
(Decrease) increase in post-tax loss for the year	(712)	(30)	134

33. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk *(Continued)*

Currency risk (Continued)

As at 30 June 2016, the Group was also exposed to currency risk concerning non-trading nature current accounts with a group entity operated in Vietnam, the functional currency of which is Vietnam Dong ("VND"), different with Group's presentation currency (i.e. HK$). When VND strengthened 5% against the HK$, other comprehensive expense of the Group would increase by approximately HK$46,000 and vice versa.

The group entity operated in Vietnam was disposed of during the year, details are set out in note 27, the non-trading nature current accounts were deregistered upon disposal of the relevant subsidiary. Accordingly, the Group is not exposed to this currency risk as at 30 June 2017.

Interest rate risk

The Group is exposed to fair value interest rate risk on its fixed interest-rate borrowing and bonds. The Group is exposed to cash flow interest rate risk on its bank balances because these balances carry interest at prevailing rates.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arises.

The directors of the Company consider that the Group's exposure to cash flow interest rate risk is low as the financial impact arising from the changes of market interest rate is insignificant, therefore, no sensitivity analysis presented.

33. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

As at 30 June 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has significant concentration of credit risk as receivable from three customers (2016: two customers) accounted for approximately 90% (2016: 81%) of its total trade receivables as at 30 June 2017. An analysis of the amounts due from these customers at the end of the reporting period is as follows:

	% of total trade receivables	
	At 30.6.2017	At 30.6.2016
Customer 1	**34**	–
Customer 2	**32**	–
Customer 3	**24**	63
Customer 4	**–**	18

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures for all its customers and in particular, its three (2016: two) largest customers to ensure that follow-up action is taken to recover overdue debts. Customer 1 and Customer 2 are well-known electronic products retail stores and electronic products online platform, respectively, that are incorporated in the PRC. Customer 3 and Customer 4 are listed entities in Japan and Taiwan, respectively, and they are well-known manufacturers of high technology electronic products in the world which have good repayment history. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each 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 banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has 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.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

33. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk *(Continued)*

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand and less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30 June 2017 HK$'000
2017								
Non-derivative financial liabilities								
Trade and other payables	–	53,781	–	–	–	–	53,781	53,781
Borrowing	8.00%	–	–	37,331	–	–	37,331	34,566
Bonds	13.34%	–	–	–	168	70,546	70,714	7,656
		53,781	–	37,331	168	70,546	161,826	96,003

	Weighted average effective interest rate	On demand and less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 30 June 2017 HK$'000
2016								
Non-derivative financial liabilities								
Trade and other payables	–	48,959	–	–	–	–	48,959	48,959
Derivative – net settlement								
Forward foreign exchange contracts	–	460	417	–	–	–	877	877

33. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurement of financial instruments

Some of the Group's financial instruments were measured at fair value as at 30 June 2016. The following table gives information about how the fair values of these financial instruments were determined (in particular, the valuation technique(s) and inputs used), as well as the level of fair value hierarchy into which the fair value measurements were categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable. The financial instruments contracts matured during the year and no new contracts entered by the Group then.

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

Financial liabilities	Fair value as at 30 June 2017 HK$'000	2016 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Forward foreign exchange contacts (note 20)	–	877	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers into and out of Level 2 in the current and prior years.

Except the above financial liabilities that are measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values at the end of the reporting period.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current asset		
Interests in subsidiaries	**90,010**	–
Current assets		
Amounts due from subsidiaries	**488,846**	376,759
Other receivables	**86**	110
Bank balances and cash	**15,034**	116,256
	503,966	493,125
Current liabilities		
Amount due to subsidiaries	**101,338**	–
Other payables	**1,267**	1,604
	102,605	1,604
Net current assets	**401,361**	491,521
Total assets less current liabilities	**491,371**	491,521
Non-current liability		
Bonds	**7,656**	–
Net Assets	**483,715**	491,521
Capital and reserves		
Share capital	**107,712**	107,712
Share premium and reserves	**376,003**	383,809
Total equity	**483,715**	491,521

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in the Company's reserves:

	Share premium HK$'000	Contribution surplus HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2015	450,739	514,645	–	(491,689)	473,695
Loss and total comprehensive expense for the year	–	–	–	(5,673)	(5,673)
Dividend recognised as distribution	(191,742)	–	–	–	(191,742)
Issue of shares	108,734	–	–	–	108,734
Cost of issuing new shares	(1,205)	–	–	–	(1,205)
At 30 June 2016	366,526	514,645	–	(497,362)	383,809
Profit for the year	–	–	–	4,600	4,600
Exchange difference arising on translation	–	–	(12,407)	–	(12,407)
Total comprehensive expense for the year	–	–	(12,407)	4,600	(7,807)
At 30 June 2017	366,526	514,645	(12,407)	(492,762)	376,002

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 30 June 2017 and 30 June 2016 are as follows:

Name of subsidiaries	Place of establishment/ incorporation/operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company: Directly 2017	Directly 2016	Indirectly 2017	Indirectly 2016	Principal activities
Excel Star Group Limited	British Virgin Islands ("BVI")	Ordinary US$50,000	100%	100%	–	–	Investment holding
Greater Brand Limited (Note iii)	BVI	Ordinary HK$1	100%	100%	–	–	Investment holding
Fittec (BVI) Limited	BVI	Ordinary US$101	–	–	100%	100%	Investment holding
Time Ally Global Limited (Note vii)	BVI	Ordinary US$50,000	–	–	–	100%	Investment holding

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of establishment/ incorporation/operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2017	2016	2017	2016	
Fittec Electronics	Hong Kong	Ordinary HK$10,000,000	–	–	100%	100%	Investment holding and manufacturing and sales of printed circuit board ("PCB") assembly
Sheng Da Electronics (Shenzhen) Company Limited 陞達電子(深圳)有限公司 (Note i)	PRC	Paid up capital US$6,393,000	–	–	100%	100%	Manufacturing of PCB, electronics components and related parts
Fittec Electronics (Suzhou) Company Limited 泛達電子(蘇州)有限公司 (Note i)	PRC	Paid up capital US$24,000,000	–	–	100%	100%	Manufacturing of PCB, electronics components and related parts
Fung Da Electronics (Shenzhen) Company Limited 豐達維修電子(深圳)有限公司 (Notes i and vi)	PRC	Paid up capital RMB1,000,000	–	–	–	100%	Provision of repair and maintenance services
Treasure Electronics Limited 寶加電子有限公司 (Note vii)	Hong Kong	Ordinary HK$10,000	–	–	–	100%	Investment holding
Kuan Da Electronics (Shenzhen) Company Limited 寬達電子(深圳)有限公司 (Notes i and vii)	PRC	Paid up capital US$8,188,159	–	–	–	100%	Manufacturing of PCB, electronics components and related parts
Mega Step Development Limited 佰達發展有限公司 (Note vii)	Hong Kong	Ordinary HK$1	–	–	–	100%	Investment holding and sales of PCB electronics components and related parts
Mega Step Electronics (Vietnam) Company Limited (Note vii)	Vietnam	Paid up capital US$4,000,000	–	–	–	100%	Manufacturing of PCB, electronics components and related parts
First Creative International Limited (Note iii)	Hong Kong	Ordinary HK$1,000,000		–	100%	100%	Investment holding
Camsing Entertainment International Inc. (Note iv)	The United States of America (the "US")	Paid up capital US$nil	–	–	100%	–	Investment holding

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of establishment/ incorporation/operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2017	2016	2017	2016	
Camsing Brand 香港承輿品牌管理有限公司 (Note v)	Hong Kong	Ordinary HK$1,000,000	–	–	100%	–	Intellectual properties and brand licensing and management business
貿隆興 (Note i and v)	PRC	Paid up capital RMB10,000,000	–	–	100%	–	Investment holding
廣州橡宏供應鏈管理有限公司 (Notes i and v)	PRC	Paid up capital RMB10,000,000	–	–	100%	–	Sales and distribution of electronic products
廣州澤展市場營銷有限公司 (Notes ii and iv)	PRC	Paid up capital RMB500,000	–	–	70%	–	Inactive
廣州仁宏市場營銷有限公司 (Notes i and iv)	PRC	Paid up capital RMBnil	–	–	100%	–	Inactive
廣州秉迅體育發展有限公司 (Notes i and iv)	PRC	Paid up capital RMBnil	–	–	100%	–	Sports events organizing business
廣州波音達品牌管理有限公司 (Notes i and iv)	PRC	Paid up capital RMB1,064,160	–	–	100%	–	Intellectual properties and brand licensing business
奇摩品牌顧問(北京)有限公司 (Notes ii and v)	PRC	Paid up capital RMBnil	–	–	70%	–	Consulting on economic trade and corporate management business

Notes:

(i) These subsidiaries are established in the PRC as wholly foreign-owned enterprises.
(ii) These subsidiaries are established in the PRC as sino-foreign-owned enterprises.
(iii) These subsidiaries were incorporated during the year ended 30 June 2016.
(iv) These subsidiaries were incorporated during the year ended 30 June 2017.
(v) These subsidiaries were acquired by an indirectly-owned subsidiary of the Company during the year ended 30 June 2017 (Note 26).
(vi) This subsidiary was deregistered in February 2017 (Note 28).
(vii) These subsidiaries were disposed of in March 2017 (Note 27).

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

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Acquisition of POW! Entertainment, Inc. ("POW! Entertainment")

On 5 May 2017, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with POW! Entertainment (the "Acquisition"). Upon the completion of the Acquisition, POW! Entertainment will become the indirect wholly-owned subsidiary of the Company. POW! Entertainment is a US public company formed under the laws of Delaware and the shares are traded on the Over-The-Counter Pink Market in US, which is an independent third party. POW! Entertainment primarily engages in multimedia production and licensing business. The cash consideration of the transaction is US$11,500,000 (approximately HK$89,125,000). Details of the transaction are set out in the announcement issued by the Company dated 5 May 2017.

The directors of the Company will account for the transaction as business combination. The transaction has not been completed before these consolidated financial statements are authorised for issuance.

(b) Acquisition of 30% of 潤騰文化科技有限公司 Shares

On 7 July 2017, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with 南京國通聚富投資管理有限公司("南京國通") and 南京惠通創意展示股份有限公司, both of which are independent third parties under the same substantial shareholder and hold 65% and 35% interest of 潤騰文化科技有限公司 ("潤騰文化"), respectively (the "Vendors"). Pursuant to the acquisition agreement, the Group agreed to acquire and the Vendors agreed to sell 30% of the equity interest in 潤騰文化, a company incorporated in the PRC with limited liability, and principally engages in intellectual properties and brand licensing and management business. The cash consideration of the acquisition is RMB400,000 (approximately HK$461,000).

The acquisition has been completed in August 2017. The directors of the Company are in the process of assessing the fair value of assets and liabilities of 潤騰文化 being acquired by the Group on the completion date.

Financial Summary

Results

	Year ended 30 June				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	1,168,662	1,081,782	726,771	461,922	**2,933,821**
(Loss) profit before tax	(49,445)	(265,480)	(77,778)	(50,829)	**57,259**
Income tax credit (expense)	1,898	629	(52)	(849)	**(12,168)**
(Loss) profit for the year	(47,547)	(264,851)	(77,830)	(51,678)	**45,091**
Attributable to:					
Owners of the Company	(47,545)	(264,851)	(77,830)	(51,678)	**45,233**
Non-controlling interests	(2)	–	–	–	**(142)**
	(47,547)	(264,851)	(77,830)	(51,678)	**45,091**

Assets and Liabilities

	At 30 June				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	977,583	699,349	550,175	430,992	**520,567**
Total liabilities	136,520	126,169	56,547	68,583	**135,492**
Shareholders' funds	841,063	573,180	493,628	362,409	**385,075**
Attributable to:					
Owners of the Company	849,631	573,016	493,628	362,409	**385,221**
Non-controlling interests	(8,568)	164	–	–	**(146)**
	841,063	573,180	493,628	362,409	**385,075**