Annual Report 2017

金粵控股有限公司

Rich Goldman Holdings Limited

(formerly known as Neptune Group Limited)
(Incorporated in Hong Kong with limited liability)
stock code: 00070

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Danny Xuda Huang
Mr. Nicholas J. Niglio
Mr. Chan Shiu Kwong, Stephen
(resigned on 31 January 2017)
Mr. Lin Chuen Chow, Andy

Independent non-executive Directors:

Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing
Mr. Chow Chung Lam, Louis (resigned on 1 April 2017)
Miss Yeung Hoi Ching (appointed on 1 April 2017)

COMPANY SECRETARY

Mr. Chan Shiu Kwong, Stephen
(resigned on 31 January 2017)
Mr. Lam Yick Man (appointed on 1 February 2017)

AUDIT COMMITTEE

Mr. Cheung Yat Hung, Alton *(Chairman)*
Mr. Yue Fu Wing
Mr. Chow Chung Lam, Louis (resigned on 1 April 2017)
Miss Yeung Hoi Ching (appointed on 1 April 2017)

REMUNERATION COMMITTEE

Mr. Cheung Yat Hung, Alton *(Chairman)*
Mr. Yue Fu Wing
Mr. Nicholas J. Niglio

NOMINATION COMMITTEE

Mr. Danny Xuda Huang *(Chairman)*
Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing

AUDITOR

Zhonghui Anda CPA Limited
Unit 701, 7/F, Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

Bank of Communications Company Limited
Bank of China Macau Branch
Industrial And Commercial Bank of China Limited
Macau Branch

LEGAL ADVISORS

Tung, Ng, Tse & Heung
Locke Lord

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Room 1807, 18/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

COMPANY WEBSITE

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STOCK CODE

00070

Group Financial Summary

RESULTS

	Year ended 30 June				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Revenue	577,517	710,396	473,558	278,651	**296,797**
Profit/(loss) attributable to owners of the Company	288,300	148,762	(828,012)	(202,108)	**10,153**
Earnings/(loss) per share (HK$)					
– basic	0.70	0.32	(1.79)	(0.43)	**(0.01)**
– diluted	0.70	0.32	(1.79)	(0.43)	**(0.01)**

ASSETS AND LIABILITIES

	At 30 June				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Property, plant and equipment	54,686	965	643	403	**70,573**
Investment properties	–	59,140	59,200	60,000	**–**
Interest in an associate	46,344	58,084	56,205	73,100	**81,116**
Intangible assets	2,102,793	2,102,793	1,227,571	571,285	**73,838**
Goodwill	–	–	–	–	**2,644**
Available-for-sale investments	–	249,524	39,672	–	**–**
Other non-current assets	–	–	–	–	**426**
Net current assets	602,863	496,805	435,740	746,864	**1,156,419**
Non-current liabilities	–	–	–	–	**(1,403)**
Total assets less total liabilities	2,806,686	2,967,311	1,819,031	1,451,652	**1,383,613**
Net assets	2,806,686	2,967,311	1,819,031	1,451,652	**1,383,613**
Share capital and other statutory capital reserve	1,077,853	1,077,853	1,077,853	1,171,921	**1,171,921**
Reserves	760,382	915,066	87,054	(109,802)	**(119,955)**
Equity attributable to owners of the Company	1,838,235	1,992,919	1,164,907	1,062,119	**1,051,966**
Non-controlling interests	968,451	974,392	654,124	389,533	**331,647**
Total equity	2,806,686	2,967,311	1,819,031	1,451,652	**1,383,613**

Chairman's Statement

On behalf of the Board of Directors (the "Board") I am pleased to present the annual report and financial results of the Rich Goldman Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2017

THE CONTINUING BUSINESS REVIEW

My opening remarks brings us to the beginning of a new era for our Group. I welcome you to **Rich Goldman Holdings Limited**.

For the past few years, the investment focus of our Group has been embarking in the gaming sector in Macau. We have witnessed the rise and growth of Macau and few could have imagined the magnitude of change that the gaming industry had on Macau community. In return, investment opportunities brought our Group positive results over this period and our Group has earned a recognizable name in the industry. The change of various policies in China started in 2014 had put a pause on the sector and gaming activity had as a result came to a standstill before cooling off. Although recent statistics have shown signs of recovery, the days of double digit growth during boom times are not expected to be repeated. It is with this expectation that we seek new direction for our Group and it is time to change our investment focus.

Whilst we embrace to a new era, our mindset has not changed that we continue to focus on investments that deliver stable and durable returns for our shareholders. Since moving away from the Macau gaming sector, we have invested in hotel and hotel management businesses in Hong Kong as well as money lending activities. All these investments have stable risk adjusted returns for our shareholders while we continue to monitor the ever changing economy and seek further investment opportunities.

LOOKING FORWARD STATEMENT

It is our aim to closely monitor the operating results of our investment portfolio. These included the hotel and hotel management business in Tsim Sha Tsui and the financial subsidiary engaged in money lending business. We will focus on expanding in these sectors and continue to look for suitable investment opportunities for our Group. The coming year offers an equal amount of both challenges and opportunities. Our flexibility is our key strength. We have and will continue to apply our past successful management experience to future business decisions.

We see the forthcoming journey to be both exciting and rewarding. We expect the memory of our former name will fade quickly. **Rich Goldman Holdings Limited** is here now and for many years to come. We bear and accept the responsibility to succeed. In anticipation of our shareholders, we shall march forward together to deliver ongoing results in a positive way.

ACKNOWLEDGEMENT

Finally, I would like to express my appreciation to our shareholders, strategic partners and customers for their unfailing support and confidence. I would like to extend my sincere gratitude to all staff members of the Group for their contribution and dedication. Without them our success would not be possible.

Danny Xuda Huang
Chairman of the Board
Hong Kong, 29 September, 2017

Management Discussion and Analysis

FINANCIAL REVIEW

The Group is principally engaged in (i) introducing customers to respective casino's VIP rooms in Macau and receiving the profit streams from junket businesses (the "Gaming and Entertainment Business") at respective casino's VIP rooms in Macau through independent junket operators in Macau (the "Junket Operators"); (ii) the money lending business; and (iii) the hotel operation business.

The Board announced that the audited net profit of the Group for the year ended 30 June 2017 amounted to approximately HK$39.9 million (2016: net loss of HK$466.7 million) and the net loss for the year attributable to owners of the Company amounted to approximately HK$10.2 million (2016: HK$202.1 million).

Gaming and Entertainment Business

The Group's gaming revenue increased by approximately 6.03% from approximately HK$278.7 million for the year ended 30 June 2016 to approximately HK$295.5 million for the year ended 30 June 2017. The increase was attributable to the increase in revenue contributed by the VIP rooms operated by the Junket Operators at Sands Macau and Grand Lisboa of approximately HK$42.1 million and HK$3.3 million, respectively, which was driven by an improving customer patronage and increasing gaming volume. Such increase was partially offset by a decrease in revenue contributed by the VIP rooms operated by the Junket Operator at the Venetian Macau of HK$28.6 million.

The following is the summary relating to revenue contributed by the VIP junkets rooms for each of the two years ended 30 June 2017.

		For the year ended 30 June		
		2017 Revenue	2016 Revenue	**Change**
		(HK$ in millions, except percentage and points)		
I)	The Venetian Macau			
	Venetian Neptune GD VIP Club	**86.5**	115.1	–24.8%
II)	Sands Macau			
	Sands Neptune GD VIP Club	**114.6**	72.5	58.1%
III)	Grand Lisboa			
	Neptune GD 31 Sky Club	**94.4**	91.1	3.6%

On 31 May 2017, the Board was informed by Hao Cai Sociedade Unipessoal Limitada ("Hao Cai"), one of the Junket Operators, that Venetian Macau Limited ("VML") had issued a written notice to Hao Cai on 31 May 2017 to terminate the gaming promotion agreement dated 30 December 2016 entered into between Hao Cai and VML in relation to the promotion of casinos of VML with effect from 30 June 2017. Furthermore, on 31 July 2017, the Board was informed by Hou Wan Entertainment Company Limited ("Hou Wan"), one of the Junket Operators, that VML had issued a written notice to Hou Wan on 31 July 2017 to terminate the gaming promotion agreement dated 30 December 2016 entered into between Hou Wan and VML in relation to the promotion of casinos of VML, with effect from 30 August 2017.

As at the date of this annual report, the remaining Junket Operator is currently operating junket businesses in relation to a total of 8 VIP tables in the casino of Grand Lisboa. So far as the directors of the Board (the "Directors") are aware, and having made reasonable enquiries, the Junket Operator is carrying out its business in the usual and ordinary manner. The Group would continue to monitor closely the performance of the Junket Operator and it is intended to continue to engage in the gaming sector in Macau through the Junket Operator.

FINANCIAL REVIEW (Continued)

Money Lending Business

The Group commenced the money lending business during the year ended 30 June 2017. Revenue generated from the money lending business amounted to approximately HK$1.1 million. It is the intention of the Group to continue with the money lending business.

Hotel Operation Business

On 26 June 2017, the Company completed the acquisition of the entire equity interest in and the shareholder's loan owed by Harbour Bay Hotels Limited, a company principally engaged in hotel management business, details of which are set out in the circular of the Company dated 29 May 2017 and the announcements of the Company dated 4 May 2017, 26 May 2017 and 26 June 2017. Revenue generated from the hotel operation business amounted to approximately HK$0.2 million from 26 June 2017 to 30 June 2017. It is the intention of the Group to continue with the hotel operation business.

The net loss attributable to owners of the Company for the year ended 30 June 2017 was approximately HK$10.2 million (loss per share of HK$0.01), as compared with the net loss attributable to owner of the Company for the year ended 30 June 2016 of approximately HK$202.1 million (loss per share of HK$0.43).

Our EBITDA *(Note 1)* for the year ended 30 June 2017 amounted to approximately HK$149.7 million as compared with a negative EBITDA of approximately HK$260.5 million for the year ended 30 June 2016.

The abovementioned decrease in net loss attributable to owners of the Company was the combined result of the following reasons:

(i) There was an increase in revenue of approximately HK$18.1 million due to (a) the increase in gaming revenue of approximately HK$16.8 million; (b) the interest income contributed by the money lending business of approximately HK$1.1 millions; and (c) the revenue contributed by the hotel operation business of approximately HK$0.2 million.

(ii) There was a gain on bargain purchase of an associate of approximately HK$4.3 million resulting from the acquisition of 30% of the equity interest in and the shareholder's loan owed by Ever Praise Limited, a company which owns a hotel located at Nos. 1-3 Minden Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.

(iii) The Group recorded the reversal of impairment loss of trade receivables of approximately HK$306.3 million for year ended 30 June 2017 as a result of the subsequent settlement by the trade debtors whereas the Group recorded an impairment loss of trade receivables of approximately HK$63.0 million for the year ended 30 June 2016.

(iv) The Group recorded an impairment loss of intangible assets of approximately HK$397.3 million for the year ended 30 June 2017 as compared with an impairment loss of intangible assets of approximately HK$450.9 million for the year ended 30 June 2016. Such impairment loss of intangible assets was attributable to the receipt of termination notices by the Junket Operators on 31 May 2017 and 31 July 2017 as described above.

(v) The Group recorded a gain on fair value change on an investment property of approximately HK$10.4 million (2016: HK$0.1 million).

(vi) The abovementioned positive effects were partly offset by (a) an increase in general and administrative expenses by approximately 17.7% from approximately HK$11.3 million for the year ended 30 June 2016 to approximately HK$13.3 million for the year ended 30 June 2017; and (b) the loss on disposal of an associate recorded by the Group of approximately HK$62.9 million for the year ended 30 June 2017 whereas there was a share of profit on an associate recorded by the Group of approximately HK$16.7 million for the year ended 30 June 2016.

Note 1: EBITDA refers to earnings before interest expenses and other finance costs, income tax, depreciation and amortisation.

MATERIAL ACQUISITIONS AND DISPOSAL OF ASSOCIATES

On 26 June 2017, the Company completed the acquisition of the entire equity interest in and shareholder's loan owed by Harbour Bay Hotels Limited for a consideration of HK$15,000,000. On the same day, the Company completed the acquisition of the 30% equity interest in and shareholder's loan owed by Ever Praise Enterprises Limited for a consideration of HK$189,000,000. Details of which is set out in the circular of the Company dated 29 May 2017, and the announcements of the Company dated 26 June 2017, 26 May 2017, and 4 May 2017.

On 23 March 2017, the Group entered into the share transfer agreement in relation to the disposal of its 20% equity interest in Good Omen for a consideration of HK$10,000,000. Particulars of such disposal are set out in note 21 to the financial statement.

FUNDING AND TREASURY POLICY AND FOREIGN EXCHANGE RISK

The Group adopts a prudent funding and treasury policy. All assets and liabilities of the Group were denominated in Hong Kong dollars. The functional currency of the Company and its major subsidiaries is in Hong Kong dollars in which most of their transactions and assets are denominated. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL STRUCTURE

As at 30 June 2017, the total number of issued shares of the Company was approximately 692,437,000. There was no change in the capital structure of the Company during the year ended 30 June 2017.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2017, the Group had outstanding bank borrowing of approximately HK$14.0 million, a decrease of approximately HK$2.4 million, compared to the outstanding bank borrowing of approximately HK$16.4 million as at 30 June 2016. Particulars of the maturity of the bank borrowings are set out in note 27 to the financial statements. The interest rate of such borrowings were at 2.4% as at 30 June 2017. The total cash and bank balance was approximately HK$594.3 million as compared to approximately HK$148.6 million as at 30 June 2016.

The Group had net current assets of approximately HK$1,156.4 million (2016: HK$747.1 million) as at 30 June 2017.

The total equity attributable to owners of the Company as at 30 June 2017 amounted to approximately HK$1,052.0 million (2016: HK$1,062.1 million). The gearing ratio, calculated on the basis of total debt (which represents the outstanding bank borrowing of the Group) over total equity attributable to owners of the Company as at 30 June 2017, was approximately 1.33% (2016: 1.55%).

As at 30 June 2017, the total liabilities amounted to approximately HK$25.3 million (2016: HK$27.0 million), comprising of bank borrowing of approximately HK$14.0 million, deferred tax liabilities of approximately HK$1.4 million and other payables of approximately HK$9.9 million.

PLEDGE OF GROUP'S ASSETS

As at 30 June 2017, a leasehold land and building of the Group with carry amount of approximately HK$69.9 million (2016: an investment property of approximately HK$60 million) was pledged to secure the Group's bank facilities of approximately HK$14.0 million (2016: 16.4 million).

Management Discussion and Analysis

CONTINGENT LIABILITIES

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the Company's directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2017, there has been no significant progress.

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the total number of employees of the Group was 98. The emolument policy regarding the Directors, senior management and other employees of the Group was formulated and will be reviewed by the Remuneration Committee of the Company from time to time. Employees are remunerated according to their qualifications, experience, job nature and performance and under the pay scales aligned with market conditions. Other benefits to employees include medical, insurance coverage, share option scheme and retirement scheme.

BUSINESS OVERVIEW

The operating environment in the gaming market in Macau has been difficult in recent years with consistent decline in its gaming revenue since mid-2014. Nevertheless, according to the monthly statistics published by the Gaming Inspection and Coordination Bureau, the Company is of the view that the gaming market in Macau might have been bottomed out and started to recover. In particular, the monthly gross gaming revenue of the territory has been showing a positive year-on-year growth since August 2015. In August 2017, the gross gaming revenue grew by more than 20.7% to approximately MOP22.7 billion from approximately MOP18.8 billion in August 2016. Despite the recent turnaround, however, in light of the significant downturn recorded in prior years and that the monthly gross gaming revenue recorded in recent months has remained below the corresponding levels in 2014, the overall market sentiment has continued to be conservative as demonstrated by the relatively slow pace of additions of casino complex.

In this connection, the Group would continue to closely monitor the performance of the Junket Operators with whom the Group has allied through the remaining profit sharing agreements.

Looking forward, we are of the view that positive results are achievable in the money lending segment as we have successfully advanced a sum of HK$65 million to customers and generated stable interest income in this year. Our Group will also continue to expand our hotel-related business. Further, our Group will continue to explore other viable investment opportunities to diversify our revenue stream.

QUALIFIED OPINION ON THE FINANCIAL STATEMENT OF THE GROUP

The auditor of the Company, Zhonghui Anda CPA Limited ("Zhonghui") provided a qualified opinion on (i) the investment in an associate and loss on disposal of an associate; and (ii) intangible assets in respect of the junket business, set out below are the supplementary information regarding the aforesaid qualified opinion:

Investment in an associate and loss on disposal of an associate

The qualified opinion was related to the investment in Good Omen Enterprises Limited ("Good Omen"), a BVI Company incorporated with limited liability which is principally involved in receiving profit streams from gaming and entertainment related business. Prior to its disposal, it was indirectly owned as to 20% by the Company and 80% by Ms. Lao Sio Meng ("Ms. Lao") and was accounted for as an associate by the Company.

QUALIFIED OPINION ON THE FINANCIAL STATEMENT OF THE GROUP (Continued)

Investment in an associate and loss on disposal of an associate (Continued)

As disclosed in the annual report of the Group for the year ended 30 June 2016, in September 2015, Good Omen engaged a lawyer to recover outstanding trade receivables owed by the junket promoter. The Group did not take any further actions as it only held 20% interest, a non-controlling interest in Good Omen and the remaining 80% interest is held by Ms. Lao, the sole owner of the junket, and therefore the Group in a very weak position to take actions against junket promoter as both Good Omen and the junket promoter are controlled by Ms. Lao. As such, the Board is of the view that it would be appropriate to dispose of its interest in Good Omen.

On 23 March 2017, the Group entered into the share transfer agreement with Ms. Lao in relation to the disposal (the "Disposal") of its 20% equity interest in Good Omen for a consideration of HK$10 million. As all of the applicable ratios in respect of the Disposal were less than 5% at the material time, the Disposal did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Intangible assets in respect of the junket business

(i) Background of intangible assets in respect of the junket business

Profit Sharing Agreements

The Group entered into respective profit sharing agreements with Hou Wan Entertainment Unipessoal Limitada ("Hou Wan"), Neptune Ouro Sociedade Unipessaoal Limitada ("Neptune Ouro") and Hao Cai Sociedade Unipessaoal Limitada ("Hao Cai") during the year ended 30 June 2009. The Group subsequently entered into another two profit sharing agreements with Lucky Star Entretenimento Unipessoal Limitada and Hoi Long Sociedade Unipessaoal Limitada ("Hoi Long") during the year ended 30 June 2010 and the year ended 30 June 2013, respectively. There is no expiry date shown in the profit sharing agreements entered into by the Group with the above junkets (collectively, the "Profit Sharing Agreements").

Hou Wan, Neptune Ouro, Hao Cai, Lucky Star and Hoi Long are all companies incorporated in Macau.

Junket Representative Agreement – Hou Wan

On 17 February 2006, Hou Wan entered into a junket representative agreement with Venetian Macau Limited ("Venetian Casino"). The agreement was effective from 1 January 2006 to 31 December 2006. On 11 April 2007, Hou Wan entered into a junket representative agreement with Venetian Casino effective until 31 December 2007. On 5 February 2008, Hou Wan entered into a junket representative agreement with Venetian Casino effective until 31 December 2008. On 1 January 2009, Hou Wan entered a junket representative agreement with Venetian Casino effective until 31 December 2009.

In 2010, Hou Wan entered into a junket representative agreement with Venetian Casino with effective of one year term with a new clause (the "Renewal Clause") that "At the expiry of the Initial Term, the term of the Agreement shall automatically renew for one year terms, unless either party gives the other party written notice of non-renewal thirty days prior to the expiration of the Initial Term or applicable renewal term". On 30 December 2016, Hou Wan entered a junket representative agreement with Venetian Casino with the Renewal Clause. The agreement was effective until 31 December 2017. On 31 July 2017, Hou Wan received a notice from Venetian Casino for termination effective on 30 August 2017.

QUALIFIED OPINION ON THE FINANCIAL STATEMENT OF THE GROUP (Continued)

Intangible assets in respect of the junket business (Continued)

(i) Background of intangible assets in respect of the junket business (Continued)

Junket Representative Agreements – Neptune Ouro and Hao Cai

On 31 August 2007, Hao Cai entered into a junket representative agreement with Venetian Casino. The agreement was effective from 31 August 2007 to 31 December 2008. On 5 February 2008, Hao Cai entered into a junket representative agreement with Venetian Casino effective until 31 December 2008.

Subsequently in 2010 and 2011, Hao Cai entered into a junket representative agreement with effect of an one-year term with a new clause that "At the expiry of the Initial Term, the term of the Agreement shall automatically renew for one year terms, unless either party gives the other party written notice of non-renewal thirty days prior to the expiration of the Initial Term or applicable renewal term". On 31 May 2017, Neptune Ouro and Hao Cai received a notice from Venetian Casino for termination effective on 30 June 2017.

Junket Representative Agreement – Lucky Star

On 23 June 2008, Lucky Star entered into a junket representative agreement with Galaxy Casino, S.A. ("Galaxy Casino"). On 18 June 2015, Lucky Star received a notice from Galaxy Casino for termination with effective on 1 July 2015.

Junket Representative Agreements – Hoi Long

On 28 April 2017, Hoi Long entered into a renewal and supplementary junket representative agreement with Sociedade De Jogos De Macau, S.A. ("SJM") (the "Hoi Long Agreement"). The agreement was effective from 28 April 2017 to 28 April 2018.

The agreement dated 28 April 2017 confirmed that Hoi Long had entered into a junket representative agreement with SJM on 26 April 2012 effective until 28 April 2015. Another two renewal agreements was signed on 27 April 2015 and 15 February 2016 effective until 28 April 2016 and 28 April 2017 respectively.

All the above profit sharing agreements are collectively referred to as the "Profit Sharing Agreements". All the above junket representative agreements are collectively referred to as the "Junket Representative Agreements". The termination arrangements of Hou Wan, Neptune Ouro, Hao Cai and Lucky Star are collectively referred to as the "Termination Arrangements".

(ii) Reason for the audit qualification

According to Hong Kong Accounting Standard 38 "Intangible Assets", the useful life shall be assessed by an entity whether is definite or indefinite.

QUALIFIED OPINION ON THE FINANCIAL STATEMENT OF THE GROUP (Continued)

Intangible assets in respect of the junket business (Continued)

(ii) Reason for the audit qualification (Continued)

The Company confirmed that no further information could be provided. According to the available information provided by the Company, Zhonghui was unable to reliably assess and conclude the useful life determination of the intangible assets as follows:

- Initial recognition of the intangible assets (useful life is ruled as indefinite)

  Zhonghui was unable to conclude whether the useful life of intangible assets is indefinite according to the Profit Sharing Agreements without defined expiry term and the Junket Representative Agreements with defined expiry term.

- 1st reassessment on useful life due to termination of Lucky Star as at 30 June 2016 (change indefinite useful life to remaining 5 to 7 years)

  According to Hong Kong Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the accounting effect of error shall be applied retrospectively and the accounting effect of change of estimate shall be recognized prospectively.

  Zhonghui would not assess how much of the impact of the change is due to error and how much is due to change in estimate. Zhonghui was unable to justify the effect of the adjustment related to the year ended 30 June 2016, and prior years.

- 2nd reassessment on useful life due to termination of Hou Wan, Neptune Ouro, Hao Cai as at 30 June 2017 (change remaining 4 to 6 years to remaining 0 to 10 months)

  Zhonghui would not assess how much of the impact of the change is due to error and how much is due to change in estimate. Zhonghui is unable to justify the effect of the adjustment related to the years ended 30 June 2017, 2016, and prior years.

  The impact of the above uncertainties is material to the consolidated financial statements of the Group. Zhonghui therefore qualified the carrying value of intangible assets as at 30 June 2016 and 2017 and the impairment and amortization charged for the years ended 30 June 2016 and 2017.

(iii) Communication with Crowe Horwath (HK) CPA Limited ("Crowe Horwath")

Zhonghui sent a professional clearance letter to Crowe Horwath, previous auditor of the Group, on 18 January 2017 to seek the advice if there are any circumstances surrounding the proposed change of which Zhonghui should be aware of. On 20 January 2017, Crowe Horwath advised that Crowe Horwath were not aware of any professional reason that would preclude Zhonghui from accepting the nomination as auditor of the Group.

In the same clearance letter, Zhonghui sent a professional clearance letter to seek consent from Crowe Horwath in allowing Zhonghui to access Crowe Horwath's working papers of the Group for the year ended 30 June 2016, and to verify the opening balances of the financial statements of each of the entities of the Group. However, Crowe Horwath did not address such matter in their reply letter.

QUALIFIED OPINION ON THE FINANCIAL STATEMENT OF THE GROUP (Continued)

Intangible assets in respect of the junket business (Continued)

(iii) Communication with Crowe Horwath (HK) CPA Limited ("Crowe Horwath") (Continued)

Further, Crowe Horwath resigned as auditors of the Company on 16 January 2017 whereas the Company was being informed by Hou Wan and Hao Cai about the termination arrangements of Hou Wan, Neptune Ouro and Hao Cai on 31 July 2017 and 31 May 2017, respectively. The information regarding the aforesaid termination arrangements was therefore not available to Crowe Horwath. In view of this, Zhonghui considered it is not necessary to communicate with Crowe Horwath regarding the qualification.

(iv) Company's response to the qualified opinion

As at 30 June 2017, the carrying value of the intangible assets relating to the Hoi Long Agreement (the "Hoi Long Intangible Assets") amount to HK$55 million and the Hoi Long Agreement shall remain valid until 28 April 2018. The Company would provide the amortisation to the income statement for the year ending 30 June 2018 based on aforesaid remaining useful life and the carrying value. It is the intention of the Group to continue the junket business and it is expected that the Hoi Long Agreement will be renewed upon its expiry.

The Company has explored with Zhonghui in relation to how the qualified opinion in respect of the Hoi Long Intangible Assets can be removed in the coming year, and noted that the current view of Zhonghui is that the qualified opinion can only be removed when either (a) the Hoi Long Agreement is expired, terminated, or extended during the year ending 30 June 2018, or (b) the impact of the uncertainties listed on page 11 under the paragraph "(ii) Reason for audit qualification" become immaterial to the consolidated financial statements of the Group for the year ending 30 June 2018. Set out below is the discussion of these scenarios:-

(a) If the Hoi Long Agreement is expired

If the Hoi Long Agreement is expired and not renewed during the year ending 30 June 2018, the carrying value of the Hoi Long Intangible Assets would become nil as at 30 June 2018. Given Zhonghui has provided qualified opinion on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017, if the amortization charge in respect of the Hoi Long Intangible Assets (which is calculated based on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017) for the year ending 30 June 2018 is material, Zhonghui would consider qualifying such amortization charge for the year ending 30 June 2018. There would be no qualification regarding the carrying value of the Hoi Long Intangible Assets as at 30 June 2018 as such amount would become nil.

(b) If the Hoi Long Agreement is terminated

If the Hoi Long Agreement is terminated during the year ending 30 June 2018, the Company would provide an impairment loss to the income statement and the carrying value of the Hoi Long Intangible Assets would become nil as at 30 June 2018. Given Zhonghui has provided qualified opinion on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017, if the amortization charge (prior to the termination of the Hoi Long Agreement) (which is calculated based on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017) and impairment loss in respect of the Hoi Long Intangible Assets for the year ending 30 June 2018 are material, Zhonghui would consider qualifying the such amortization charge and impairment loss for the year ending 30 June 2018. There would be no qualification regarding the carrying value of the Hoi Long Intangible Assets as at 30 June 2018 as such amount would become nil.

QUALIFIED OPINION ON THE FINANCIAL STATEMENT OF THE GROUP (Continued)

Intangible assets in respect of the junket business (Continued)

(iv) Company's response to the qualified opinion (Continued)

(c) If the Hoi Long Agreement is extended

If the Hoi Long Agreement is extended with a definite useful life, instead of renewed for a term of one year upon its expiry, during the year ending 30 June 2018, the Company would (aa) recognize the Hoi Long Intangible Assets based on the definite useful life and the valuation of Hoi Long Agreement as at the date of such extension; (bb) provide amortization to the income statement based on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017 (prior to the extension of the Hoi Long Agreement); and (cc) provide amortisation to the income statement based on the Hoi Long Intangible Assets recognized by the Group on the date of the extension of the Hoi Long Agreement (after the extension of the Hoi Long Agreement). Given Zhonghui has provided qualified opinion on the carrying value of the Hoi Long Intangible Assets as at 30 June 2017, if the amortization charge as described in (bb) above for the year ending 30 June 2018 is material, Zhonghui would consider qualifying such amortization charge for the year ending 30 June 2018. Zhonghui would not further qualify the carrying amount of the intangible asset as at 30 June 2018.

(d) The impact of the uncertainties listed under the paragraph "(ii) Reason for audit qualification" become immaterial to the consolidated financial statements of the Group for the year ending 30 June 2018

If the impact of the uncertainties listed on page 11 under the paragraph "(ii) Reason for audit qualification" become immaterial to the consolidated financial statements of the Group for the year ending 30 June 2018, no qualification would be made by Zhonghui in respect of the Hoi Long Intangible Assets.

As discussed above, it is the intention of the Group to continue the junket business and it is expected that the Hoi Long Agreement will be renewed upon its expiry. Therefore, it is expected the scenarios (a) and (b) as discussed above would not take place for the year ending 30 June 2018.

In order to remove the qualified opinion, the Company has been in discussion with Mr. Tam, the sole owner of Hoi Long and the owner of 80% interest of Essence Gold (a company which is owned as to 20% by the Company and entitled to the profit stream of Hoi Long under Hoi Long Agreement pursuant to the profit sharing agreement entered into among Hoi Long, Essence Gold and Mr. Tam, details of which are set out in the announcement of the Company dated 19 September 2012), to explore the feasibility for the entering into of a new junket representative agreement between Hoi Long and SJM for the extension of the Hoi Long Agreement with a definite useful life. Mr. Tam advised that he will try to discuss with SJM for such extension. It should however be noted that it is uncertain as to whether SJM will be willing to negotiate with Mr. Tam to extend the Hoi Long Agreement with a definite useful life. Save as the aforementioned, there are no further actions which can be taken by the Company.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Danny Xuda Huang, aged 39, has been appointed as an executive director of the Company on 1 August 2013 and re-designated as the chairman of the Board of the Company on 29 November 2013. Mr. Huang has been the chief investment officer for a number of family trusts in Hong Kong and Greater China, managing assets over US$1 billion. Prior to that, he ran a consulting firm advising high net worth clients on investments strategies and estate planning. Mr. Huang has over 10 years of professional experience in assurance and advisory, tax and financial planning, internal audit and risk management, project finance and credit control. He has worked for well-known organizations including BNP Paribas, National Australia Bank, MLC Investments, Toyota Finance, PricewaterhouseCoopers and KPMG. Mr. Huang holds a Bachelor degree in Accounting and Finance from Monash University. He is currently a Chartered Accountant in Australia and a Justice of the Peace (JP) for New South Wales.

Mr. Nicholas J. Niglio, aged 71, was appointed as an executive director on 3 September 2007. He has over 25 years varied background in gambling focused entertainment field dating back to 1983. Throughout all these years, he versed himself in management of all kinds of gaming activities and have proven success of his accomplishments.

Prior to his current position, Mr. Niglio previously was Executive Vice President of Trump Taj Mahal Casino Resort, Inc. Atlantic City NJ, ("Trump") serving as senior executive in Casino marketing and international operation, from October 1993 to August 2001, he originally joined Trump in October 1993 as Executive Vice President to oversee all operational and administrative management of marketing program. Regional offices including Asia, Middle East, Europe and Latin America were under all his management.

Mr. Niglio worked at Caesars World Inc., Atlantic City NJ from 1986 to 1993 in such capacities as: Senior Vice President Eastern Operation and Vice President Casino Operations of Caesars Palace. He worked at Caesars in such capacities to develop casino marketing operation in all aspect and to train up staff to raise the level of customer service.

Mr. Niglio was also a senior executive holding the position of Vice President Casino Marketing and director of Casino Administration in Resort International Hotel and Casino, Atlantic City NJ from 1978 to 1986.

Mr. Niglio graduated from the California State University with a Master degree in business administration, a B.S. degree in accounting from Saint Peter's College, Jersey City NJ.

Mr. Lin Chuen Chow Andy, aged 42, was appointed as an executive Director on 30 November 2012. Mr. Lin obtained his Bachelor of Arts (Hons) Business Management Degree from the University of Wales in 2015. He is currently an affiliate member of Hong Kong Securities and Investment Institute ("HKSI") and has obtained the HKSI Specialist Certificates in Securities and Asset Management. He has also passed the Estate Agent Qualifying Examination of the Estate Agents Authority and has obtained an Estate Agent's (Individual) License. He is currently the General Manager of the Company and is a veteran in gaming industry who has managed gaming business in Macau, particularly in customer relationship management. Prior to joining the Company, he had worked in the Administration Department of the Hong Kong Exchanges and Clearing Limited for a period more than thirteen years. On 4 December 2013, He has been appointed as an independent non-executive director of China Demeter Investments Limited (formerly known as Oriental Unicom Agriculture Group Limited) ("China Demeter"), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8120), and re-designated as a non-executive director of China Demeter on 20 February 2014. On 5 February 2016, Mr. Lin resigned as a non-executive director of China Demeter.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Yat Hung, Alton, aged 54, was elected as an independent non-executive Director on 5 June 2007. He has over 12 years business experience and is an elite of automobile dealer industry. At present he is currently holding directorship in a number of private companies which are engaged in automobile distribution in the PRC, among most of the finest brand automobile in the world.

He graduated from California College of Arts and Craft, Berkeley, USA holding a Bachelor degree major in faculty of communication and fine arts. Also he is currently an independent non-executive director of Hang Ten (Holdings) Ltd, being a listed company in Hong Kong and now a full membership of Royal Hong Kong Yacht Club and Hong Kong Jockey Club.

Mr. Yue Fu Wing, aged 49, was appointed as an independent non-executive director and a member of the audit committee of the Company on 15 January 2005. Mr. Yue is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has a Master Degree in PRC Accounting from Jinan University in China and a Bachelor Degree in Accountancy from the City University of Hong Kong. Mr. Yue has over 10 years experience in accounting and finance. He has worked for a multinational company, a Hong Kong listed company and an international accounting firm.

Miss Yeung Hoi Ching, aged 35, was appointed as an independent non-executive director and a member of the Audit Committee of the Company on 1 April 2017. She was graduated from the University of Heriot Watt with a Bachelor degree in Business Administration in November 2011. Miss Yeung commenced her career in finance field in 2011 when she served as an administration manager of a finance company and was responsible for monitoring the business operation of the company. In 2013, Miss Yeung joined and worked for another finance company as operation manager. She has over 5 years of experience in finance and its related business.

SENIOR MANAGEMENT

Mr. Lam Yick Man, aged 39, has been appointed as company secretary, the financial controller and also as an authorized representative of the Company on 1 Feb 2017.

Mr. Lam has over 10 years of extensive professional experience in the fields of accounting, finance and auditing. Prior to joining our Group, he worked for international accounting firms and other listed companies in Hong Kong.

He holds a Master degree in Corporate Governance with distinction from The Hong Kong Polytechnic University and a Bachelor degree in Business Administration from Lingnan University. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, an ordinary member of Hong Kong Securities and Investment Institute, an associate member of The Institute of Chartered Secretaries and Administrators and an associate member of The Hong Kong Institute of Chartered Secretaries. He has also been awarded a Diploma in Certified International Investment Analyst from the Association of Certified International Investment Analysts.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

The Directors are committed to the maintenance of good corporate governance for the creation of Shareholder value. An effective system of corporate governance requires that our Boards approves strategic direction, monitors performance to exercise our stewardship responsibilities with due skill and care.

Save as disclosed below, the Board has adopted the code provision as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 30 June 2017.

Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and development in best practice.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has developed its own securities trading code for securities transactions (the "Company Code") by the Directors and relevant employees who are likely to be in possession of unpublished inside information of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 if the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they have complied with the Company Code and, therefore, with the Model Code throughout the year ended 30 June 2017 and to the date of this annual report.

Corporate Governance and Other Information

BOARD AND BOARD COMMITTEES COMPOSITION

The following changes were made to the composition of the Board and the Board Committee during the year ended 30 June, 2017.

The Directors as at the date of this annual report are:

	Title	Date of appointment
Executive Directors		
Danny Xuda Huang	Chairman of the Board	Appointed on 1 August 2013
Nicholas J. Niglio	Chief Operation Officer	Appointed on 3 September 2007
Chan Shiu Kwong Stephen	Chief Financial Officer	Appointed on 20 April 2005 (resigned on 31 January 2017)
Lin Chuen Chow Andy	Executive Director	Appointed on 30 November 2012
Independent Non-Executive Directors		
Cheung Yat Hung Alton		Appointed on 5 June 2007
Yue Fu Wing		Appointed on 15 January 2005
Chow Chung Lam Louis		Appointed on 27 March 2015 (resigned on 1 April 2017)
Yeung Hoi Ching		Appointed on 1 April 2017

The Board has established three committees, being the audit committee, the remuneration committee, and the nomination committee. The Table below details the membership and composition of each of the three committee as at the date of this annual report.

Director	Audit Committee	Remuneration Committee	Nomination Committee
Danny Xuda Huang	–	–	Chairman
Nicholas J. Niglio	–	Member	–
Chan Shiu Kwong Stephen	–	–	–
Lin Chuen Chow Andy	–	–	–
Cheung Yat Hung Alton	Chairman	Chairman	Member
Yue Fu Wing	Member	Member	Member
Yeung Hoi Ching [1]	Member	–	–

(1) Appointed by a resolution by the Board on 1 April 2017

Corporate Governance and Other Information

BOARD AND BOARD COMMITTEES COMPOSITION (Continued)

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises four executive Directors and three independent non-executive Directors. The Directors have no financial, business, family or other material/relevant relationships with one another. The biographical details of the Directors are set out in section "Biographical Details of Directors and Senior Management" to this annual report. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considered all the independent non-executive Directors to be independent.

<a> Roles of Chairman and Chief Executive

The Code A.2.1 of the Corporate Governance Code stipulates that the roles of chairman of the Board (the "Chairman") and chief executive should be separate and should not be performed by the same individual and that the division of responsibilities between the Chairman and the chief executive should be clearly stated. The Company fully supports such a division of responsibility between the Chairman and the chief executive in order to ensure a balance of power and authority. The positions of the Chairman and the chief executive are segregated and are held by Mr. Danny Xuda Huang and Mr. Nicholas J. Niglio respectively. These positions have clearly defined separate responsibilities.

The chairman is responsible for leading and supervising the operations of the Board, effective planning of board meetings, ensuring the Board is acting to the best interests of the Company.

The chief executive is responsible for the administration of the Company's business, as well as to formulate and implement Company policies, and answerable to the Board in relation to the Company's overall operation.

<b> Responsibilities

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's business is delegated to the executive director or officer in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

BOARD AND BOARD COMMITTEES COMPOSITION (Continued)

<c> 8 board meetings, 1 annual general meeting and 1 general meeting were held during the financial year ended 30 June 2017. Independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. One independent non-executive Director was unable to attend the Annual General Meeting of the Company held on 17 February 2017 due to other business engagement. Details of Directors' attendance records are set out below:

	Board Meetings	Attendance of Annual General Meeting	General Meeting
Executive Directors			
Mr. Danny Xuda Huang	8/8	1/1	1/1
Mr. Nicholas J. Niglio	8/8	1/1	1/1
Mr. Chan Shiu Kwong, Stephen (resigned on 31 January 2017)	4/8	0/1	0/1
Mr. Lin Chuen Chow, Andy	8/8	1/1	1/1
Independent non-executive Directors			
Mr. Cheung Yat Hung, Alton	8/8	0/1	1/1
Mr. Yue Fu Wing	8/8	1/1	1/1
Mr. Chow Chung Lam. Louis (resigned on 1 April 2017)	6/8	1/1	0/1
Miss Yeung Hoi Ching (appointed on 1 April 2017)	1/8	0/1	0/1

BOARD COMMITTEES

Three committees, namely, audit committee, remuneration committee and nomination committee were established under the Board to oversee their functions.

<a> Audit Committee

The audit committee comprises three independent non-executive Directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing and Miss Yeung Hoi Ching. Mr. Yue Fu Wing possesses relevant professional qualifications and financial management expertise and meets the requirements of rule 3.2.1 of the Listing Rules.

The audit committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance and in meeting its external financial reporting objectives.

The Group's annual results for the year ended 30 June 2017 has been reviewed by Audit Committee and audited by the auditor of the Company, Zhonghui Anda CPA Limited. The audit committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements for the year ended 30 June 2017 and was of the opinion that the preparation of such final results compiled with the applicable accounting standards and requirements that adequate disclosure have been made. The Audit Committee meets, at least twice a year, with external auditor to discuss any area of concern during the audit of review. The Audit Committee is mainly responsible for the appointment, reappointment and removal of external auditor, review of the interim and final results of the Group.

BOARD COMMITTEES (Continued)

<a> Audit Committee (Continued)

2 audit committee meetings were held during the financial year ended 30 June 2017. Attendance of the members is set out below:

	Attendance of Audit Committee meetings
Members	
Mr. Cheung Yat Hung, Alton *(Chairman)*	2/2
Mr. Yue Fu Wing	2/2
Mr. Chow Chung Lam,Louis (resigned on 1 April 2017)	2/2
Miss Yeung Hoi Ching (appointed on 1 April 2017)	0/2

The following is a summary of the work performed by the audit committee during the year:

– review of the Group's audited consolidated financial statements for the year ended 30 June 2016 and unaudited consolidated financial statements for the six months ended 31 December 2016;

– review of the internal control and risk management framework;

– review of new and/or revised accounting standards and practices applicable to the Group and their impacts to the Group; and

– report of the findings and making recommendations to the Board for improvements or implementations in respect of the above matters.

BOARD COMMITTEES (Continued)

<b> Remuneration Committee

The remuneration committee comprises two independent non-executive Directors, namely Mr. Cheung Yat Hung, Alton, Mr. Yue Fu Wing, and one executive Director, Mr. Nicholas J. Niglio. The remuneration committee was established with specific written terms of reference and is principally responsible for reviewing and approving and making recommendations to the Board on the remuneration packages of directors and senior management, including salaries, bonuses, benefits in kind and the terms on which they participate in any share option schemes. No director or senior management will determine his own remuneration. 2 remuneration committee meetings were held during the financial year ended 30 June 2017. Attendance of the members is set out below:

	Attendance of Remuneration Committee meetings
Members	
Mr. Cheung Yat Hung, Alton *(Chairman)*	2/2
Mr. Yue Fu Wing	2/2
Mr. Nicholas J. Niglio	2/2

The following is a summary of the work performed by the remuneration committee during the year:

– remuneration should be determined by taking into consideration factors such as salaries paid by comparable companies, time commitment, levels of responsibilities, employment conditions elsewhere in the Group;

– considering and confirming the policy for the remuneration of Directors and senior management; and

– reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

<c> Nomination Committee

The nomination committee comprises two independent non-executive Directors and one executive Director. The nomination committee was established with specific written terms of reference and is principally responsible for reviewing the structure, size and composition of the Board to complement the Company's corporate strategy and to identify individuals suitably qualified to become Board members. 1 nomination committee meeting was held during the financial year ended 30 June 2017.

	Attendance of Nomination Committee meeting
Members	
Mr. Danny Xuda Huang *(Chairman)*	1/1
Mr. Cheung Yat Hung, Alton	1/1
Mr. Yue Fu Wing	1/1

Corporate Governance and Other Information

BOARD COMMITTEES (Continued)

<c> **Nomination Committee** (Continued)

The following is a summary of the work performed by the nomination committee during the year:

– reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and

– to assess the independence of independent non-executive Directors of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties with its written terms of reference as set out below:

(a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;

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

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

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

(e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

No corporate governance committee has been established and the corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the accounts which were prepared in accordance with disclosure requirement of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and applicable Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards. A statement by the auditors about their reporting responsibilities is set out on page 40 to 43 of this annual report.

The Directors, having made appropriate enquiries, confirm that there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate Governance and Other Information

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Code B.1.5 of the Corporate Governance Code, the remuneration of the Mr. Lam Yick Man ("Mr. Lam") for the year ended 30 June 2017 is in the range of HK$40,000 to HK$50,000.

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 12 to the financial statements.

AUDITORS' REMUNERATION

During the year ended 30 June 2017, the remuneration paid and payable to the auditors of the Company, Zhonghui Anda CPA Limited is set out below:

Services rendered	**Fees paid/payable** HK$'000
Statutory audit services	800
Non-audit services	350
Total auditor's remuneration for the year	**1,150**

INTERNAL CONTROL

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and manages rather than eliminates risks associated with its business activities.

These on-going processes have been in place for the year under review, and are reviewed periodically by the audit committee. Furthermore, the Board takes extreme precautionary measures in handling price-sensitive information. Such information is restricted to a need-to-know basis.

The Group has established an internal audit team. The functions of the internal audit team is to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness.

RISK MANAGEMENT

The Board acknowledges that it is responsibility to ensure that the Company establish and maintains appropriate and effective risk management. The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

RISK MANAGEMENT (Continued)

The Group's business, financial conditions and results may be effected by risk and uncertainties pertaining to the Group's business. Certain significant risks have been identified through the process of risk identification and assessment.

Credit Risk refers to the risk that the borrower or counterparty may fail to perform its obligation to pay in a timely manner, or that its ability to perform such obligation may get impaired before delivery date.

The Group's Credit Committee, is responsible for putting in place credit policies and procedures for approving lending.

TRAINING FOR DIRECTORS

All Directors must keep abreast of their collective responsibilities as Directors and of the business and activities of the Group.

As such, briefings are provided and organised to ensure that newly appointed Directors are familiar with the role of the Board, their legal and other duties and responsibilities as Director as well as the business and corporate governance practices of the Group. The company secretary of the Company will continuously update all Directors on latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors.

Pursuant to Code A.6.5 of the Corporate Governance Code, directors of listed company should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. For the period from 1 July 2016 to 30 June 2017, all Directors have participated in appropriate continuous professional development activities by ways of attending training or reading material relevant to the Company's business or to the Directors' duties and responsibilities.

SHAREHOLDERS' RIGHTS

(I) Convene a General Meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a general meeting of the Company.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the company, and may consist of several documents in like form, each signed by one or more requisitionists.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

SHAREHOLDERS' RIGHTS (Continued)

(II) Send Enquiries to the Board

The Company's corporate website provides email address, postal address and telephone number by which shareholders of the Company may at any time address their concerns or enquiries to the Board.

(III) Make Proposals at General Meetings

The procedures for proposing resolution(s) to be moved at a shareholders' meeting are as follows:

The Shareholder(s) of the Company representing at least 2.5% of the total voting rights of all the Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate; or at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate, may request the Company to give, to members of the Company entitled to receive notice of the annual general meeting, notice of a resolution that may properly be moved and is intended to be moved at that meeting pursuant to Section 615 of the Companies Ordinance of Hong Kong. The request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given; must be authenticated by the person or persons making it; and must be received by the Company not later than 6 weeks before the annual general meeting to which the request relate; or if later, the time at which notice is given of that meeting.

(IV) Proposing a person for election as director

According to the Articles of the Association, no person other than a retiring Director shall, unless recommend by the Directors for election, be eligible for election to the office of Director at any general meeting, unless a notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election as a director and also a notice in writing by that person of his willingness to be elected (including the person's biographical details as required by Rules 13.5(2) of the Listing Rules) shall be lodged with the Company Secretary at the Company's principal place of business in Hong Kong or the Share Registrar's place of business in Hong Kong provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

If such notice(s) are received less than ten business day prior to the date of such general meeting, the company will need to consider the adjournment of such general meeting in order to allow the Shareholders fourteen clear days' notice (the notice period must include ten Business Days (the notice period must include ten Business Days (Note) of the proposal.

Note: Business Day means any day on which The Stock Exchange of Hong Kong Limited is open for the business of dealing in securities.

Corporate Governance and Other Information

COMMUNICATIONS WITH SHAREHOLDERS

The Company recognizes the importance of maintaining an on-going and timely communication with shareholders to enable them to form their own judgment and to provide constructive feedback.

The primary communication channel between the Company and its shareholders is through the publication of notices, circulars, interim and annual reports. The Company's Registrars serve the shareholders regarding all share registration matters. The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. Separate resolutions are proposed at general meeting on each substantially separate issue, including the election of individual directors. The Company has also complied with the requirements of the Listing Rules and the Articles of Association in respect of voting by poll and other related matters.

Pursuant to Code E.1.2 of the Corporate Governance Code, the company will invite representatives of the Auditors to attend the forthcoming annual general meeting to answer the Shareholders' questions about the content of the auditors' report, the accounting policies and auditor independence.

INVESTOR RELATIONS

The Company meets regularly with the press, analysts and institutional investors to facilitate their analysis on the Company in conferences and group meetings.

During the year ended 30 June 2017, there has been change in the Company's constitutional documents as following:

"Every certificate shall be issued under the Seal of the Company and shall be autographically signed by two directors or some other person nominated by the Board for the purpose, and every such signature shall be autographic unless there shall be for the time being in force a resolution of the Board adopting some method or system of mechanical signatures which is controlled by or the use of which is by such resolution restricted to certificates which have been approved for sealing by) the Auditors, Registrars, Transfer Auditors or Bankers of the Company in which event any such signature may be effected in accordance with such resolution by the method or system so adopted."

Enquiries from investors are closed with in an information and timely manner. To promote effective communication, the Company maintains a website at http://www.richgoldman.com.hk where extensive information are posted.

Environmental, Social and Governance Report

The Group recognizes that a broad range of both financial as well as environmental, social and governance ("ESG") factors can affect the sustainability of a business and creation of shareholder value. It also provides the Company with a clear and continued reminder of its responsibilities to employees, customers, suppliers, communities, and other stakeholders (collectively referred to as the "Stakeholders"). The Company will endeavour to identify and focus on issues that either are, or could become, material to corporate performance.

The Group contributes to sustainable development by delivering environmental, social and economic benefits to all Stakeholders in a balance way. This year, the Group is please to present our first Environmental, Social and Government Report ("ESG report") for the year ended 30 June 2017 ("Reporting Period") for the purpose of demonstration of our efforts on sustainable developments to our Stakeholders.

This report has been prepared in accordance with the "the Environmental, Social and Governance Reporting Guide" ("ESG Guide") published by The Stock Exchange of Hong Kong Limited as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule") and is divided into two parts, namely environmental and social.

The table underneath showed aspects on the ESG Guide to be assessed and those ESG issues were determined to be material to the Group.

ESG Aspects as set forth in ESG Guide	Material ESG issues for the Group
(A) Environmental	
A1 Emissions	Electricity consumption
A2 Use of Resources	Use of energy
A3 The Environment and Natural Resources	
(B) Social	
B1 Employment	Labour practices
B2 Health and Safety	Workplace health and safety
B3 Development and Training	Employee development and training
B4 Labour Standards	Anti-child and forced labour
B5 Supply Chain Management	Supply chain management
B6 Product Responsibility	Responsible gaming and product responsibility
B7 Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
B8 Community Investment	Community programs, employee volunteering and donation

A. ENVIRONMENTAL

The Group recognizes its responsibility to protect the environment from its business activities and believes that business growth and environmental sustainability are interrelated. The Group have established environmental guidelines and introduced various green practices in its offices to reduce waste and promote efficient use of resources. We proactively encourage our employees to protect the environment through communication and education, the purpose is to lead all employees adopting environmentally-responsible behaviour in both the workplace and their daily lives.

Environmental, Social and Governance Report

A1. Emissions

Emissions refer to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Since the Group is principally engaged in the business of gaming and trading debt service, there were neither significant levels of pollutants discharged into water and land nor significant generation of hazardous and non-hazardous waste during the Reporting Period. The main contributor to the Group's carbon footprint is greenhouse gas emissions caused indirectly from electricity consumption. Several practices have been applied by the Group to reduce greenhouse gas emissions during the Reporting Period:

Energy Saving

- Switch off photocopiers and printers, computers after office hours, and unplug all equipment chargers and adapters when they are not in use so as to reduce power consumption.
- Collect energy usage data for analysis and future planning and implement.
- Reduce the brightness level of the computer screen to the lowest comfortable level.
- Encourage environment protection among suppliers and subcontractors.
- Use energy-saving light bulbs.
- Switch off lights that are not in use.
- Make use of daylight whenever possible to reduce lighting costs and keep all window, light bulbs and light fittings clean to maintain optimum lighting performance.

Reduction of business trips

The Group encourages employees to use electronic messaging or video conferences to reduce the number of business trips to reduce greenhouse gas emissions.

A2. & A3. Use of Resources and the Environment and Natural and Resources

Protecting the environment is the responsibility of everyone in the Group. The Group incorporates environmental sustainability into its business operations and processes. We continually manage environmental impacts attributable to its operational activities, in order to formulate action plans to minimize impacts on environment and natural resources if possible. The Group promotes green office management to all office employees to enhance the awareness of conservation of resources in workplace.

Paper Saving

- Choose duplex printing as the default mode for most printing jobs.
- Preset the incoming fax to be converted to pdf files and transferred directly to server, it enables us to avoid receiving and printing bulk promotional copies.
- Place boxes and trays beside photocopiers as containers to collect single-sided paper for reuse and used paper for recycling.
- Encourage the staff to use paper on both sides, reuse envelopes and use the backside of letter pads with outdated letterhead for drafting or printing.

A. ENVIRONMENTAL (Continued)

A2. & A3. Use of Resources and the Environment and Natural and Resources (Continued)

Recycling

- Reduce to use of bottle water and Styrofoam lunch box, the Group recommends staff to use reusable cup and bowl to reduce the wastage.
- Implement of T8 lamps phase by phase for environmental purpose.
- Collect printer toner cartridges, rechargeable batteries and CD-ROM discs for recycling.
- Collect all recyclables, such as waste paper, metals and plastics.

B. SOCIAL

B1. Employment

The Group's employment policy manages staff recruitment, salary adjustments and promotions and equal opportunities and non-discrimination (such as gender, marital status, disability, age, race, family status, sex orientation, nationality and religion).

The Group is committed to operate according to professional and ethical labour practices, we have developed clear work processes, which have been clearly communicated to all employees. Employee handbooks have been established in Hong Kong and Macau with sets of policies to govern employees' affairs such as payroll, attendance, termination, transfer and promotion and rules of conduct. Our operating offices are in compliance with relevant local labour laws and regulations respectively. The Group performs regular reviews on remuneration policy in relation to the market standard.

As at 30 June 2017, the proportion of full-time employees in the Group is summarized as follows:

Geographical Region	
Hong Kong	11.58%
Macau	88.42%
Total	100%

Employment Type	
Full-time	100%
Part-time	–
Total	100%

B. SOCIAL (Continued)

B1. Employment (Continued)

Age Distribution	
<=15	–
15–18	–
18–30	28.5%
31–50	40%
51–65	30.5%
>= 65	1%
Total	100%

Gender	
Male	56.84%
Female	43.16%
Total	100%

B2. Health and Safety

The Group's safety and health policy is to achieve a safety-working environment which maintains high standard of the safety, health and welfare and to take every reasonably practicable safety measure to protect all people working on site, and the public from danger, and to take all possible measure to minimize the nuisance generate to nearby area.

The Group values the health and well-being of staff. In order to provide employees with health coverage, all employees are entitled to medical benefits as well as other competitive fringe benefits. During the Reporting Period, there was no prosecution for violation of any laws and regulations relating to occupational health or safety in Hong Kong and Macau.

The Group has established sets of guidelines to provide employees with a safe and conducive working environment and protecting employees from occupational hazards. Relevant guidelines are provided to employees to meet safety and health standards when operating facilities in workplace. We proactively encourage all employees to be aware of prevention of occupational disease and to maintain personal fitness. The office internal memo regarding occupational health and safety is circulated to all employees regularly as a reminder to raise awareness of occupational health and safety issues.

B3. Development and Training

The Group encourages staff's personal development to enhance employees' potential for advancement. We promote life-long learning and encourage the employees to undertake further training and continuing education relevant to their positions. The Group also have a training sponsorship program in order to encourage and support our staff to pursue their professional development through external training.

The Group also provides on-boarding training for each operational employee, covering various topics such as occupational safety, industry knowledge in relation to gaming, as well as corporate governance and responsible gaming. Also, on-the-job training and development opportunities are provided to enhance employees' career progression.

B. SOCIAL (Continued)

B4. Labour Standards

The Group aims to prioritize the well-being of all employees and strive to move forward with high labour standards. The Company strictly complies with national and local legislations in our business operations and prohibits engaging of child and forced labour in the Group, and is totally committed to creating a work environment which respects human rights. Besides, the Group implements a strong preventive recruitment procedure to avoid under-aged and illegal person from working in our places of business by thorough background check (e.g. by examining identity cards to verify the age) on every relevant job applicant in compliance with the local legislation.

The Group does not in any way force its employees to work overtime to protect the personal rights of the employees. In any circumstances if the employees are inevitably required to work outside normal working hours, the employees would be compensated in accordance with the local labour law and company practices on overtime compensation.

During the Reporting Period, to the best of our Director's knowledge, we did not discover any employment of child labour or violated any laws and regulations relating to forced labour.

B5. Supply Chain Management

The Group aims to identify and manage the most material business conduct, social and environmental risk associated with its procurement of goods and services, and endeavour to partner suppliers who share our principles to conduct business in a fair, honest and responsible manner.

The Group has established a system for monitoring the quality of suppliers to ensure all supply chain management practices are complying with local laws and regulations. All suppliers must undergo strict selection procedures and requires management's approval before confirmation of contract.

B6. Product Responsibility

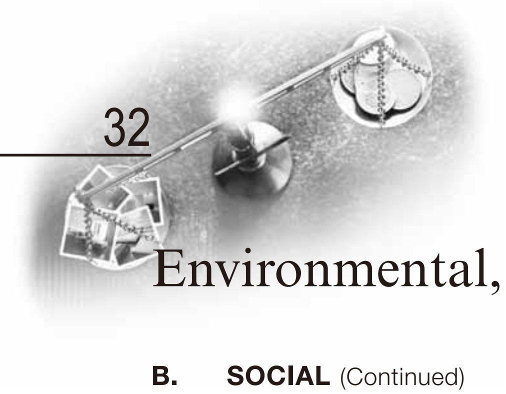
Responsible gaming

The Group is increasingly aware its responsibilities to promote responsible gaming with regard to our operating sites, and to minimize the negative impact possibly brought by gaming activities. As such, we implement our best practices for promoting responsible gaming in a variety of ways including:

- Proactively deliver the message of "Responsible Gaming" to our staff.
- Implement well-established procedures to prohibit any under-aged individual from entering the gaming sites, in compliance with Macau legislation or relevant legislation of the operating territory.

Product and service responsibility

The Group strictly complies with the local laws and regulations, including health and safety, advertising, labelling and privacy, other than the customers' requirements with an aim to provide high quality service in a legitimate way.



Environmental, Social and Governance Report

B. SOCIAL (Continued)

B7. Anti-corruption

Anti-corruption, fraud prevention and Anti-money laundering

Integrity is one of the core value of our Group. There are written policies in our staff manual to govern the areas in the avoidance of bribery and corruption, extortion, fraud, money laundering, conflicts of interest, allowable acceptance of gifts or entertainment and the control of confidential information. It strictly applies to all levels of our staff.

To the best of our Directors' knowledge, we are not aware of any legal cases regarding corrupt practices brought against the Group or our staff during the Reporting Period.

B8. Community Investment

Although there is no specific strategy in community investment, the Group tries to take our responsibilities to the communities of Hong Kong very seriously. The Group donates to charitable organizations.

Moreover, we always show our kindness and care to our staff. The Company always generous to make kind contributions on that occasion as "lucky draw gifts" or "games prizes" to our staffs during the corporate event.

Regulatory Compliance

The Group was not aware of any non-compliance with laws and regulations that has a significant impact on the Group relating to emissions, employment, health and safety, labour standards, product responsibility and anti-corruption during the Reporting Period.

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited consolidated financial statements for the year ended 30 June 2017.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated in Hong Kong and has its registered office and principal place of business at Room 1807, 18/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in the note 20 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (collectively referred to as the "Group") during the financial year are set out in note 7 to the financial statements.

BUSINESS REVIEW

General

Further discussion and analysis of our Group's principal activities, including a business review for the Year and an indication of the likely future developments of our Group's business can be found in the Management Discussion and Analysis of this Report and forms part of this directors' report.

Principle risks and uncertainties and the respective risk responses

The following section lists out the key risks and uncertainties which the Group faces. It is a non-exhaustive list and there may be other risks and uncertainties in addition to the key risks factors outlined below:

Description of principal risks:	Risk responses:
Economic and Political Outlook	
The Group's business is based in Macau and Hong Kong, changes in certain political and economic risks in Macau and Hong Kong may have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, it is expected that a significant number of patrons for the gaming business to be from mainland China. Any slowdown in economic growth, decline in economic conditions or changes to China's current restrictions on travel and currency movements could disrupt the number of Chinese patrons to the casinos in Macau as well as the amounts they are willing to spend in the casinos.	The economic environment is constantly evaluated by the Directors in order to promptly respond to any changes. The political agenda in Hong Kong, Macau and Mainland China is also monitored closely for any changes. The Directors are responsible for determining an overall market risk control framework, monitoring and assessing market conditions, devising refined policies in light of the above adverse factors affecting the Group's performance and market position and tailoring marketing strategy to cater to changes in economic and political outlook. The senior management is responsible for making sure that the policies so developed are duly implemented and executed.

BUSINESS REVIEW (Continued)

Principle risks and uncertainties and the respective risk responses (Continued)

Description of principal risks:	Risk responses:
Management & Operational Risk	
Insufficient or ineffective internal controls in daily operations may lead to financial loss and reputational damage, including but not limited to contractual risks, abusive use of discount, cash misappropriation, fraud committed with external parties, loss of physical assets.	The executive Directors meet regularly to review operational issues, conduct sample checks on the loan files for proper security documentation. The senior management is responsible for supervising the day-to-day adherence of operational control procedures and maintenance of security documentation. Training is also provided to employees on policies and procedures, as well as to update them of current legislation and practices. Credit monitoring policies and operational procedures have been formulated (which are continuously updated) to ensure that employees comply with internal procedures and requirements. Internal audit will also conduct independent review on a regular basis.
Valuation of pledged collaterals and investment properties	
Secured mortgage loans may be granted to customers based on the values of mortgaged properties. In the event that the value of the mortgaged properties decrease to the extent that it is not sufficient to cover the relevant mortgage loan, there may be a need to make provision for impairment or write off the relevant mortgaged loan if the customer is not able to provide further collateral or repay the mortgage loan. This will in turn affect the profitability and the financial position of the Group.	The Directors and senior management will closely monitor the safety margin of our mortgage loans and assess the relevant risk from time to time. The loan officers will also assess individually whether such amount of mortgage loans can be fully recovered with reference to the loan repayment ability of that customer and monitoring the loan-to-value ratio of the loan by conducting valuation of the mortgaged properties from time to time.

RESULTS AND DIVIDEND

The profit of the Group for the year ended 30 June 2017 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 44 to 112.

The directors of the Company do not recommend the payment of any dividend for the year ended 30 June 2017.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3.

RESERVES

Details of movements in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 48 and note 36 to the financial statements, respectively.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the Group's property, plant and equipment, and investment properties during the year are set out in notes 16 and 17 to the financial statements, respectively.

BORROWINGS

The maturity profile of the bank borrowings and assets pledged are set out in note 27 to the financial statements.

SHARE CAPITAL

– Details of the share capital of the Company are set out in note 28 to the financial statements.
– There were no purchases, sales or redemption of the Company's listed securities by the Company or any of its Subsidiaries during the year.

DIRECTORS

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

Executive Directors:
Mr. Danny Xuda Huang *(Chairman)*
Mr. Nicholas J. Niglio *(Chief Operation Officer)*
Mr. Chan Shiu Kwong, Stephen *(Chief Financial Officer)* (resigned on 31 January 2017)
Mr. Lin Chuen Chow, Andy

Independent non-executive Directors:
Mr. Cheung Yat Hung, Alton
Mr. Yue Fu Wing
Mr. Chow Chung Lam, Louis (resigned on 1 April 2017)
Miss Yeung Hoi Ching (appointed on 1 April 2017)

In accordance with Articles 79 and 84 of the Company's Articles of Association, Mr. Nicholas J. Niglio & Mr. Lin Chuen Chow, Andy shall retire by rotation and being eligible, offer themselves for re-election as executive director. Mr. Yue Fu Wing shall retire by rotation and being eligible, offer himself for re-election as independent non-executive director.

The terms of office of non-executive Directors are subject to retirement by rotation in accordance with the above.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of 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"), and considers all of the independent non-executive Directors to be independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

(1) Shares

As at 30 June 2017, none of the Directors and the chief executive, and any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Future Ordinance (the "SFO"), which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(2) Options

The Company operates a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions.

Name of directors	Number of Shares options held	Percentage of Outstanding Options as at 30 June 2017
Mr. Danny Xuda Huang	4,178,000	32.13%
Mr. Nicholas J. Niglio	4,412,000	33.93%
Mr. Lin Chuen Chow, Andy	4,178,000	32.13%

Save as disclosed above, none of the Company's directors and chief executives, or any of their associates, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

On 18 September 2007, an ordinary resolution passed to approve the termination of the Scheme and adoption of a new share option scheme (the "New Scheme"). Upon adoption of the New Scheme, the Scheme was terminated and no further option would be granted.

Unless otherwise cancelled or amended, the New Scheme will remain in force for 10 years from that date and details of movements in the share options of the Company during the year are set out in note 29 to the financial statements.

At 30 June 2016, the total number of shares available for issue under the New Scheme was 17,414,000 shares, representing 2.52% of the number of ordinary shares of the Company in issue as at 30 June 2016. During the year ended 30 June 2016, 164,000,000 options were granted under the New Scheme to eligible participants. In addition, 23,000,000 options granted under the New Scheme were lapsed during the year ended 30 June 2016 because the eligible participant left the Group.

During the year ended 30 June 2017, 4,412,000 options granted under the New Scheme were lapsed because of the resignation of the eligible participant.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES (Continued)

At 30 June 2017 and 2016, the options have exercise prices of HK$0.610 and HK$3.307 under the New Scheme and the Scheme respectively. At 30 June 2017 and 2016, the weighted average remaining contractual life of the options was 8.42 and 9.42 years respectively.

Saves as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

SUBSIDIARIES AND ASSOCIATE

Details of the Company's subsidiaries and associate as at 30 June 2017 are set out in the notes 20 and 21 to financial statements, respectively.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTOR'S SERVICE CONTRACT

There is no service contract with any director which is not determinable by the Company or any of its subsidiaries which one year without payment of compensation, other than normal statutory compensation.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 34 to the financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company or any entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of Directors' remuneration, five highest paid individuals' emoluments and staff costs are set out in note 12 to the financial statements.

MAJOR CUSTOMERS

The percentage of sales for the year attributable to the Group's major suppliers and customers are as follows:

Sales	
– the largest customer	38.60%
– five largest customers in aggregate	99.90%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS AND INTERESTS DISCLOSEABLE UNDER THE SFO

As at 30 June 2017, according to the information available to the Company, the following shareholders were interested in 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

Name of shareholders	Long/short position	Number of ordinary shares held	Percentage of shares held
Mr. Wong Yau Shing	Long	108,000,000	15.60%
Miss Lin Yee Man	Long	205,125,000	29.62%

Save as disclosed above, no person had registered an interest of 5% or more of the share capital of the Company that was required to be recorded under Section 336 of SFO as at 30 June 2017.

MATERIAL RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group are set out in note 34 to financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Details of biographical details of the Company's directors and senior management are set out in section "Biographical Detail of Directors and Senior Management" to this annual report.

RETIREMENT SCHEME

Particulars of the retirement scheme operated by the Group are set out in note 3(r) to the financial statements. In the opinion of the Company's directors, the Group had no significant obligations at 30 June 2017 for long service payment to its employee pursuant to the requirements under the Employment Ordinance.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Company's directors, the Company was in compliance with the provisions of the Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 14 of the Listing Rules throughout the accounting year covered by the financial statements, except for the Code Provisions A.6.7, details of which are set out in the Corporate Governance Report on pages 16 to 26 of this annual report.

The Company has complied with the code of conduct regarding to securities transactions by the Directors on terms no less than exacting than the required standard dealings as set in the Model Code. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding to securities transaction by the directors adopted by the Company. Details of compliance with the Model Code by directors are set out in the Corporate Governance Report on pages 16 to 26 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audit committee, comprising three members, all being independent non-executive directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's financial statements for the year ended 30 June 2017.

AUDITOR

The consolidated financial statements of the Group for the year ended 30 June 2016 were audited by Crowe Horwath (HK) CPA Limited ("Crowe Horwath") who resigned as auditor of the Company with effect from 16 January 2017.

On 16 January 2017, Zhonghui Anda CPA Limited ("Zhonghui") was appointed as new auditor of the Company to fill the casual vacancy following the resignation of Crowe Horwath (HK) and to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements of the Group for the year ended 30 June 2017 were audited by Zhonghui. A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Zhonghui as auditor of the Company.

On Behalf of the Board

Danny Xuda Huang
Chairman

Hong Kong, 29 September 2017

Independent Auditor's Report

TO THE SHAREHOLDERS OF RICH GOLDMAN HOLDINGS LIMITED
(FORMERLY KNOWN AS NEPTUNE GROUP LIMITED)
(Incorporated in Hong Kong with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

QUALIFIED OPINION

We have audited the consolidated financial statements of Rich Goldman Holdings Limited, formerly known as Neptune Group Limited, (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 112, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, 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 the Group's consolidated financial performance and 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 Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Investment in an associate and loss on disposal of an associate

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the assumptions made by the directors in the valuation of the associate's intangible assets as well as the recoverable amount of the associate's trade receivables as at 30 June 2016. There are no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the valuation of the interest in an associate as included in the consolidated statement of financial position as at 30 June 2016 and the Group's share of profit of an associate as included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the above associate on disposal for the year ended 30 June 2017. There are no other satisfactory audit procedures that we could adopt to determine whether the loss on disposal of an associate charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017 is appropriate. However, we are satisfied that the investment in an associate is fairly stated as at 30 June 2017.

BASIS FOR QUALIFIED OPINION (Continued)

2. Intangible assets

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the useful life determination of the intangible assets related to gaming and entertainment business of HK$65,338,000 and HK$571,285,000 as at 30 June 2017 and 2016 respectively. There are no other satisfactory audit procedures that we could adopt to determine whether the carrying amounts of these intangible assets of HK$65,338,000 and HK$571,285,000 as at 30 June 2017 and 2016 respectively are fairly stated, and the accuracy of the impairment loss and amortisation of the intangible assets of HK$450,870,000 and HK$205,416,000 charged for the year ended 30 June 2016 respectively and the accuracy of the impairment loss and amortisation of the intangible assets of HK$397,311,000 and HK$108,636,000 charged for the year ended 30 June 2017 respectively.

Any adjustments to the figures as described above might have a consequential effect on the Group's financial performance and cash flows for the year ended 30 June 2017 and 2016 and the financial position of the Group as at 30 June 2017 and 2016, and the related disclosures thereof in the consolidated financial statements.

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 qualified 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. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matters to be communicated in our report.

Trade debtors

Refer to Note 24 to the consolidated financial statements.

The Group tested the amount of trade debtors included in trade and other receivables for impairment. This impairment test is significant to our audit because the balance of trade debtors of approximately HK$407,978,000 as at 30 June 2017 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Trade debtors (Continued)

Our audit procedures included, among others:

– Assessing the Group's procedures on granting credit limits and credit periods to customers;

– Assessing the Group's relationship and transaction history with the customers;

– Evaluating the Group's impairment assessment;

– Assessing ageing of the debts;

– Assessing creditworthiness of the customers;

– Checking subsequent settlements from the customers;

– Assessing the fair value of the collateralised assets; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade debtors is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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.

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. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/This description forms part of our auditor's report.

REPORT ON OTHER MATTERS UNDER SECTION 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the intangible assets, we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

Zhonghui Anda CPA Limited
Certified Public Accountants

Wan Ho Yuen
Audit Engagement Director
Practising Certificate Number P04309

Hong Kong, 29 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	7	**296,797**	278,651
Cost of services provided		**(204)**	–
Other income	8	**4,898**	8,709
Other net profit/(loss)	9	**10,400**	(39,602)
Reversal of impairment loss/(impairment loss) of trade receivables		**306,279**	(62,997)
Impairment loss of intangible assets		**(397,311)**	(450,870)
Amortisation of intangible assets	18	**(108,636)**	(205,416)
General and administrative expenses		**(13,296)**	(11,317)
Profit/(loss) from operations		**98,927**	(482,842)
Share of (loss)/profit of an associate		**(13)**	16,650
Gain on bargain purchase of acquisition of an associate		**4,327**	–
Loss on disposal of an associate		**(62,855)**	–
Finance costs	10	**(437)**	(507)
Profit/(loss) before taxation		**39,949**	(466,699)
Income tax	13	**–**	–
Profit/(loss) for the year	11	**39,949**	(466,699)
Other comprehensive expense for the year, net of tax:			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale investments		**–**	(39,672)
Reversal of impairment loss on available-for-sale investments		**–**	39,672
		–	–
Other comprehensive expense for the year, net of tax		**–**	–
Total comprehensive income/(expense) for the year		**39,949**	(466,699)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 HK$'000	2016 HK$'000
Profit/(loss) for the year attributable to:			
– Owners of the Company		**(10,153)**	(202,108)
– Non-controlling interests		**50,102**	(264,591)
		39,949	(466,699)
Total comprehensive income/(expense) for the year attributable to:			
– Owners of the Company		**(10,153)**	(202,108)
– Non-controlling interests		**50,102**	(264,591)
		39,949	(466,699)
		HK$	HK$
Loss per share	15		
– Basic and diluted		**(0.01)**	(0.43)

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**70,573**	403
Investment property	17	**–**	60,000
Intangible assets	18	**73,838**	571,285
Goodwill	19	**2,644**	–
Investment in an associate	21	**81,116**	72,855
Deferred tax assets	22	**426**	–
Available-for-sale investments	23	**–**	–
		228,597	704,543
CURRENT ASSETS			
Trade and other receivables	24	**410,561**	625,340
Loan receivables	25	**65,000**	–
Derivative financial instruments	26	**–**	–
Amount due from an associate	21	**110,485**	245
Cash and cash equivalents		**594,302**	148,562
		1,180,348	774,147
CURRENT LIABILITIES			
Other payables		**9,920**	10,590
Bank borrowing	27	**14,009**	16,448
		23,929	27,038
NET CURRENT ASSETS		**1,156,419**	747,109
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,385,016**	1,451,652
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	**1,403**	–
		1,403	–
NET ASSETS		**1,383,613**	1,451,652

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 HK$'000	2016 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**1,171,921**	1,171,921
Other reserves		**(119,955)**	(109,802)
Equity attributable to owners of the Company		**1,051,966**	1,062,119
Non-controlling interests		**331,647**	389,533
TOTAL EQUITY		**1,383,613**	1,451,652

The consolidated financial statements on pages 44 to 112 were approved and authorised for issue by the board of directors on 29 September 2017 and are signed on its behalf by:

Approved by:

Danny Xuda Huang
Director

Lin Chuen Chow, Andy
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Attributable to owners of the Company									
	Share capital HK$'000	Property revaluation reserve* HK$'000	Investment revaluation reserve* HK$'000	Non-distributable reserve* HK$'000	Share options reserve* HK$'000	Other reserve* HK$'000	Retained profits/ (accumulated losses)* HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2015	1,077,853	5,922	–	2,264	2,405	(51,221)	127,684	1,164,907	654,124	1,819,031
Loss for the year	–	–	–	–	–	–	(202,108)	(202,108)	(264,591)	(466,699)
Change in fair value of available-for-sale investments	–	–	(39,672)	–	–	–	–	(39,672)	–	(39,672)
Impairment loss on available-for-sale investments	–	–	39,672	–	–	–	–	39,672	–	39,672
Total comprehensive expense for the year	–	–	–	–	–	–	(202,108)	(202,108)	(264,591)	(466,699)
Transfer to retained profits upon lapse of share options	–	–	–	–	(1,524)	–	1,524	–	–	–
Shares issued under open offer (note 28)	96,941	–	–	–	–	–	–	96,941	–	96,941
Transaction costs attributable to issue of new ordinary shares from open offer (note 28)	(2,873)	–	–	–	–	–	–	(2,873)	–	(2,873)
Recognition of equity-settled share-based compensations: share options (note 29)	–	–	–	–	5,252	–	–	5,252	–	5,252
At 30 June 2016	1,171,921	5,922	–	2,264	6,133	(51,221)	(72,900)	1,062,119	389,533	1,451,652
At 1 July 2016	1,171,921	5,922	–	2,264	6,133	(51,221)	(72,900)	1,062,119	389,533	1,451,652
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(10,153)**	**(10,153)**	**50,102**	**39,949**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(10,153)**	**(10,153)**	**50,102**	**39,949**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(107,988)**	**(107,988)**
Transfer to retained profits upon lapse of share options	**–**	**–**	**–**	**–**	**(1,899)**	**–**	**1,899**	**–**	**–**	**–**
At 30 June 2017	**1,171,921**	**5,922**	**–**	**2,264**	**4,234**	**(51,221)**	**(81,154)**	**1,051,966**	**331,647**	**1,383,613**

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000
Profit/(loss) before taxation	**39,949**	(466,699)
Adjustments for:		
Finance costs	**437**	507
Depreciation of property, plant and equipment	**725**	240
Equity-settled share-based payments	**–**	5,252
Amortisation of intangible assets	**108,636**	205,416
Fair value changes on derivative financial instruments	**–**	67
Fair value changes on an investment property	**(10,400)**	(137)
Gain on bargain purchase of acquisition of an associate	**(4,327)**	–
Loss on disposal of an associate	**62,855**	–
Share of loss/(profit) of an associate	**13**	(16,650)
Interest income on bank deposits	**(665)**	(512)
Interest income on loan receivables	**(2,829)**	(6,517)
(Reversal of impairment loss)/impairment loss of trade receivables	**(306,279)**	62,997
Impairment loss of available-for-sale investments	**–**	39,672
Impairment loss of intangible assets	**397,311**	450,870
Operating cash flows before movements in working capital	**285,426**	274,506
Change in trade and other receivables	**525,940**	(275,822)
Change in loan receivables	**(65,000)**	–
Change in other payables	**(4,113)**	560
Net cash generated from/(used in) operating activities	**742,253**	(756)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**665**	512
Loans interest received	**–**	82
Dividends paid to non-controlling interests	**(107,988)**	–
Acquisition of a subsidiary	**(9,272)**	–
Acquisition of an associate	**(187,287)**	–
Proceeds from disposal of an associate	**10,000**	–
Purchase of investment properties	**–**	(663)
Advance from/(to) an associate	**245**	(12)
Net cash flows used in investing activities	**(293,637)**	(81)

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new ordinary shares under open offer	**–**	96,941
Payment for transaction costs attributable to issue of new ordinary shares from open offer	**–**	(2,873)
Repayment of bank borrowing	**(2,439)**	(2,369)
Interest on bank borrowing	**(437)**	(507)
Net cash flows (used in)/generated from financing activities	**(2,876)**	91,192
NET INCREASE IN CASH AND CASH EQUIVALENTS	**445,740**	90,355
Cash and cash equivalents at beginning of year	**148,562**	58,207
Cash and cash equivalents at end of year	**594,302**	148,562
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**594,302**	148,562

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

1. GENERAL INFORMATION

Rich Goldman Holdings Limited, formerly known as Neptune Group Limited, is a public company incorporated in Hong Kong with limited liability and its shares are listed on 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 of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statement.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 July 2016. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale investments and derivative financial instruments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company' s share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at their acquisition-date fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates (Continued)

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's presentation currency and functional currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Land and buildings	25 years
Leasehold improvement and decoration	4-5 years
Furniture, fixtures and equipment	5 years
Computer equipment	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Investment properties

Investment properties are buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an investment property becomes owner-occupied or a property held for sale, it is reclassified as property, plant and equipment or properties held for sale as appropriate, and its fair value at the date of reclassification becomes its cost for accounting purposes.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(g) Operating leases

The Group as leasee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as leasor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

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

Both the period and method of amortisation are reviewed annually.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(j) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Investments (Continued)

Available-for-sale financial assets (Continued)

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair value cannot be reliably measured, or on derivative assets that are linked to and must be settled by delivery of such unquoted equity instruments are not reversed.

(k) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Interest income from a financial asset 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.

(ii) Services income is recognised when the services have been provided to the customers.

(iii) Dividend income from investments is recognised when the Group's right to receive payment has been established.

(iv) Rental income is recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(s) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(v) Related parties

A related party is a person or entity that is related to the Group.

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties (Continued)

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment properties, deferred tax assets, investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(y) Provisions and contingent liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(a) Determining that certain investees are subsidiaries with less than 50% of the equity interest are owned by the Group

For Base Move Investments Limited

Although the Group owns less than 50% of the equity interest in Base Move Investments Limited ("Base Move"), Base Move Investments Limited is treated as a subsidiary because the directors consider that the Group has de facto control of Base Move, because they have two out of three directors in the board of directors.

For Essence Gold Investment Limited

Although the Group owns less than 50% of the equity interest in Essence Gold Investment Limited ("Essence Gold"), Essence Gold Investments Limited is treated as a subsidiary because the directors consider that the Group has de facto control of Essence Gold, because they have two out of three directors in the board of directors.

Key sources of estimation uncertainty

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

(a) Impairment of trade debtors

Impairment of trade debtors is made based on an assessment of the recoverability of trade debtors. The assessment of impairment of trade debtors involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of trade debtors and thus the impairment loss in the period in which such estimate is changed.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment of intangible assets

In accordance with HKAS 36 "Impairment of Assets" and the relevant accounting policy stated in note 3, the Group is required to test each of intangible assets for impairment by comparing its recoverable amount with its carrying amount annually, whether there is any indication that such asset may be impaired. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of its fair value less costs of disposal and value in use. In determining the recoverable amount, significant judgements are required and the Group uses all readily available information, including estimates based on reasonable and supportable assumptions, projections of sale volume and operating costs or other market data, to arrive at an amount that is a reasonable approximation of recoverable amount. Any adverse changes in the assumptions used in determining the recoverable amount would cause the carrying amount of the asset to be significantly different from the recoverable amount. Details of the impairment assessment of intangible asset are set out in note 18.

(c) Estimation of useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 30 June 2017, the carrying amount of goodwill is HK$2,644,000, and no impairment has been made. Details of the recoverable amount calculation are disclosed in note 19.

(e) Fair values of investment properties

The Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include debtors, amount due from an associate, bank balances and cash, creditors, and bank borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

The Group was exposed to fair value interest rate risk in relation to bank borrowing and loan receivables. The management continuously monitors interest rate exposure. The bank borrowing and loan receivables bears interests at variable rate.

At 30 June 2017, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$510,000 lower (2016: HK$164,000 higher), arising mainly as a result of lower net interest income on the bank borrowing and loan receivables. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$510,000 higher (2016: HK$164,000 lower), arising mainly as a result of higher net interest income on the bank borrowing and loan receivables.

(c) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

The credit risk on cash and bank balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At 30 June 2017, 59.9% (2016: 37.9%) and 99.9% (2016: 100%) of the total trade receivables was due from the Group's largest customer and the three largest customers, respectively, within the gaming and entertainment segment.

(d) Liquidity risk

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

The following table details the Group's remaining contractual maturity for its 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. The table includes both interest and principal cash flows.

	Effective interest rate %	Repayable on demand or within 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
At 30 June 2017							
Bank borrowing	**2.85%**	**2,876**	**2,876**	**8,628**	**720**	**15,100**	**14,009**
Other payables		**8,328**	**–**	**–**	**–**	**8,328**	**8,328**
		11,204	**2,876**	**8,628**	**720**	**23,428**	**22,337**

	Effective interest rate %	Repayable on demand or within 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
At 30 June 2016							
Bank borrowing	2.85%	2,876	2,876	8,628	3,596	17,976	16,448
Other payables		8,998	–	–	–	8,998	8,998
		11,874	2,876	8,628	3,596	26,974	25,446

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets:		
Available-for-sale investments	–	–
Loans and receivables (including cash and cash equivalents)	1,180,198	772,651
	1,180,198	772,651
Financial liabilities:		
Financial liabilities at amortised cost	22,337	25,446
	22,337	25,446

6. FAIR VALUE MEASUREMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy:

Description	**Fair value measurements using:**			**Total**
	Level 1	**Level 2**	**Level 3**	**At 30 June 2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements:				
Available-for-sale financial assets				
Private equity investments	–	–	–	–
Investment properties				
Commercial – Hong Kong	–	–	–	–
Total recurring fair value measurements	–	–	–	–

Description	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	At 30 June 2016
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Derivatives financial instruments	–	–	–	–
Available-for-sale financial assets				
Private equity investments	–	–	–	–
Investment properties				
Commercial – Hong Kong	–	–	60,000	60,000
Total recurring fair value measurements	–	–	60,000	60,000

There were no transfers between Level 1, 2 and 3 fair value measurements in both years.

6. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**		
	Derivative HK$'000	**Equity investments HK$'000**	**Investment properties HK$'000**	**Total HK$'000**
At 1 July 2016	**–**	**–**	**60,000**	**60,000**
Total gains or losses recognised in profit or loss [#]	**–**	**–**	**10,400**	**10,400**
Transfer to property, plant and equipment	**–**	**–**	**(70,400)**	**(70,400)**
At 30 June 2017	**–**	**–**	**–**	**–**
[#] Include gains or losses for assets held at end of reporting period	**–**	**–**	**10,400**	**10,400**

Description	Financial assets at fair value through profit or loss	Available-for-sale financial assets		
	Derivative HK$'000	Equity investments HK$'000	Investment properties HK$'000	Total HK$'000
At 1 July 2015	67	39,672	59,200	98,939
Additions	–	–	663	663
Total gains or losses recognised in profit or loss [#]	(67)	(39,672)	137	(39,602)
At 30 June 2016	–	–	60,000	60,000
[#] Include gains or losses for assets held at end of reporting period	(67)	(39,672)	137	(39,602)

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

6. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2017:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly:

– Price per square meter (using market direct comparable and taking into account of location and other individual factors, such as road, frontage, size of property etc.)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value At 30 June 2017 HK$'000
Available-for-sale investments	Income approach with reference to the recoverable amount of the intangible assets of investees	Discount rate	16.85%	Increase	–

6. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2017: (Continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value At 30 June 2016 HK$'000
Financial assets at fair value through profit or loss	Black Scholes Option Pricing Model	Expected volatility of underlying share price	35.2 – 43.5%	Increase	–
Available-for-sale investments	Income approach with reference to the recoverable amount of the intangible assets of investees	Discount rate	21.72%	Increase	–
Investment property – Commercial – Hong Kong	Market comparison approach	(Discount)/ premium to transaction price by reflecting age, location, size and direction of the property	(5.22)% to 13.26%	Increase	60,000

During the two years, there were no changes in the valuation techniques used.

7. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group's operating divisions are as follows:

(1) To introduce customers to respective casino's VIP rooms in Macau and receiving the profit streams from junket businesses at respective casino's VIP rooms in Macau (the "Gaming and Entertainment Business").

(2) Money Lending Business

(3) Hotel Operation

(a) Segment revenue and results

An analysis of the Group's revenue, which represents services provided, and results by reportable and operating segments is as follows:

	Gaming and Entertainment Business HK$'000	Money Lending Business HK$'000	Hotel Operation HK$'000	Total HK$'000
Year ended 30 June 2017				
TURNOVER	295,459	1,102	236	296,797
SEGMENT RESULTS	98,539	904	(9)	99,434
Interest income				641
Other material items of income:				
– Rental income				1,400
Unallocated expenses				(2,561)
Gain on bargain purchase of acquisition of an associate				4,327
Loss on disposal of an associate				(62,855)
Finance costs				(437)
Profit before taxation				39,949

7. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

	Gaming and Entertainment Business HK$'000	Total HK$'000
Year ended 30 June 2016		
TURNOVER	278,651	278,651
SEGMENT RESULTS	(434,318)	(434,318)
Interest income		512
Other material items of income:		
– Rental income		1,680
Unallocated expenses		(11,044)
Impairment loss of available-for-sale investments		(39,672)
Share of profit of an associate		16,650
Finance costs		(507)
Loss before taxation		(466,699)

(b) Segment assets and liabilities

An analysis of the Group's assets and liabilities by reportable and operating segments is as follows:

	Gaming and Entertainment Business HK$'000	**Money Lending Business HK$'000**	**Hotel Operation HK$'000**	**Total HK$'000**
As at 30 June 2017				
ASSETS				
Segment assets	**720,683**	**80,952**	**18,627**	**820,262**
Investment in an associate				**81,116**
Unallocated corporate assets				**507,567**
Consolidated total assets				**1,408,945**
LIABILITIES				
Segment liabilities	**(111)**	**(42)**	**(3,636)**	**(3,789)**
Unallocated corporate liabilities				**(21,543)**
Consolidated total liabilities				**(25,332)**

7. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

	Gaming and Entertainment Business HK$'000	Total HK$'000
As at 30 June 2016		
ASSETS		
Segment assets	1,208,595	1,208,595
Interest in associates		72,855
Unallocated corporate assets		197,240
Consolidated total assets		1,478,690
LIABILITIES		
Segment liabilities	(92)	(92)
Unallocated corporate liabilities		(26,946)
Consolidated total liabilities		(27,038)

Unallocated corporate assets mainly represent property, plant and equipment, investment property, deferred tax assets, and bank balances and cash.

Unallocated corporate liabilities mainly represent bank borrowing and deferred tax liabilities.

7. SEGMENT INFORMATION (Continued)

(c) Other segment information

	Gaming and Entertainment Business HK$'000	Money Lending Business HK$'000	Hotel Operation HK$'000	Total HK$'000
Amounts included in the measurement of segment results or segment assets:				
Year ended 30 June 2017				
Additions of property, plant and equipment arising from acquisition of a subsidiary	**–**	**–**	**495**	**495**
Reversal of impairment of trade receivables	**306,279**	**–**	**–**	**306,279**

	Gaming and Entertainment Business HK$'000	Total HK$'000
Amounts included in the measurement of segment results or segment assets:		
Year ended 30 June 2016		
Impairment of trade receivables	62,997	62,997

7. SEGMENT INFORMATION (Continued)

(d) Geographical segments

The Group's business operates in two principal geographical areas – (i) Hong Kong and (ii) Macau (place of domicile). In presenting information on the basis of geographical locations, revenue is based on the location of customers.

The Group's non-current assets include property, plant and equipment, investment property, intangible assets, goodwill and interest in an associate. The geographical locations of property, plant and equipment and investment property are based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, it is based on the location of the operation to which they are allocated. In the case of interest in an associate, it is the location of operation of the associate.

	Revenue from external customers Year ended 30 June		Non-current assets (note) As at 30 June	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Hong Kong	**1,338**	–	**162,833**	60,403
Macau	**295,459**	278,651	**65,338**	644,140
	296,797	278,651	**228,171**	704,543

Note: Non-current assets excluded deferred tax assets.

(e) Information about major customers

Revenue from customers contributing 5% or more of the total revenue of the Group are as follows:

	Segment	Note	**2017 HK$'000**	2016 HK$'000
Customer A	Gaming and Entertainment Business	(i)	**94,439**	91,058
Customer B	Gaming and Entertainment Business	(ii)	**114,570**	72,512
Customer C	Gaming and Entertainment Business	(iii)	**86,450**	100,846
Customer D	Gaming and Entertainment Business	(iv), (v)	**N/A**	14,235

Note:

(i) Customer A is an entity owned by a shareholder of a non-controlling interest of a subsidiary.

(ii) Customer B is an entity owned by a shareholder of a non-controlling interest of another subsidiary.

(iii) Customer C is an entity owned by a shareholder of a substantial shareholder of the Company.

(iv) Customer D is an entity owned by a shareholder of another substantial shareholder of the Company.

(v) The corresponding revenue did not contribute over 5% of the total sales of the Group in 2017.

8. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Rental income	**1,400**	1,680
Bank interest income	**665**	512
Interest income on short term loan receivables:		
– non-controlling interests of subsidiaries of the Company	**2,829**	6,517
Others	**4**	–
	4,898	8,709

9. OTHER NET PROFIT/(LOSS)

	2017 HK$'000	2016 HK$'000
Fair value change on an investment property	**10,400**	137
Fair value change on derivative financial instruments	**–**	(67)
Impairment loss of available-for-sale investments	**–**	(39,672)
	10,400	(39,602)

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest expenses on:		
– Bank borrowing	**437**	507
	437	507

11. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is arrived at after charging/(crediting):

	2017 HK$'000	2016 HK$'000
Staff costs (including directors' remuneration):		
Wages and salaries	**3,256**	2,789
Pension scheme contributions		
– Defined contribution scheme	**98**	81
Share-based payments	**–**	5,252
	3,354	8,122
Auditors' remuneration	**800**	670
Depreciation of property, plant and equipment	**725**	240
Amortisation of intangible assets	**108,636**	205,416
Impairment loss of intangible assets	**397,311**	450,870
(Reversal of impairment of)/impairment of trade receivables	**(306,279)**	62,997
Share of loss/(profit) of an associate	**13**	(16,650)
Operating lease charges	**695**	657

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

(a) Directors and chief executive

		Year ended 30 June 2017				
	Notes	Fees HK$'000	Salaries and other short term employee benefits HK$'000	Share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:						
Mr. Danny Xuda Huang		–	624	–	18	642
Mr. Chan Shiu Kwong, Stephen	(i)	–	401	–	11	412
Mr. Nicholas J. Niglio	(ii)	–	465	–	–	465
Mr. Lin Chuen Chow, Andy		–	455	–	18	473
Independent non-executive directors:						
Mr. Yue Fu Wing		60	–	–	–	60
Mr. Cheung Yat Hung, Alton		60	–	–	–	60
Mr. Chow Chung Lam, Louis	(iii)	15	–	–	–	15
Ms. Yeung Hoi Ching	(iv)	15	–	–	–	15
		150	1,945	–	47	2,142

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

(a) Directors and chief executive (Continued)

		Year ended 30 June 2016				
	Notes	Fees HK$'000	Salaries and other short term employee benefits HK$'000	Share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:						
Mr. Danny Xuda Huang		–	624	1,313	18	1,955
Mr. Chan Shiu Kwong, Stephen	(i)	–	557	1,313	18	1,888
Mr. Nicholas J. Niglio	(ii)	–	458	1,313	–	1,771
Mr. Lin Chuen Chow, Andy		–	391	1,313	18	1,722
Independent non-executive directors:						
Mr. Yue Fu Wing		60	–	–	–	60
Mr. Cheung Yat Hung, Alton		60	–	–	–	60
Mr. Chow Chung Lam, Louis	(iii)	20	–	–	–	20
		140	2,030	5,252	54	7,476

Notes:

(i) Resigned on 31 January 2017

(ii) Mr. Nicholas J. Niglio is the chief executive of the Company. In addition, Mr. Nicholas J. Niglio reached the age of 65 in November 2011 and no mandatory provident fund was required to contribute by the Group thereafter.

(iii) Resigned on 1 April 2017

(iv) Appointed on 1 April 2017

No performance related incentive payments were paid to the directors of the Company for both years.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive directors shown above were mainly for their services as directors of the Company or its subsidiaries. The emoluments of the independent non-executive directors shown above were mainly for their services as directors of the Company. The emoluments of the Directors are determined by the remuneration committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions.

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (Continued)

(a) Directors and chief executive (Continued)

During the years ended 30 June 2017 and 2016, no director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments for both years.

(b) Five highest paid individual emoluments

The five highest paid individuals of the Group included four (2016: four) directors, details of whose remuneration are set out above. The emoluments of the remaining one (2016: one) of highest paid employees are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other short term employee benefits	**299**	239
Retirement benefits scheme contributions	**12**	12
	311	251

Emoluments of these employees were within the following bands:

	Number of employees	
	2017	2016
Emolument		
Nil – HK$1,000,000	**1**	1
	1	1

13. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for both years.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to tax in the British Virgin Islands.

The Group's entities operating in Macau receiving profit streams from gaming and entertainment related business are not subject to Macau Complimentary tax because the gaming revenue is received net of taxes collected by the Macau SAR paid directly by the casino operators on a monthly basis. No provision for Macau Complimentary tax has been made.

Taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	HK$'000
Profit/(loss) before taxation	**39,949**	(466,699)
Tax calculated at the domestic tax rate of 16.5% (2016: 16.5%)	**6,592**	(77,005)
Tax effect of expenses not deductible for taxation purposes	**79,085**	105,435
Tax effect of revenue not taxable for taxation purposes	**(58,524)**	(48,584)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(27,203)**	19,541
Tax effect of tax losses not recognised	**144**	613
Utilisation of tax losses previously not recognised	**(94)**	–
Taxation for the year	**–**	–

14. DIVIDENDS

The Directors do not recommend the payment of any dividend for each of the years ended 30 June 2017 and 2016.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

15. LOSS PER SHARE

Basic loss per share

The calculation of basic loss (2016: loss) per share attributable to owners of the Company is based on the loss (2016: loss) for the year attributable to owners of the Company of HK$10,153,000 (2016: HK$202,108,000) and the weighted average number of 692,437,000 (2016: 469,845,000) ordinary shares in issue during the year.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the year ended 30 June 2017 and 2016.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvement and decoration HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Total HK$'000
COST:					
At 1 July 2015 and 30 June 2016	–	115	1,159	435	1,709
Transfer from investment property	70,400	–	–	–	70,400
Acquisition of a subsidiary (note 30)	–	369	126	–	495
At 30 June 2017	70,400	484	1,285	435	72,604
ACCUMULATED DEPRECIATION AND IMPAIRMENT:					
At 1 July 2015	–	42	687	337	1,066
Charge for the year	–	5	193	42	240
At 30 June 2016 and 1 July 2016	–	47	880	379	1,306
Charge for the year	470	17	196	42	725
At 30 June 2017	470	64	1,076	421	2,031
CARRYING AMOUNT:					
At 30 June 2017	69,930	420	209	14	70,573
At 30 June 2016	–	68	279	56	403

As 30 June 2017, the Group has pledged the building with carrying amount of HK$69,930,000 to secure the bank loans and general banking facilities granted to the Group.

17. INVESTMENT PROPERTY

	Building	Total
	HK$'000	HK$'000
FAIR VALUE:		
At 1 July 2015	59,200	59,200
Additions	663	663
Increase in fair value	137	137
At 30 June 2016 and 1 July 2016	60,000	60,000
Increase in fair value	10,400	10,400
Transfer to property, plant and equipment	(70,400)	(70,400)
At 30 June 2017	–	–

At 30 June 2016, the investment property is situated in the Hong Kong.

As 30 June 2016, the Group has pledged the building with fair value of HK$60,000,000 to secure the bank loans and general banking facilities granted to the Group.

Investment property was revalued at 30 June 2016 on the open market value basis by reference to market evidence of recent transactions for similar properties by Roma Appraisals Limited, an independent firm of professional valuer not connected with the Group, who have among their staff members of the Hong Kong Institute of Surveyors and with recent experience in the location and category of property being valued.

As at 30 April 2017, the Company has changed the usage of the investment property to owner-occupied, it was reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. The investment property was revalued on the open market value basis by reference to market evidence of recent transactions for similar properties by Roma Appraisals Limited, an independent firm of professional valuer not connected with the Group, who have among their staff members of the Hong Kong Institute of Surveyors and with recent experience in the location and category of property being valued.

18. INTANGIBLE ASSETS

	Gaming and Entertainment Business				Hotel Operation	
	Hou Wan Profit Agreement	**Neptune Ouro Profit Agreement**	**Hao Cai Profit Agreement**	**Hoi Long Profit Agreement**	**Lease benefit**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST:						
At 1 July 2015, 30 June 2016 and 1 July 2016	567,793	405,000	1,215,000	562,000	–	2,749,793
Acquisition of a subsidiary (note 30)	–	–	–	–	8,500	8,500
At 30 June 2017	**567,793**	**405,000**	**1,215,000**	**562,000**	**8,500**	**2,758,293**
ACCUMULATED AMORTISATION AND IMPAIRMENT:						
At 1 July 2015	241,675	289,401	873,194	117,952	–	1,522,222
Provided during the year	46,588	16,514	48,830	93,484	–	205,416
Impairment loss	96,082	71,593	66,852	216,343	–	450,870
At 30 June 2016 and 1 July 2016	384,345	377,508	988,876	427,779	–	2,178,508
Provided during the year	30,575	4,582	37,687	35,792	–	108,636
Impairment loss	142,535	22,910	188,437	43,429	–	397,311
At 30 June 2017	**557,455**	**405,000**	**1,215,000**	**507,000**	**–**	**2,684,455**
CARRYING AMOUNT:						
At 30 June 2017	**10,338**	**–**	**–**	**55,000**	**8,500**	**73,838**
At 30 June 2016	183,448	27,492	226,124	134,221	–	571,285

Gaming and Entertainment Business

Prior to 1 July 2015, the directors considered that the useful life of the Group's intangible assets which represented the rights in sharing of profit streams from junket businesses at the respective casinos' VIP rooms in Macau was indefinite because the directors expected that the intangible assets could contribute cash flows to the Group indefinitely.

18. INTANGIBLE ASSETS (Continued)

Gaming and Entertainment Business (Continued)

From time to time, the directors reviewed the useful life of intangible assets. Since the termination of the Lucky Star Profit Agreement on 1 July 2015, the directors reassessed the useful life of the remaining profit sharing agreements. When assessing the useful life of the intangible assets, the directors have taken into account the prolonged difficult business environment of the gaming industry, particularly the VIP room operations, the shifting of focus to tourists and recreational players in the gaming industry in Macau as well as the uncertainty of the outcome of the renewal of the relevant gaming concession contracts by the Macau government. After the assessment, the directors considered that the useful life of the intangible assets is estimated to be in the range of 5 to 7 years. As such, an amortisation of intangible assets was provided over the estimated useful life of 5 to 7 years starting from 1 July 2015.

The recoverable amount of the intangible assets with definite useful life is determined based on value-in-use calculations by reference to the valuation report issued by Ascent Partners Valuation Services Limited, an independent qualified professional valuer. These calculations use cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period. Cash flows beyond the five year period are extrapolated using zero growth rate, which does not exceed the long-term average growth rate for gaming and entertainment industry. The cash flows are discounted using a discount rate of 21.72%. The discount rate used is pre-tax and reflects specific risks relating to the gaming and entertainment segment. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which have included budgeted revenue from sharing of profit streams from respective junket businesses, and such estimation is based on the past performance and management's expectation for the market development. During the year ended 30 June 2016, an impairment loss of HK$450,870,000 was recognised in respect of the Group's Gaming and Entertainment Business. The main factors contributing to the impairment were (i) the increase in discount rate and; (ii) the decrease in profit forecasts of Gaming and Entertainment Business estimated by the directors of the Company. In the opinion of the directors of the Company, the impact of softening of marco– economic condition in China and fewer high net-worth people going to Macau for gaming were the main factors leading to the decrease in profit forecasts of Gaming and Entertainment Business, in addition to the termination Lucky Star Profit Agreement.

Hao Cai and Neptune Ouro Profit Agreements were terminated with effect on 30 June 2017 and accordingly, an impairment loss of intangible assets of approximately HK$211,347,000 was charged for the year ended 30 June 2017.

Hou Wan Profit Agreement was terminated with effect on 30 August 2017 and the carrying amount of such profit agreement was the total rolling income for two months ended 30 August 2017 of approximately HK$10,338,000. An impairment loss of intangible assets of approximately HK$142,535,000 was therefore charged for the year ended 30 June 2017.

Due to the termination of Hao Cai, Neptune Ouro and Hou Wan Profit Agreements, the directors reassessed the useful life of Hoi Long Profit Agreement. After the assessment, the directors considered that the useful life is estimated to be 10 months ended 28 April 2018.

The recoverable amount of Hoi Long Profit Agreement is determined based on value-in-use calculations by reference to the valuation report issued by Ascent Partners Valuation Services Limited, an independent qualified professional valuer. These calculations use cash flow projections based on financial budgets approved by the directors of the Company covering a 10-month period. The cash flows are discounted using a discount rate of 16.85%. The discount rate used is pre-tax and reflects specific risks relating to the gaming and entertainment segment. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which have included budgeted revenue from sharing of profit streams from respective junket businesses, and such estimation is based on the past performance and management's expectation for the market development. As at 30 June 2017, the recoverable amount of Hoi Long Profit Agreement was HK$55,000,000 and an impairment loss of HK$43,429,000 was charged for the year ended 30 June 2017.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

18. INTANGIBLE ASSETS (Continued)

Hotel Operation

On 26 June 2017, Harbour Bay Hotels Limited ("Harbour Bay") entered into a deed of lease and a supplemental deed of lease with 5-year lease term ending on 30 April 2022 with Ever Praise Enterprises Limited ("Ever Praise"). On 26 June 2017, the Group acquired 100% entire equity interest in Harbour Bay and 30% entire equity interest in Ever Praise. A lease benefit relates to the favourable aspect of the 5-year lease was identified as intangible asset with a definite useful life of 5 years ending on 30 April 2022. The fair value of the lease benefit was initially valued by income approach with a discount rate of 9.01%.

As at 30 June 2017, there is no impairment indication and no impairment loss was provided for the year ended 30 June 2017.

19. GOODWILL

	Hotel Operation HK$'000	Total HK$'000
COST:		
At 1 July 2015, 30 June 2016 and 1 July 2016	–	–
Acquisition of a subsidiary (note 30)	2,644	2,644
At 30 June 2017	2,644	2,644
CARRYING VALUE:		
At 30 June 2017	2,644	2,644
At 30 June 2016	–	–

Notes:

The amount of goodwill is allocated to the cash-generating units within the Hotel Operation segment. Goodwill is tested for impairment by the management by estimating the recoverable amount of these cash-generating units based on value in use calculations.

As at 30 June 2017, the value in use calculations were based on the financial budgets approved by the management covering 5 years plus an extrapolated cash flow projections applying a steady growth rate at approximately 3% subsequent to this 5-year plan. Key assumptions used by the management in the value in use calculations of these cash-generating units include budgeted gross profit margin. The pre-tax discount rate used to reflect the specific risks relating to the cash-generating units and applied to the cash flow projections was 9.01%.

The assumptions have been determined based on past performance and management's expectations in respect of hotel market in the Hong Kong. The management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

20. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2017 are as follows:

Company name	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			Direct	Indirect	
Base Move	British Virgin Islands ("BVI")/Macau	US$100	–	30% (note i)	Receive profit streams from gaming and entertainment related business
Essence Gold	BVI/Macau	US$100	–	20% (note ii)	Receive profit streams from gaming and entertainment related business
Essence Gold Investment (Macau) Limited	Macau	MOP$25,000	–	20% (note ii)	Receive trade debt from Group's customer and remit cash to Group's entities
Profit Forest Limited	BVI/Macau	US$100	–	85%	Receive profit streams from gaming and entertainment related business
Profit Forest (Macau) Limited	Macau	MOP$25,000	–	85%	Receive trade debt from Group's customer and remit cash to Group's entities
Sky Advantage Limited	BVI/Macau	US$100	–	85%	Inactive
Top Vast Finance Limited	Hong Kong	HK$1	–	100%	Money lending
Harbour Bay	Hong Kong	HK$10	–	100%	Operation of a hotel

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

20. PRINCIPAL SUBSIDIARIES (Continued)

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

	2017			
	Base Move and its subsidiary HK$'000	Essence Gold and its subsidiary HK$'000	Profit Forest and its subsidiary HK$'000	Sky Advantage Limited HK$'000
Principal place of business/country of incorporation	Macau/BVI	Macau/BVI	Macau/BVI	Macau/BVI
% of ownership interests/voting rights held by NCI	70%/33%	80%/33%	15%/15%	15%/15%
At 30 June:				
Non-current assets	10,338	55,000	–	–
Current assets	264,571	187,676	450,449	49,983
Current liabilities	(85,066)	(59,367)	(153,025)	(9)
Net assets	189,843	183,309	297,424	49,974
Accumulated NCI	132,890	146,647	44,614	7,496
Year ended 30 June:				
Revenue	114,570	94,439	86,450	–
Other income and expenses	(108,277)	(45,424)	(15,699)	(27,520)
Profit/(loss) for the year	6,293	49,015	70,751	(27,520)
Total comprehensive income/(loss) for the year	6,293	49,015	70,751	(27,520)
Profit/(loss) allocated to NCI	4,405	39,212	10,613	(4,128)
Dividends paid to NCI	39,299	68,689	–	–
Net cash generated from/(used in) operating activities	226,995	247,784	253,559	(28)
Net cash generated from investing activities	403,700	45,637	25,724	272,808
Net cash used in financing activities	(545,655)	(235,292)	(178,359)	(272,780)
Net increase in cash and cash equivalents	85,040	58,129	100,924	–

20. PRINCIPAL SUBSIDIARIES (Continued)

	2016			
	Base Move and its subsidiary HK$'000	Essence Gold and its subsidiary HK$'000	Profit Forest and its s ubsidiary HK$'000	Sky Advantage Limited HK$'000
Principal place of business/country of incorporation	Macau/BVI	Macau/BVI	Macau/BVI	Macau/BVI
% of ownership interests/voting rights held by NCI	70%/33%	80%/33%	15%/15%	15%/15%
At 30 June:				
Non-current assets	183,448	134,221	226,124	27,492
Current assets	702,593	579,733	958,510	322,790
Current liabilities	(646,349)	(493,799)	(957,961)	(272,787)
Net assets	239,692	220,155	226,673	77,495
Accumulated NCI	167,784	176,124	34,001	11,624
Year ended 30 June:				
Revenue	72,512	91,058	100,846	14,235
Other income and expenses	(131,232)	(348,300)	(193,893)	(39,139)
Loss for the year	(58,720)	(257,242)	(93,047)	(24,904)
Total comprehensive loss for the year	(58,720)	(257,242)	(93,047)	(24,904)
Profit allocated to NCI	(41,104)	(205,794)	(13,957)	(3,736)
Dividends paid to NCI	–	–	–	–
Net cash generated from/(used in) operating activities	(17)	983	(92,481)	94,463
Net cash generated from/(used in) investing activities	17	–	5	(94,463)
Net cash generated from financing activities	–	17	94,475	–
Net increase in cash and cash equivalents	–	1,000	1,999	–

20. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(i) Base Move was consolidated as a subsidiary in accordance with HKFRS 10 "Consolidated Financial Statements". As the Group held 30% equity interests in Base Move as at 30 June 2017 and 2016, 70% of the post-acquisition results and net assets of Base Move were allocated to non-controlling interests.

(ii) Essence Gold was consolidated as a subsidiary in accordance with HKFRS 10 "Consolidated Financial Statements". As the Group held 20% equity interests in Essence Gold as at 30 June 2017 and 2016, 80% of the post-acquisition results and net assets of Essence Gold were allocated to non-controlling interests.

21. INVESTMENT IN AN ASSOCIATE

	2017 **HK$'000**	2016 HK$'000
Share of net assets	**81,116**	72,855
Amount due from an associate	**110,485**	245
	191,601	73,100

As at 30 June 2017 and 2016, the Group carried out reviews of the recoverable amount of investment in an associate. The recoverable amount has been determined based on the share of net asset value of the associate as at 30 June 2017 and 2016. No impairment loss has been recognised for the year ended 30 June 2017 and 2016 as a result of the impairment test.

Details of the Group's associate are as follows:

Name of associate	Form of business structure	Place of registration/ operations	Nominal value of registered capital	Attributable equity interest to the Group		Principal activities
				2017	2016	
Good Omen Enterprises Limited ("Good Omen")	Limited liability company	BVI/Macau	USD20	**N/A (Note i)**	20%	Receive profit streams from gaming and entertainment related business
Ever Praise	Limited liability company	Hong Kong	USD30	**30%**	N/A	Property holding and leasing

Notes:

(i) On 23 March 2017, the Group entered into a share purchase agreement with the substantial shareholder of Good Omen to which the Group has agreed to sell 20% equity interests with a consideration of HK$10,000,000. The Group has recorded a loss on disposal of an associate of HK$62,855,000 for the year ended 30 June 2017.

21. INVESTMENT IN AN ASSOCIATE (Continued)

The associates are indirectly held by the Company through its wholly-owned subsidiaries.

The amounts due from an associate were unsecured, non-interest bearing and had no fixed repayment terms.

Summarised financial information of the Group's associates

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

The Group's associates are accounted for using the equity method in these consolidated financial statements.

	Ever Praise	**Good Omen**
	2017	2016
	HK$'000	HK$'000
Principal place of business/country of incorporation	**Hong Kong/ Hong Kong**	Macau/BVI
Principal activities	**Property holding and leasing**	Receive profit streams from gaming and entertainment related business
% of ownership interests/voting rights held by the Group	**30%/30%**	20%/20%
At 30 June:		
Non-current assets	**630,720**	198,619
Current assets	**14,070**	170,875
Current liabilities	**(374,405)**	(5,219)
Net assets	**270,385**	364,275
Group's share of carrying amount of interests	**81,116**	72,855
Year ended 30 June:		
Revenue	**91**	116,358
(Loss)/profit and total comprehensive (loss)/income for the year	**(42)**	83,249

22. DEFERRED TAX

The followings are the major deferred tax (liabilities)/assets recognised and movements thereon during the current and prior years:

	Fair value adjustments arising from acquisition of a subsidiary HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1 July 2015, 30 June 2016 and 1 July 2016	–	–	–
Acquisition of a subsidiary (Note 30)	(1,403)	426	(977)
At 30 June 2017	**(1,403)**	**426**	**(977)**

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 **HK$'000**	2016 HK$'000
Deferred tax assets	**426**	–
Deferred tax liabilities	**(1,403)**	–
	(977)	–

At the end of the reporting period, the Group has unused tax losses of HK$13,954,000 (2016: HK$11,074,000). A deferred tax asset has been recognised in respect of HK$2,583,000 (2016: HK$Nil) of such losses because of acquisition of a subsidiary. No deferred tax asset has been recognised in respect of the remaining HK$11,371,000 (2016: HK$11,074,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

23. AVAILABLE–FOR–SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Unlisted equity securities, at fair value	–	–

As at 30 June 2016, the unlisted equity securities were measured at fair value by reference to the valuation report issued by Ascent Partners Valuation Services Limited, an independent qualified professional valuer, and were held for strategic purpose not to be disposed of in the foreseeable future. As a result of softening of marco-economic condition in China and fewer high net-worth people going to Macau for gaming, a loss in fair value change of approximately HK$39,672,000 was recognised in the other comprehensive income and such loss was subsequently recognised in the profit or loss as an impairment loss for the year ended 30 June 2016.

As at 30 June 2017, the fair value of unlisted equity securities was assessed by the management by estimating the recoverable amount. The value in use calculations were based on the financial budgets approved by the management covering 5 years cash flow projections. The key estimations used by the management in the value in use calculations include budgeted gross profit margin. The pre-tax discount rate used to reflect the specific risk to the investments and applied to the cash flow projection was 16.85%.

24. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade debtors		
– Entities owned by shareholders of non-controlling interests of subsidiaries		
– Customer A	68,901	185,269
– Customer B	94,528	140,674
– Customer C	244,344	199,241
– Others	205	–
	407,978	525,184
Short term loan receivables from customers	–	92,147
Interest receivables	420	6,435
Prepayments and other receivables	2,163	1,574
	410,561	625,340

24. TRADE AND OTHER RECEIVABLES (Continued)

Trade debtors

The aged analysis of trade debtors net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximate the respective recognition dates, is as follows:

	2017	2016
	HK$'000	HK$'000
0 – 90 days	**51,472**	69,616
91 – 180 days	**–**	76,080
181 – 365 days	**–**	132,955
Over 365 days	**356,506**	246,533
	407,978	525,184

The Group allows an average credit period ranging from 30 days to 60 days to its trade customers. Before accepting any new customers, the management will internally assess the credit quality of the potential customer and define appropriate credit limits. Management closely monitors the credit quality of trade and other receivables and considers the trade debtors that are neither past due nor impaired to be of a good quality.

Reconciliation of allowance for trade debtors:

	2017	2016
	HK$'000	HK$'000
At beginning of the year	**407,286**	344,289
Impairment losses recognised	**–**	62,997
Reversal of impairment losses	**(306,279)**	–
	101,007	407,286

In September 2016, the Group entered into various agreements with trade debtors pursuant to which (i) the trade debtors agreed to settle the overdue trade receivables of HK$517,470,000 by monthly installments commencing from October 2016; (ii) the trade debtors and owners of the trade debtors charged all the undertaking, properties, assets and rights of the gaming promoters to the Group; and (iii) the owners of the trade debtors guaranteed the full repayments of the outstanding amounts by the trade debtors.

In November 2016, the trade debtors procured several independent third parties to charge their properties located in Macau to the Group as securities for repayment of the overdue trade receivables. The market value of these properties as at 31 October 2016 were amounted to HK$151,728,000. Together with the amount of HK$373,456,000 already settled subsequent to 30 June 2016, the directors considered that part of the outstanding trade receivables amounting HK$525,184,000 would be recoverable in full. Therefore, an additional impairment loss of HK$62,997,000 was made in the year ended 30 June 2016.

24. TRADE AND OTHER RECEIVABLES (Continued)

Trade debtors (Continued)

Subsequent to 30 June 2017 and up to the date of approval of these financial statements, the trade debtors made a total payments of HK$368,001,000 to the Group. Trade debtors procured several independent third parties to charge their properties located in Macau to the Group as securities for repayment of the overdue trade debtors. The fair value of the properties that used to secure the unsettled trade debtors as at 30 June 2017 was amounted to HK$39,977,000. Together with the amount already settled subsequent to 30 June 2017, the directors considered that part of the outstanding trade debtors of HK$407,978,000 would be recoverable in full. A reversal of impairment loss of HK$306,279,000 was therefore credited made for the year ended 30 June 2017.

Included in the Group's trade debtors are debtors with aggregate carrying amount of HK$51,679,000 (2016: HK$498,394,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The directors of the Company determined that these receivables are either subsequently settled and secured by properties.

The aged analysis of trade debtors which are past due but not impaired is as follows:

	2017 **HK$'000**	2016 HK$'000
Up to 3 months	**15,992**	11,951
3 to 6 months	**–**	19,628
6 to 12 months	**7,647**	135,766
Over 12 months	**28,040**	331,049
	51,679	498,394

Based on the experience of the management and repayment record of the customers, trade debtors which are past due but not impaired and not associated with litigations are generally recoverable.

25. LOAN RECEIVABLES

	2017 HK$'000	2016 HK$'000
Loan receivables	**65,000**	–
Analysed for reporting purposes as:		
– Current assets	**65,000**	–
	65,000	–

As at 30 June 2017, all loans are advanced to independent third parties which are secured by the borrowers' personal guarantee and buildings, and bearing a fixed interest rate at 12% per annum.

The loans made available to customers depend on management' s assessment of credit risk on the customers by evaluation on background check and repayment abilities. The Group determines the allowance of impaired debts based on the evaluation of collectability and aging analysis of accounts and on the management's judgment, including assessment of change of credit quality and the past collection history of each customer. There are no loans to customers which were past due at the end of reporting period and the Directors consider that no impairment was necessary.

Aging analysis of loan receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2017 HK$'000	2016 HK$'000
91 – 180 days	**5,000**	–
181 – 365 days	**60,000**	–
	65,000	–

Loan receivables that were neither past due nor impaired related to customers for whom there was no recent history of default. Impairment provisions are recognised for financial reporting purposes only for losses that have incurred at the end of reporting period based on objective evidence of impairment.

25. LOAN RECEIVABLES (Continued)

A summary of the principal of the collateralised and non-collateralised loans to customers at the end of the reporting period is as follows:

	2017	2016
	HK$'000	HK$'000
Collateralised	**60,000**	–
Non-collateralised but with guarantee	**5,000**	–
	65,000	–

The fair value of collaterals, as assessed by the management, at loans' inception date is not less than the principal amount of the relevant loans.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent the call options of the Group in the 50% interests in Base Move, 80% interests in Essence Gold and 95% interests in Superiority Wealthy. The fair value of the call options were approximately HK$Nil as at 30 June 2016, by reference to the valuation report issued by Ascent Partners Valuation Services Limited, an independent qualified professional valuer. All call options have been lapsed during the year ended 30 June 2017.

The movement of derivative financial instruments is as follows:

	2017	2016
	HK$'000	HK$'000
At 1 July	**–**	67
Fair value changes included in profit or loss	**–**	(67)
At 30 June	**–**	–

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

27. BANK BORROWING

	2017 HK$'000	2016 HK$'000
Bank borrowing	**14,009**	16,448

At 30 June 2017 and 2016, the bank borrowing was due for repayment as follows:

The bank borrowing that contain a repayable on demand clause:

	2017 HK$'000	2016 HK$'000
Current portion of term loan due for repayment within one year	**2,509**	2,439
Non-current portion of term loan due for repayment after one year		
– After 1 year but within 2 years	**2,582**	2,509
– After 2 years but within 5 years	**8,201**	7,971
– After 5 years	**717**	3,529
	14,009	16,448

As at 30 June 2017, the Group's borrowing is bearing interest at bank's best lending rate less 2.4% (2016: bank's best lending rate less 2.4% per annum). The borrowing is secured by property, plant and equipment with carrying amount of HK$69,930,000 (2016: by an investment property of HK$60,000,000).

28. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1 July 2015	4,616,245	1,077,853
Consolidation of shares (note a)	(4,154,620)	–
Issue of shares upon open offer (note b)	230,812	96,941
Transaction costs attributable to issue of new ordinary shares from open offer (note b)	–	(2,873)
At 30 June 2016 and 2017	692,437	1,171,921

Notes:

(a) Effective on 23 May 2016, ten ordinary shares of the Company were consolidated to one ordinary share (the "Consolidated Share").

(b) On 27 June 2016, the Company completed the allotment and issuance of 230,812,225 ordinary shares, in which 197,887,291 ordinary shares were issued to the shareholders of the Company and 32,924,934 ordinary shares were issued to the underwriter due to under-subscription, by way of an open offer on the basis of one offer share for every two existing Consolidated Share held on 23 May 2016 at a subscription price of HK$0.42 each. The Company raised approximately HK$94,068,000 (net of directly attributable expenses of approximately HK$2,873,000) which was used for (i) the development and operation of money lending business; (ii) possible acquisition of investment properties in Hong Kong for leasing purpose; and (iii) the general working capital of the Group.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

29. SHARE OPTION SCHEME

Old Share Option Scheme

Under the terms of the Share Option Scheme adopted by the Company on 30 November 2000 (the "Scheme"), the Board may, at its discretion, invite employees, including the directors of the Company and its subsidiaries, to take up options to subscribe for shares in the share capital of the Company. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The subscription price for the Company's shares under the Scheme is determined by the Board and will not be less than 80% of the average of the closing prices of the Company's shares listed on the Stock Exchange on five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares (if any), whichever is the higher. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company (excluding shares issued under the Scheme) from time to time and that the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the aggregate number of shares under the Scheme.

The Scheme was adopted prior to the new rules on share option schemes under the Listing Rules coming into operation. The Company may only grant further options under the Scheme if the options are granted in accordance with the requirements of the new rules of Chapter 17 of the Listing Rules which include, inter alia, the followings:

(i) the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the relevant class of shares of the Company (or its subsidiaries) in issue at the date of approval of the Scheme. Subject to compliance with the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time;

(ii) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Grant of options to connected persons are subject to more stringent requirements; and

(iii) the exercise price of the share options is determined by directors, but may not be less than the higher of (a) the closing price of the Company's share listed on the Stock Exchange on the date of grant of the share options; and (b) the average closing price of the Company's shares listed on the Stock Exchange on five trading days immediately preceding the date of the grant of the share options.

The share options under the Scheme must be taken up by the participants within 21 business days from the date of grant upon payment of HK$1. Each share option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

29. SHARE OPTION SCHEME (Continued)

New Share Option Scheme

On 18 September 2007, an ordinary resolution passed to approve the termination of the Scheme and adoption of a new share option scheme (the "New Scheme"). Upon adoption of the New Scheme, the Scheme was terminated and no further option would be granted.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include employees of the Group, executive or non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity, suppliers of goods or services to the Group or invested entity, person or entity that provides research, development or other technical support to the Group or invested entity, shareholders of members of the Group or invested entity, holders of securities issued by members of the Group or invested entity, advisers or consultants to business development of the Group or invested entity, and joint venture partners or counter-parties to business operation or business arrangements of the Group or its employees. The New Scheme became effective on 18 September 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The subscription price for the Company's shares under the New Scheme is determined by the Board and shall be at least the highest of (i) the closing price of the Company's shares listed on the Stock Exchange on the date of the offer of the share options; (ii) the average closing price of the Company's shares listed on the Stock Exchange on five trading days immediately preceding the date of the offer of the share options, and (iii) the nominal value of the Company's shares (if any).

The total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and the Scheme shall not exceed 30% of the shares in issue from time to time. The total number of shares available for issue upon exercise of all options which have been or may be granted under the New Scheme and the Scheme must not exceed 69,120,000 shares. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period up to the date of grant must not exceed 1% of the aggregate number of shares for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholder's approval in a general meeting.

Share options granted to a connected person or its associates shall be approved by independent non-executive directors. In addition, any share options granted to a connected person who is also a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and the aggregate value (based on the closing price of the Company's shares listed on the Stock Exchange at the date of the offer of share options) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of the share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the offeree. The exercise period of the share options ends on ten years from the date of the offer of the share options, notwithstanding the expiry of the New Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Each share option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

29. SHARE OPTION SCHEME (Continued)

Details of share options granted

During the year ended 30 June 2016, 88,000 options granted under the Scheme were lapsed because the eligible participant gave up the relevant share options.

At 30 June 2016, the total number of shares available for issue under the New Scheme was 17,414,000 shares, representing 2.52% of the number of ordinary shares of the Company in issue as at 30 June 2016. During the year ended 30 June 2016, 164,000,000 options were granted under the New Scheme to eligible participants. In addition, 23,000,000 options granted under the New Scheme were lapsed during the year ended 30 June 2016 because the eligible participant left the Group.

During the year ended 30 June 2017, 4,646,000 options granted under the New Scheme were lapsed because of the resignation of the eligible participant.

At 30 June 2017 and 2016, the options have exercise prices of HK$0.610 and HK$3.307 under the New Scheme and the Scheme respectively. At 30 June 2017 and 2016, the weighted average remaining contractual life of the options was 8.42 and 9.42 years respectively.

29. SHARE OPTION SCHEME (Continued)

Details of specific categories of share options and the movements during the years ended 30 June 2017 and 2016 are as follows:

Participants	Share option type	Number of share options outstanding and exercisable: At 1 July 2016 (note i) '000	Lapsed during the year '000	At 30 June 2017 '000	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options (note iii) HK$
Directors							
Mr. Danny Xuda Huang	2016A	4,178	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.61
Mr. Chan Shiu Kwong, Stephen	2008A	234	(234)	–	29/10/2007	29/10/2007 to 28/10/2017	N/A
	2016A	4,178	(4,178)	–	1/4/2016	1/4/2016 to 31/3/2026	N/A
Mr. Nicholas J. Niglio	2008A	234	–	234	29/10/2007	29/10/2007 to 28/10/2017	3.307
	2016A	4,178	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.61
Mr. Lin Chuen Chow, Andy	2016A	4,178	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.61
Consultants and employees							
In aggregate	2008A	234	(234)	–	29/10/2007	29/10/2007 to 28/10/2017	3.307
		17,414	(4,646)	12,768			
Weighted average exercise price (HK$)		0.72	(0.88)	0.66			
Outstanding and exercisable				12,768			

29. SHARE OPTION SCHEME (Continued)

Participants	Share option type	Number of share options outstanding and exercisable: At 1 July 2015	Granted during the year	Adjusted upon completion of share consolidation	Adjusted upon completion of open offer	Lapsed during the year	At 30 June 2016	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options
			(note i)	(note i)	(note iii)	(note iii)	(note ii)	(note iii)		
		'000	'000	'000	'000	'000	'000			HK$
Directors										
Mr. Danny Xuda Huang	2016A	–	41,000	(36,900)	78	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.61
Mr. Chan Shiu Kwong, Stephen	2007A	88	–	–	–	(88)	–	26/2/2007	26/2/2007 to 25/02/2017	N/A
	2008A	2,300	–	(2,070)	4	–	234	29/10/2007	29/10/2007 to 28/10/2017	3.307
	2016A	–	41,000	(36,900)	78	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.61
Mr. Nicholas J. Niglio	2008A	2,300	–	(2,070)	4	–	234	29/10/2007	29/10/2007 to 28/10/2017	3.307
	2016A	–	41,000	(36,900)	78	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.61
Mr. Lin Chuen Chow, Andy	2016A	–	41,000	(36,900)	78	–	4,178	1/4/2016	1/4/2016 to 31/3/2026	0.61
Consultants and employees										
In aggregate	2008A	25,300	–	(2,070)	4	(23,000)	234	29/10/2007	29/10/2007 to 28/10/2017	3.307
		29,988	164,000	(153,810)	324	(23,088)	17,414			
Weighted average exercise price (HK$)		0.39	0.06			(0.34)	0.72			
Outstanding and exercisable							17,414			

29. SHARE OPTION SCHEME (Continued)

Notes:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Scheme, the New Scheme and any other schemes must not in aggregate exceed 10% of the relevant class of shares of the Company (or its subsidiaries) in issue at the date of approval of the relevant share option scheme. Subject to compliance with the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, the New Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time.

Share option types of 2007A, 2008A and 2016A represent share options granted during the years ended 30 June 2007, 2008 and 2016, respectively. During the year ended 30 June 2016, 164,000,000 of share options were granted under the New Scheme and no share options were exercised.

(ii) The vesting period of the share options is from the grant date until the commencement of the exercise period.

(iii) The number of shares entitled to be subscribed for, the exercise prices under the outstanding share options, the fair value per share options and the closing price of the Company's shares immediately before the grant date have been adjusted upon completions of share consolidation in May 2016 and the open offer in June 2016. Details of which may refer to the announcement of the Company dated 20 May 2016 and 24 June 2016.

Fair value of share options:

	2016
Grant date	1 April 2016
Fair value at measurement date	HK$5,252,000.00
Share price at grant date	HK$0.062
Subscription price	HK$0.0622
Expected volatility	75.43%
Expected option life (years)	10
Risk-free interest rate	1.247%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include employees of the Group, executive or non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity, suppliers of goods or services to the Group or invested entity, person or entity that provides research, development or other technical support to the Group or invested entity, shareholders of members of the Group or invested entity, holders of securities issued by members of the Group or invested entity, advisers or consultants to business development of the Group or invested entity, and joint venture partners or counter-parties to business operation or business arrangements of the Group or its employees. The New Scheme became effective on 18 September 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

30. ACQUISITION OF A SUBSIDIARY

On 26 June 2017, the Group acquired the entire equity interest in Harbour Bay from an independent third party for a cash consideration of HK$15,000,000. Harbour Bay is currently engaged in operation and management of a hotel in Hong Kong. The transaction has been accounted for using the acquisition method. The acquisition is part of the on-going expansion strategy of the Group with the aim of diversifying its operations and broadening its source of revenue.

The fair value of the identifiable assets and liabilities acquired as at its date of acquisition is as follows:

Net assets acquired:	**Harbour Bay** HK$'000
Fair value of identifiable assets acquired at the date of obtaining control was as follows:	
Property, plant and equipment	495
Intangible asset	8,500
Trade and other receivables	2,053
Bank balances and cash	5,728
Deferred tax assets	426
Deferred tax liabilities	(1,403)
Creditors and accrued charges	(3,443)
	12,356
Goodwill	2,644
	15,000

	Harbour Bay HK$'000
Consideration transferred, satisfied by cash	15,000
	15,000
Net cash outflow arising on acquisition:	
Cash consideration paid	15,000
Bank balances and cash acquired	(5,728)
	9,272

30. ACQUISITION OF A SUBSIDIARY (Continued)

The fair value of the acquired identifiable intangible assets of HK$8,500,000 is lease premium arising from the signed deeds of lease between Harbour Bay and Ever Praise.

Harbour Bay contributed approximately HK$236,000 and HK$9,000 to the Group's revenue and loss for the year respectively for the period between the date of acquisition and the end of the reporting period.

The goodwill arising on the acquisition of Harbour Bay is attributable to the anticipated profitability of the Group's Hotel Operation business.

If the acquisition had been completed on 1 July 2016, total Group revenue for the year would have been HK$314,895,000, and profit for the year would have been HK$42,721,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2016, nor is intended to be a projection of future results.

31. CAPITAL COMMITMENTS

	2017 **HK$'000**	2016 HK$'000
Capital expenditure in respect of construction of properties contracted for but not provided in the consolidated financial statements	**223**	–

32. LEASE COMMITMENTS

Commitments under operating leases

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**210**	445

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

33. CONTINGENT LIABILITIES

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK$3.3 million together with interest and cost. In the opinion of the Company' s directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of HK$1,592,000 has been made in the financial statements as at 30 June 2004. During the years ended 30 June 2017 and 2016, there has been no significant progress.

34. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions.

(a) Details of the remuneration of key management personnel, who are the directors, during the year are set out in note 12. Key management personnel are deemed to be the members of the Board of Directors of the Company which has responsibility for planning, directing and controlling the activities of the Group.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 30 JUNE

	2017 HK$'000	2016 HK$'000
NON–CURRENT ASSETS		
Property, plant and equipment	**70,094**	403
Investment property	**–**	60,000
Investment in subsidiaries	**223,213**	94,762
	293,307	155,165
CURRENT ASSETS		
Other receivables	**618**	533
Amounts due from subsidiaries	**399,551**	1,142,490
Cash and cash equivalents	**325,371**	145,142
	725,540	1,288,165
CURRENT LIABILITIES		
Other payables	**7,357**	10,026
Amounts due to subsidiaries	**231,096**	440,949
Bank borrowing	**14,009**	16,448
	252,462	467,423
NET CURRENT ASSETS	**473,078**	820,742
NET ASSETS	**766,385**	975,907
EQUITY		
Issued capital	**1,171,921**	1,171,921
Reserves	**(405,536)**	(196,014)
TOTAL EQUITY	**766,385**	975,907

Approved by:

Danny Xuda Huang
Director

Lin Chuen Chow, Andy
Director

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

36. RESERVES

Group

(a) Share options reserve

Share options reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments.

(b) Other reserve

The other reserve represents the difference between the consideration paid and the amount of non–controlling interests being adjusted in connection with the acquisition of an additional equity interest in a subsidiary.

(c) Property revaluation reserve

Property revaluation reserve represents the difference between the carrying amount and the fair value of a property at the date of transfer from property, plant and equipment to investment property.

(d) Non-distributable reserve

The non-distributable reserve represents the impact on acquisition of assets in previous years.

Company

The amounts of the Company's reserves and the movements therein for the year ended 30 June 2017 are as follows:

	Property revaluation reserve HK$'000	**Non-distributable reserve** HK$'000	**Share options reserve** HK$'000	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000
At 1 July 2015	5,922	1,264	2,405	63,124	72,715
Loss and other comprehensive expense	–	–	–	(273,981)	(273,981)
Transfer to retained profits upon lapse of share options	–	–	(1,524)	1,524	–
Recognition of equity-settled share-based compensations:					
Share options (Note 29)	–	–	5,252	–	5,252
At 30 June 2016 and 1 July 2016	5,922	1,264	6,133	(209,333)	(196,014)
Loss and other comprehensive expense for the year	–	–	–	(209,522)	(209,522)
Transfer to accumulated loss upon lapse of share options	–	–	(1,899)	1,899	–
At 30 June 2017	5,922	1,264	4,234	(416,956)	(405,536)

37. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 September 2017.