Camsing International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2662

Let's
PLAY

2017/18 Annual Report

COMPANY PROFILE

Camsing International Holding Limited is a comprehensive cultural enterprise. Its main business, driven by pan-entertainment intellectual property rights ("IP"), includes IP development and licensing, cross-border marketing and branding, theme events and theme park operation and management, IP derived products development and sales as well as mobile devices distribution. Committed to becoming China's first-class pan-entertainment "IP+" operator, the Company strives to develop a comprehensive value chain business model, which covers the creation, licensing and diversified operation of film and television, animation, games and other pan-entertainment IPs, so as to provide its customers and consumers with high quality content and derived products and services and to create more returns and value for its shareholders and investors.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Ms. Lo Ching (Chairman)
Ms. Liu Hui

Independent Non-Executive Directors:

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

COMPANY SECRETARY

Mr. Fung Nam Shan

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKS

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

WEBSITE

www.camsingintl.com

STOCK CODE

2662

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1602
Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

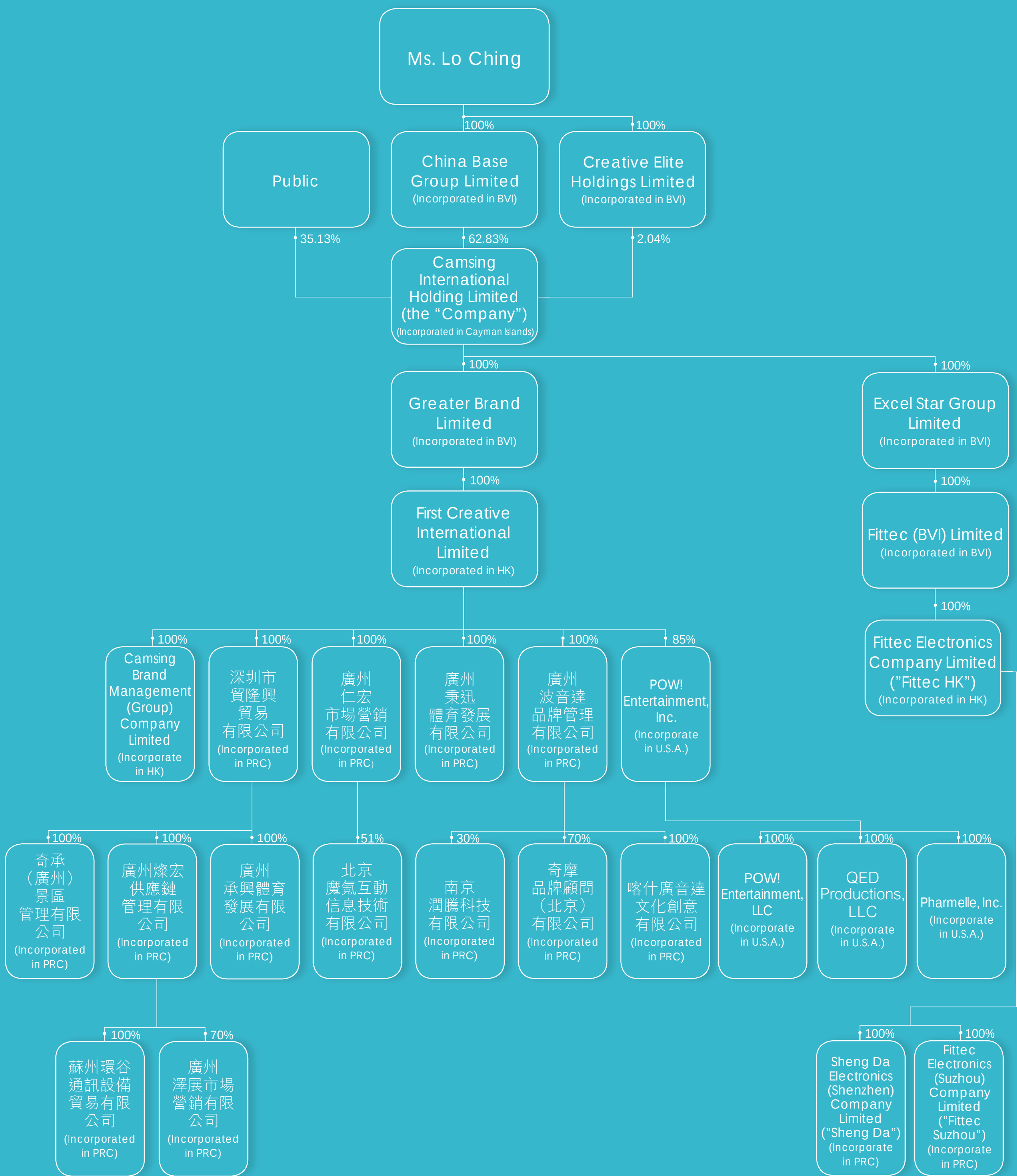
PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR IN HONG KONG

Boardroom Share Registrars (HK) Limited
2103 B, 21/F, 148 Electric Road
North Point
Hong Kong

GROUP STRUCTURE



PERFORMANCE HIGHLIGHTS

	For the year ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
		(restated)
Revenue	**3,443,661**	2,933,821
from continuing operations	**2,920,435**	2,400,731
from discontinued operations	**523,226**	533,090
Gross profit	**241,146**	100,346
from continuing operations	**212,096**	67,956
from discontinued operations	**29,050**	32,390
Profit (Loss) for the year	**85,996**	45,091
from continuing operations	**116,527**	43,997
from discontinued operations	**(30,531)**	1,094

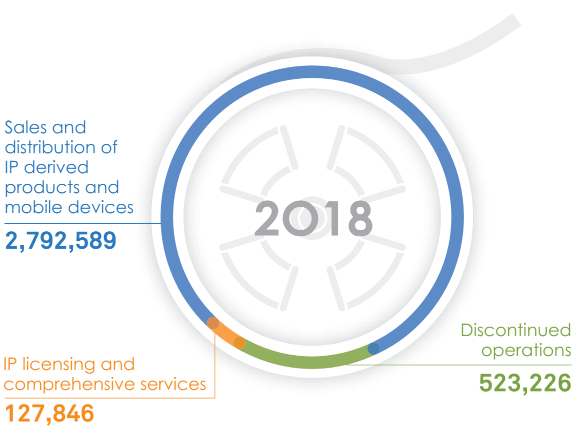
Notes:

1. On 11 April 2018, the Company announced the potential disposal of the Group's operations of pure assembly services and procurement and assembly services (collectively "electronic manufacturing services"). The operations will be ceased by the Group after the disposal and were presented as discontinued operations in the consolidated financial statements.

2. Continuing operations, as the main business of the Group, include IP development and licensing, cross-border marketing and branding, theme events and theme park operation and management (collectively "IP licensing and comprehensive services"), IP derived products development and sales as well as mobile devices distribution.

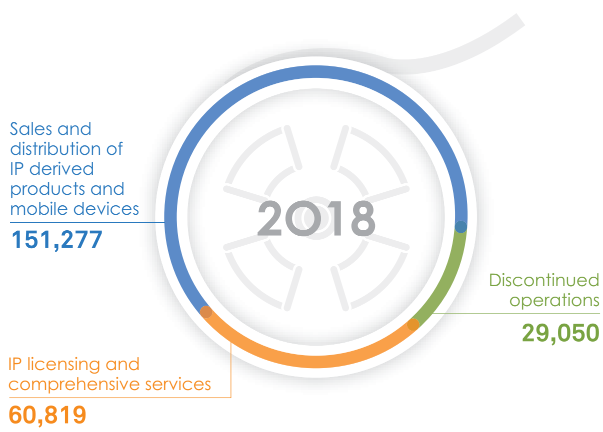
REVENUE ALLOCATION

(HK$'000)

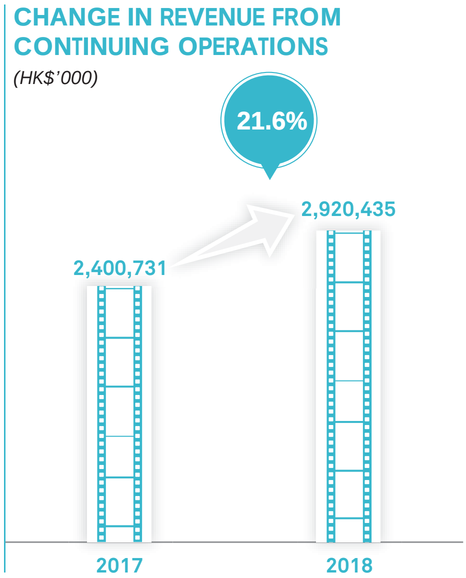


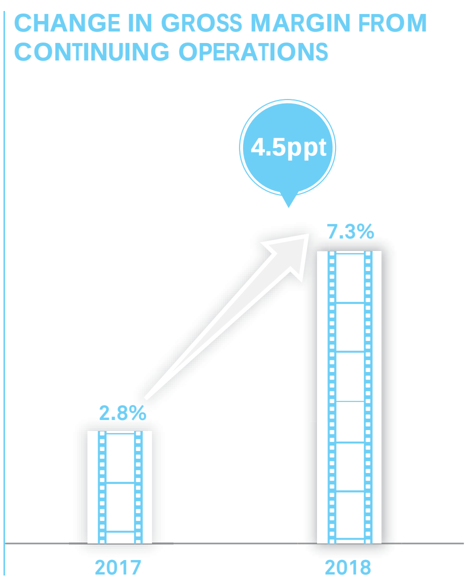
GROSS PROFIT ALLOCATION

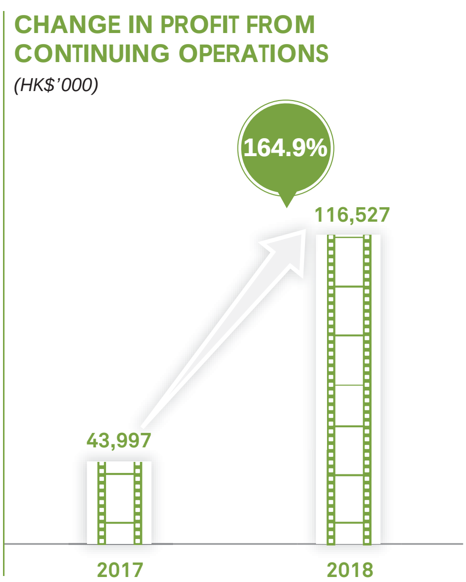
(HK$'000)



- A breakthrough year for the Group in its strategic transformation with its strategic direction and business model further clarified;
- Strong growth achieved in total revenue and revenue from continuing operations in particular;
- Remarkably improved gross margin driven by optimised business structure;
- Significantly increased profit especially from continuing operations;
- First recommendation of final dividend since its strategic transformation.







MAJOR EVENTS

Jul 2016

Formally Commenced Pan-entertainment Business

Aug 2016

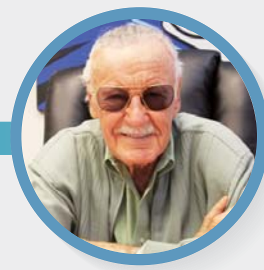
Launch of "Run Cartoon Run"

Sep

Launch of Reality Show "Football Mania"

May 2017

Announced Acquisition of POW! Entertainment



Aug

Strategic Cooperation Agreement with Country Garden

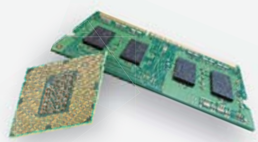
2017

Nov

Added into MSCI Hong Kong Small Cap Index

Apr

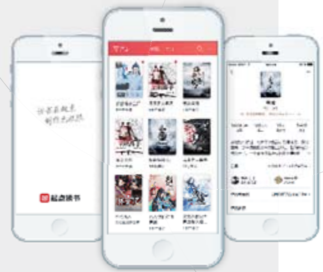
Announced Disposal of Electronic Manufacturing Services Business



2018

Jun

Officially Launched Theme Park Operation and Management Services



Jun

Strategic Cooperation Intentions or Partnerships with Lan Kwai Fong, Poly South China Holdings and China Literature

2018

CHAIRMAN'S STATEMENT

Dear Shareholders,

The past 2017/2018 financial year is a breakthrough year for the Group in its strategic transformation. We further clarified our strategic direction and business model, further strengthened the buildup and cultivation of our professional teams, and further promoted the integration and sharing of our internal and external resources. The effectiveness of this strategic transformation has already emerged, whereby the business structure has been further optimised, the revenue quality has remarkably improved, and the profit level has substantially increased.

OVERALL PERFORMANCE

For the twelve months ended 30 June 2018 (the "Year"), the Group realised revenue from continuing and discontinued operations of HK$3,444 million, an increase of 17.4% year-on-year ("yoy"). Of which, revenue from continuing operations or the main business, which are driven by pan-entertainment IP and consist of IP licensing and content creation, theme events services, marketing services as well as sales and distribution of IP derived products and mobile devices, amounted to approximately HK$2,920 million, an increase of 21.6% year-on-year, and its share of total revenue further increased to 84.8%; revenue from discontinued operations or the disposal business — electronic manufacturing services business fell by 1.9% to approximately HK$523 million. The Group's business structure was further optimised.

A major contributor to the strong growth of the main business revenue is the rapid development of IP licensing and content creation, theme events services and marketing services, whose revenue increased substantially to approximately HK$128 million from HK$67 million of the previous financial year, and their gross margin reached 47.6%, significantly higher than those of the other businesses. As a result, the Group's revenue quality improved significantly, with the overall gross margin from continuing and discontinued operations during the Year increasing to 7.0% from the previous financial year's 3.4%.

With strong revenue growth and gross margin improvement, the Group's profit grew substantially, with net profit from continuing and discontinued operations reaching approximately HK$86 million, up 90.7% year-on-year. Of which, net profit generated from the Group's continuing operations amounted to approximately HK$117 million, up 164.9% year-on-year.

While the Group's main business achieved rapid revenue and profit growth, the Group's disposal business — electronics manufacturing services remained weak due to a sharp drop in global demand for desktop computers and a recession in the HDD Industry, and recorded a net loss during the Year. In view of this, in order to reduce the burden of the Company and to protect the interests of its shareholders, the Company has started the disposal process of this business segment during the Year.

On 10 August 2018, Hang Seng Indexes Company Limited announced that the Company has been added to the Hang Seng Composite Index and Hang Seng Stock Connect Hong Kong Index, effective from 10 September 2018. The Company believes that it would help further enhance the Company's reputation and influence in the capital market and broaden the investor base of the Company.

On 12 September 2018, the Board of Directors recommended the first final dividend of HK1.2 cents per ordinary share since the Company's strategic transformation, so as to share the achievement of successful transformation with its shareholders.

BUSINESS DEVELOPMENT

Based on the industry trends as well as its internal and external resources, the Group has firmly promoted strategic transformation in order to create better returns for the Company's shareholders. Aiming to become China's first-class pan-entertainment "IP+" operator, the Group further clarified its strategic development direction. At the same time, a clearer business development model is emerging, which covers the whole IP value chain with distribution channels as the basis and film and television, animation, games and other pan-entertainment IPs as the guide. Five pan-entertainment IP driven business sectors have also gradually been in formation, namely IP development and licensing, cross-border marketing and branding, theme events and theme park operation and management, IP derived products development and sales, and mobile devices distribution.

> **The acquisition of POW! Entertainment is an important milestone in the Group's IP operations.**

> **The Group set up an experienced and professional team to carry out officially the theme park operation and management business.**

Pan-entertainment IP resources are the core of the Group's business development model. In order to obtain more high-quality IP resources, the Group on the one hand has worked closely with IP owners at home and abroad and successfully licensed a series of well-known IPs such as Transformers, Star Wars, World of Warcraft, Kung Fu Panda and Travel Frog. On the other hand, the Group has proactively nurtured its own IPs through external acquisitions and internal incubation. The completed acquisition of POW! Entertainment in the second half of 2017, which was founded by Stan Lee, is such a key step in implementing the Group's business development model.

The acquisition of POW! Entertainment is also an important milestone in the Group's IP operations. It enables the Group to obtain a large number of high-quality, international IPs as well as the exclusive rights to use Stan Lee's identity. After the completion of the acquisition, the Group has quickly carried on a series of IP development and licensing activities, and firmly promoted the Group's IP development and licensing business.

The development and sales of IP derived products is a major way to realise IP values. In the second half of 2017, the Group proactively promoted IP derived products development and sales. On the one hand, the brand of "CAMSING" was launched specifically for the sales of IP derived products; on the other hand, the Group's resources and advantages in distribution channels were fully leveraged. As a result, the IP derived products development and sales business achieved rapid development.

The Group proactively cooperates with banks and other financial institutions to provide them with competitive cross-border marketing and branding services. In the past year, the Group has successfully provided credit card marketing solutions to China Construction Bank, China Guangfa Bank and China Everbright Bank, and also became the marketing partners of the world's top credit card institutions — MasterCard and VISA in Mainland China. The tailor-made marketing solutions for MasterCard — "Super Miles" and "Funjoy Club" have become MasterCard's key marketing programs for 2018. All these are generating sustained and stable high-quality revenue for the Group.

The Group's family run event "Run Cartoon Run" and football reality show "Football Mania" have become the influential theme events in the market. These events have not only effectively enhanced the Group's brand awareness, but also accumulated experience and cultivated teams for the Group's theme events operation and management in the future. In the first half of 2018, in order to further extend its value chain, the Group set up an experienced and professional team to carry out officially the theme park operation and management business by providing theme park planning, design, operation and promotion services to Lotus Wonderland in Sanshui, Foshan.

In the past year, based on the principle of win-win cooperation, the Group has signed strategic cooperation intentions or business partnerships with industry leading players namely Country Garden Holdings Limited, Lan Kwai Fong Group, Poly South China Holdings Co., Ltd. and China Literature to support its strategic development direction and business development model. The Group believes that these partnerships will further drive its business development in the future.

FUTURE OUTLOOK

The Group remains optimistic about the development prospects of the IP-centered pan-entertainment industry. However, in view of a series of uncertainties in the current global economy and capital market, the Group will follow a more cautious approach to ensure continuous, rapid and effective business development in the coming year by focusing on the improvement of the existing businesses' operating efficiency and core competitiveness.

The Group will further integrate its internal and external resources and strive to launch more competitive products and services across its various business sectors. The Group will establish a more professional team to re-develop the Stan Lee-related IPs so as to create top IP contents with greater commercial value. The Group will also promote the development capability of IP derived products through a more specialised team so as to launch more attractive IP derived products. As to the cross-border marketing and branding business, the Group will further optimise the existing credit card business-oriented marketing solutions so as to provide the solutions to other financial institutions. As to the theme events and theme park operation and management business, the Group will focus on the building-up of professional teams and the improvement of operational and management efficiency so as to support the expansion of the relevant business in the future more effectively.

Strive to launch more competitive products and services across its various business sectors.

While consolidating and enhancing the existing businesses, the Group will also carry out or acquire appropriate new businesses when appropriate based on its strategic development direction and business development model, in order to further enrich the Group's value chain and to promote the Group's business development.

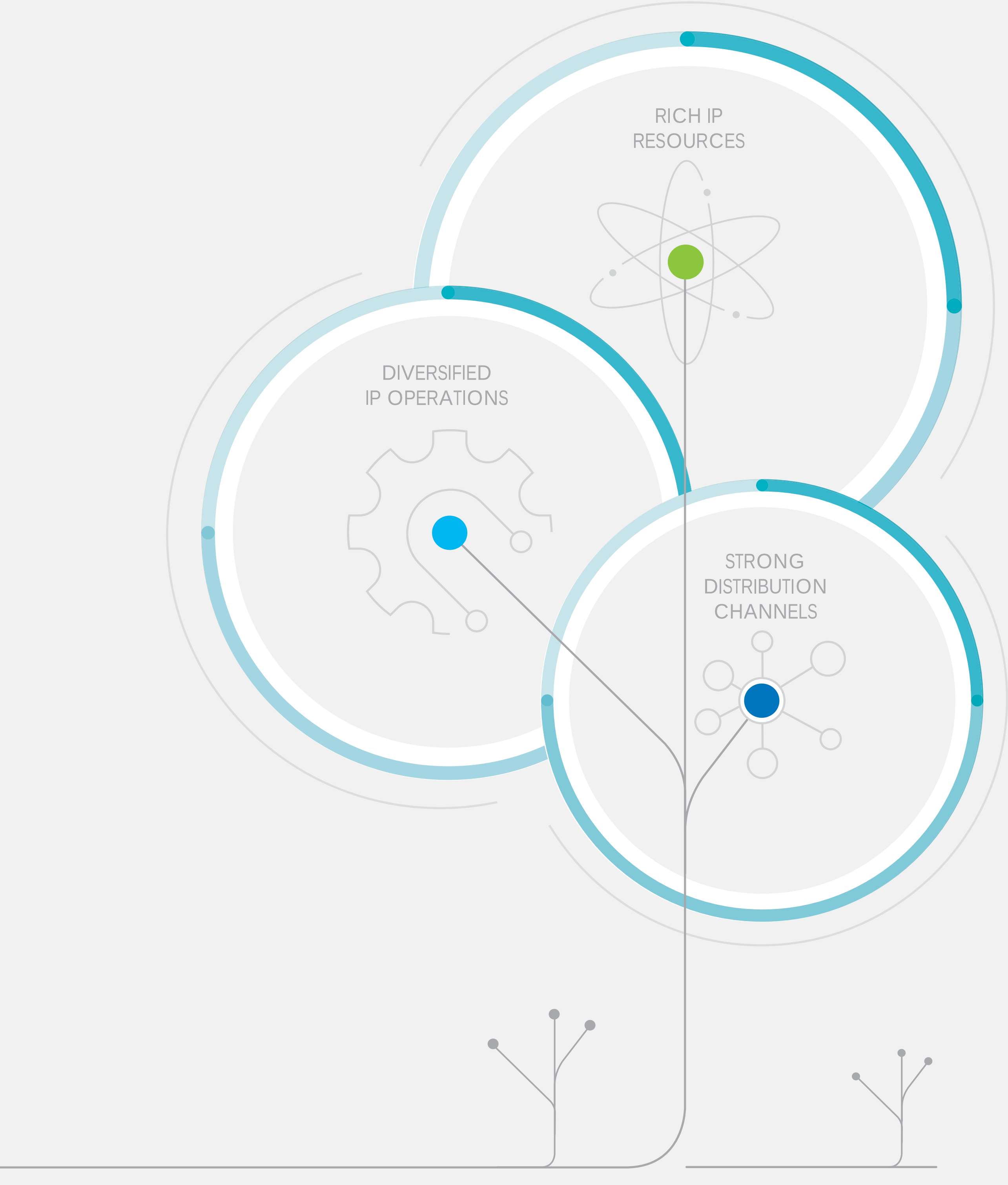
Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to our customers, shareholders, investors, business partners and each and every of our hard-working staff for their continuous support!

Lo Ching
Chairman and Executive Director
Hong Kong, 12 September 2018

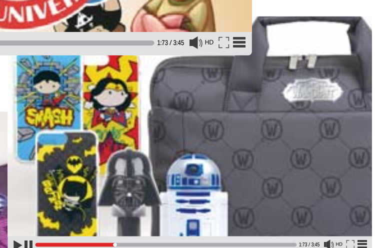
CLEAR BUSINESS MODEL

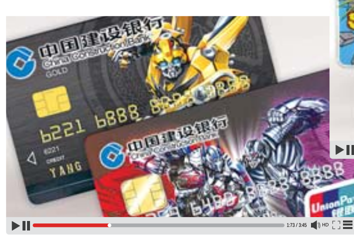
- Covering the whole IP value chain from IP creation, licensing to diversified operations, with distribution channels as the basis and film and television, animation, games and other pan-entertainment IPs as the guide;

- Five pan-entertainment IP driven business sectors: IP development and licensing, cross-border marketing and branding, theme events and theme park operation and management, IP derived products development and sales, and mobile devices distribution.


RICH IP
RESOURCES
DIVERSIFIED
IP OPERATIONS
STRONG
DISTRIBUTION
CHANNELS

The Group's principal businesses consist of pan-entertainment IP driven IP licensing and comprehensive services (including IP licensing and content creation, theme events services, marketing services) and sales and distribution of IP derived products and mobile devices (collectively, "Continuing Operations"), as well as electronic manufacturing services ("Discontinued Operations").





Revenue

3,444
HK$ in millions

Profit

86
HK$ in millions

Total Equity

487
HK$ in millions

FINANCIAL REVIEW

1. Income Statement Review

	2018	2017	YoY Growth	
	HK$'000	*HK$'000*	*HK$'000*	%
Revenue	**3,443,661**	2,933,821	509,840	17.4%
Continuing Operations	**2,920,435**	2,400,731	519,704	21.6%
Discontinued Operations	**523,226**	533,090	(9,864)	-1.9%
Gross Profit	**241,146**	100,346	140,800	140.3%
Continuing Operations	**212,096**	67,956	144,140	212.1%
Discontinued Operations	**29,050**	32,390	(3,340)	-10.3%
Profit (Loss) for the Year	**85,996**	45,091	40,905	90.7%
Continuing Operations	**116,527**	43,997	72,530	164.9%
Discontinued Operations	**(30,531)**	1,094	(31,625)	-2,890.8%
Basic EPS (HK$)	**0.08**	0.04	0.04	100.0%

During the Year, the Group realised revenue of approximately HK$3,444 million, yoy up 17.4%; gross profit of approximately HK$241 million, yoy up 140.3%; gross margin of 7.0%, yoy up 3.6 percentage points; profit of approximately HK$86 million, yoy up 90.7%; basic EPS of HK$0.08, yoy up 100.0%.

The growth of revenue and profit is mainly due to the rapid growth of Continuing Operations as shown below:

	2018			2017		
	Revenue	Gross Profit	GP Ratio	Revenue	Gross Profit	GP Ratio
	HK$'000	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*%*
IP licensing and comprehensive services	127,846	60,819	47.6%	67,146	31,431	46.8%
Sales and distribution of IP derived products and mobile devices	2,792,589	151,277	5.4%	2,333,585	36,525	1.6%
Total	2,920,435	212,096	7.3%	2,400,731	67,956	2.8%

IP licensing and comprehensive services realised revenue of approximately of HK$ 128 million and gross profit of approximately 61 million, yoy up 90.4% and 93.5% respectively.

The rapid development of this business segment was driven by the increasing revenue from IP licensing and content creation and marketing services, as shown below:

	2018 Revenue	2017 Revenue	YoY Growth	
	HK$'000	*HK$'000*	*HK$'000*	*%*
IP licensing and content creation	78,226	13,875	64,351	463.8%
Theme events services	29,581	53,271	(23,690)	-44.5%
Marketing services	20,039	–	20,039	–
Total	127,846	67,146	60,700	90.4%

IP licensing and content creation business realised revenue of approximately HK$78 million, yoy up HK$64 million or 463.8%. Marketing services business, by providing total solutions to credit card organisations and other financial institutions, realised revenue of approximately HK$20 million. Revenue of theme events services business declined yoy by approximately HK$24 million, mainly due to the temporary suspension of Football Mania Reality Show during the Year.

Sales and distribution of IP derived products and mobile devices amounted to approximately HK$2,793 million, yoy up HK$459 million or 19.7%; gross profit amounted to approximately HK$151 million, yoy up HK$115 million or 314.2%; gross profit margin 5.4%, yoy up 3.8 percentage points. The rapidly rising revenue and gross profit were mainly driven by the carrying out of the sales of IP derived products business.

2. Balance Sheet Review

	2018 *HK$'000*
Total Assets	**798,798**
Continuing Operations	**591,926**
Discontinued Operations	**206,872**
Total Liabilities	**312,286**
Continuing Operations	**220,370**
Discontinued Operations	**91,916**
Net Assets	**486,512**
Continuing Operations	**371,556**
Discontinued Operations	**114,956**
Liabilities-to-Assets Ratio	**39.1%**
Continuing Operations	**37.2%**
Discontinued Operations	**44.4%**

As of the end of the Year, the Group's total assets amounted to approximately HK$799 million, yoy up 53.1%. Of which, total assets of Continuing Operations amounted to approximately HK$592 million. The liabilities-to-assets ratio reached 39.1%, yoy up 12.9 percentage points. The rising liabilities-to-assets ratio is mainly due to the deposits received of HK$100 million from the Second Disposal Transaction as defined in note 9 to the consolidated financial statements.

BUSINESS REVIEW

During the Year, the Group proactively implemented its business development model, which covers the whole IP value chain with distribution channels as the basis and film and television, animation, games and other pan-entertainment IPs as the guide. Five major business sectors have also gradually been in formation, namely IP development and licensing, IP derived products development and sales, cross-border marketing and branding, theme events and theme park operation and management, and mobile devices distribution.

1. IP Development and Licensing

In October 2017, the Group announced the completion of the acquisition of POW! Entertainment, a company founded by Mr. Stan Lee. As a result, around 250 Stan Lee related IPs that are in operation or under development have injected powerful energy into the Group's IP development and licensing business and created a broader room for the Group's expansion into IP licensing and comprehensive services business in the era of lacking of high quality IPs.

➢ **Launch of Online Serial Novel "Stan Lee's Work Force"**

In July 2018, POW! Entertainment launched its first online serial novel "Stan Lee's Work Force". The serial is co-developed by POW! Entertainment together with multinational teams from the United States, China and Japan, including the famous Japanese cartoonist Mr. Ryusuke Hamamoto. The serial tells everyday funny stories of the boss Stan Lee and his superhero staff, in which Stan Lee tries to manage all the superhero staff as a big boss. The serial is currently updated weekly in the United States and China, and will gradually expand to other countries.

➢ **Cooperation with China Literature to Expand Channels**

In June 2018, the Group entered into a cooperation agreement with China Literature. Under the agreement, the Group will publish its original contents on China Literature's overseas portal Webnovel and its Chinese websites including Mobile Tencent Book City, QQ Reading, WeChat Reading, Sougou Reading, Mobile QQ, QQ, Tencent News, Android Apps Store, customised reading applications for branded mobile phones, as well as all websites and applications of China Literature. With the help of China Literature's extensive Internet platforms and operation channels, the Group can leverage more effective channel resources to promote its high-quality IPs and to facilitate the IP value chain extension.

➢ **Hot Third Season of British TV Drama "Stan Lee's Lucky Man"**

Created by Stan Lee and licensed by POW! Entertainment, the British TV drama "Stan Lee's Lucky Man" has entered into its hot third season. A crime drama with Stan Lee's superhero background, "Stan Lee's Lucky Man" is the first British drama under the name of Stan Lee. The drama has attracted a large number of loyal viewers since its first launch in 2016, and related comics will be published by British comic book publisher TPub under the license from POW! Entertainment.

➢ **Launch of "Travel Frog" Theme Space**

In June 2018, the Group signed a cooperation agreement with Alibaba Group and obtained the license to create "Travel Frog" theme space. In August 2018, the jointly developed "Travel Frog" theme space — "Institution for Zen" was officially unveiled at Lotus Wonderland, a well-known tourist attraction in Foshan, Guangdong. Visitors can tour and photo with "Travel Frog" in the 360-degree panorama of game scenes provided by "Institution for Zen". At the same time, Tmall is also introduced at Lotus Wonderland to offer more offline interactive experiences.

2. IP Derived Products Development and Sales

With the Chinese government's increasing attention to the protection of trademarks, copyrights and other intellectual property rights, as well as the emerging fan economy and consumption upgrade, genuine IP derived markets have risen rapidly.

Committed to providing customers with IP derived products under genuine authorisation, the Group has designed many IP derived products through its professional product design team, high-quality OEMs and successful combination of its IP resources (licensed and self-owned) with popular 3C accessories and fashion backpacks among young people.

During the Year, by taking full advantage of its B2B distribution channels obtained from its mobile devices distribution business, the Group successfully introduced its IP derived products to several well-known e-Commerce platforms and its brand "CAMSING" to the market, resulting in the rapid business development as well as stable and high-quality revenue.

3. Cross-Border Marketing and Branding

Leveraging on its three core advantages, namely "multi-resource integration", "multi-service model integration" and "professional planning and implementation capability", the Group has become an important partner of domestic and international financial institutions on branding and marketing services, offering comprehensive marketing services from IP brand licensing, customised tools, artistic design to product and event planning.

➢ **Credit Card Total Solutions**

After analyzing the needs of banks, credit card organisations and other financial institutions, the Group consolidates different resources and provides financial institutions with comprehensive marketing and branding solutions as well as the implementation of part of solutions. In June 2018, the Group assisted China Guangfa Bank in its successful launch of the Sweet Combat co-branded credit card nationwide. As an exclusive licensing distributor of Sweet Combat in the banking sector, the Group has not only successfully forged a cross-sector cooperation between China Guangfa Bank and Sweet Combat by leveraging its strength in distribution channel and IP operation, but will also provide full range of services for the marketing and distribution of such credit card product.

➢ **Customised Solutions — "Super Miles" and "Funjoy Club"**

As MasterCard's comprehensive marketing services provider in Mainland China, the Group provides marketing solutions to MasterCard by integrating its own resources and the resources from outside brands. During the Year, the Group tailor made two marketing solutions for MasterCard — "Super Miles" and "Funjoy Club". These programs provide quality products in relation to travel and popular virtual coupons to MasterCard holders, with an intention to solve the issue of lacking of consumption scenarios for MasterCard holders in Mainland China so as to fully enhance customer loyalty and cardholding value.

4. Theme Events and Theme Park Operation and Management

➢ **"Run Cartoon Run"**

The Group's "Run Cartoon Run" is a top family run event in China, organised by licensing internationally renowned cartoon images and partnering with various brands from automotive, real estate, finance, insurance, FMCG, everyday chemicals, education, children's products and other industries. Since the launch in 2016, "Run Cartoon Run" has successfully licensed Shaun the Sheep, Super Wings and Boonie Bears and held a series of events in key cities throughout China, each having over 1,000 groups of families to participate in. During the Year, 20 of "Run Cartoon Run" events were held in 17 cities in China.

➢ **Carrying Out Theme Park Operation and Management Business**

In June 2018, the Group officially became the operation and management services provider of Lotus Wonderland in Sanshui, Foshan and will provide the theme park services to Lotus Wonderland, including the planning, designing, operating and marketing of facilities, activities and events of the theme park, the daily operation of the theme park and the planning of cultural and performing arts projects of the theme park. The Group believes that, carrying out theme park operation and management business is an important milestone of the Group in the implementation of its "IP+" development strategy; licensing the Group's IPs to theme parks and conducting sales of IP derived products in theme parks can not only enhance the reputation and attractiveness of the theme parks, but also expand the revenue sources of the Group and improve the monetisation of IPs.

5. **Sales and Distribution of Mobile Devices**

With strong distribution channel relations and customer service capabilities, the Group has established long-term and stable partnerships with large telecom operators and e-Commerce platforms, and provides them with well-known communication brand products. This business supports the monetisation of pan-entertainment IP by laying stable and effective channels for the sales and distribution of IP derived products and enabling IP derived products to reach to consumers via the sales networks of larger distributors, thus remaining an integral part of the Group's main business. During the Year, the sales and distribution of mobile devices business maintained a smooth and effective development, with revenue yoy up 3.4% and gross margin yoy up 1.7 percentage points.

Finally, while the Group's main business maintained rapid growth, the Group's disposal business — electronics manufacturing services remained weak. During the Year, this business recorded revenue of approximately HK$523 million, yoy down 1.9%; gross profit of approximately HK$29 million and net loss of approximately HK$31 million. The lower revenue and the loss are mainly attributable to a sharp drop in global demand for desktop computers and a recession in the HDD Industry as well as high level costs. In view of this, in order to reduce the burden of the Group and to protect the interests of its shareholders, the Group has started the disposal process of the business during the Year.

FUTURE PLANS

Looking into the future, the Group will continue to focus on its pan-entertainment IP driven main business and push forward more rapid development of its main business by further enhancing team building-up and consolidating internal and external resources as well as carrying out or acquiring appropriate new businesses when appropriate.

➢ **"Stan Lee (Shanghai) Comic Universe"**

"Stan Lee (Shanghai) Comic Universe", with authorisation from POW! Entertainment will be held between 1 October and 3 October 2018 at the Shanghai World Expo Exhibition and Convention Center. Being the Chinese version of the "Stan Lee Los Angeles Comic Con", this year's "Stan Lee (Shanghai) Comic Universe" will be the first Stan Lee comic con held in China. The exhibitors together with the exhibition content will cross over animation

cartoon, film entertainment, toys, electronic sports and cross-border pop trends, covering the whole IP value chain from IP creation and incubation to IP distribution, marketing, licensing and derived products. The Group believes that the exhibition will further expand the influence of Stan Lee in China and around the world.

➢ **Cooperation with KBS to Create Korean Drama on Stan Lee's IP**

During the Year, the Group entered into a cooperation agreement with KBS Hallyu Investment Partners. The Group will cooperate with KBS Hallyu in way of IP licensing to create the first Korean drama adapted on Stan Lee's IP. At present, all parties are working as planned for the implementation of specific projects. KBS Hallyu Investment Partners, a wholly owned subsidiary of KBS, was established in January 2016 and has since then developed and operated a lot of content-related projects and businesses. Leveraged on KBS's rich production resources, broad media network and strong brand influence, the cooperation aims to integrate the classic superhero elements with the Korean wave so as to create an innovative and international high-quality works.

➢ **Cooperation with Lan Kwai Fong Group**

The Group's cooperation with Lan Kwai Fong Group will be carried out in the three areas, including: 1) design, operation and management of theme parks, hotels, resorts, food and beverage, commercial/retail outlets and theme based activities; 2) content creation, development and distribution with respect to digital rights such as films, TV drama and shows, short videos, animation and games; and 3) licensing business with respect to digital rights and peripheral products. Both parties will work together to better grasp potential business opportunities in Mainland China and the United States, to create high-quality projects and content that integrate Chinese and Western culture, and to boost new growth momentum for both sides.

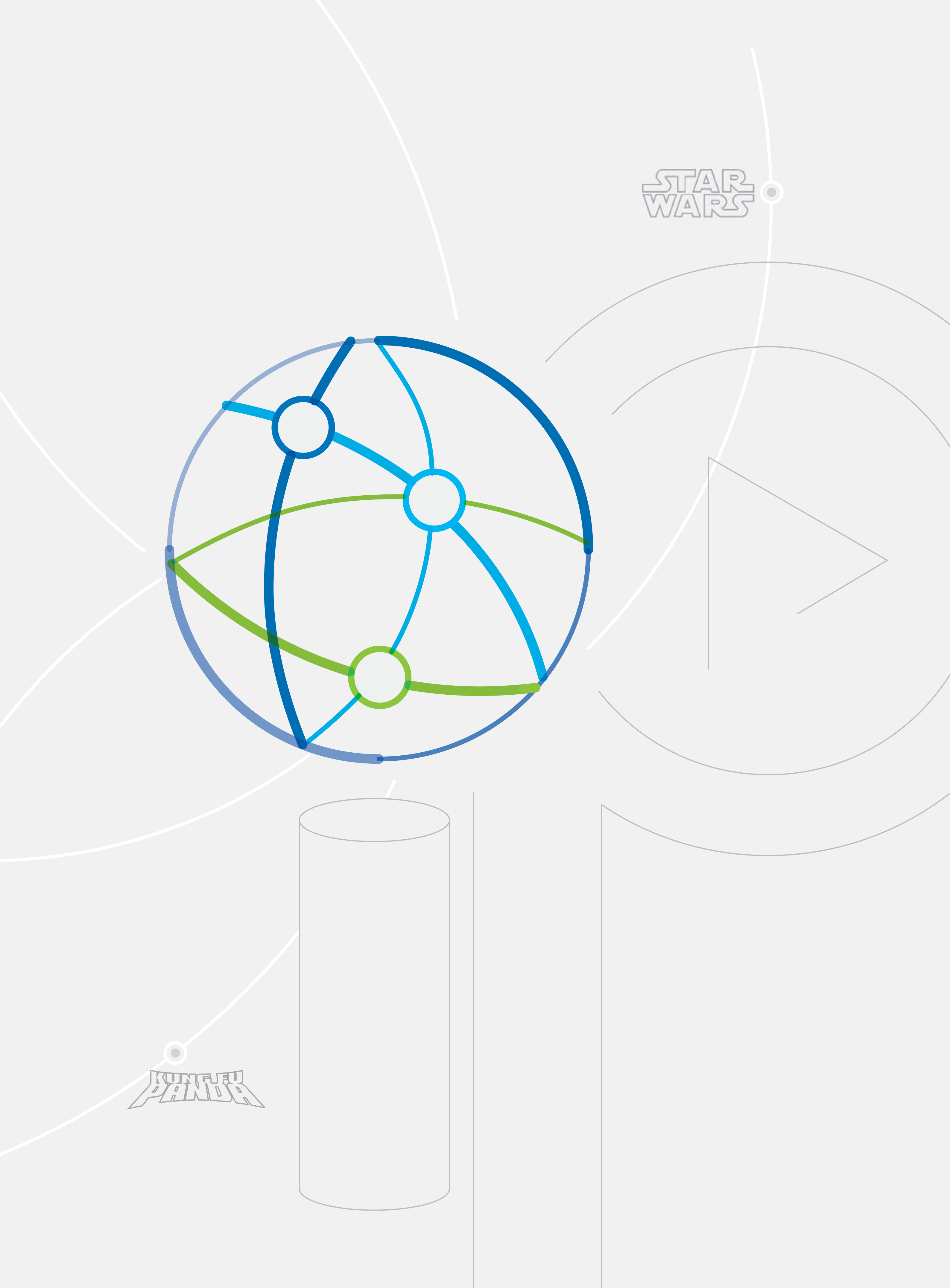
➢ **Cooperation with Poly Real Estate Group**

The Group's cooperation with Poly South China Holdings Co., Ltd., a wholly-owned subsidiary of Poly Real Estate Group Co., Ltd will focus on the projects in relation to culture, tourism and entertainment as well as film and TV parks. Both sides will give full play to their advantages in their respective business expertise and resources to create an industrial ecological value chain in line with local demands, and will also work with local governments to carry out specific tasks, such as finalisation of project lands and implementation of project plans, so as to promote cross-sector integration and innovation between industrial real estate and culture, tourism and entertainment and to build a mutually beneficial and win-win strategic partnership.

RICH IP RE-SOURCES

- Having worked closely for years with IP owners at home and abroad and successfully licensed a series of well-known IPs such as Transformers, Star Wars, World of Warcraft, Kung Fu Panda and Travel Frog;

- Acquisition of POW! Entertainment, which was founded by Stan Lee, enables the Group to obtain a large number of high-quality, international IPs as well as the exclusive rights to use Stan Lee's identity.


STAR WARS
KUNG FU PANDA

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Lo Ching, aged 47, was appointed as an Executive Director and the Chairman of the Board on 21 January 2016. Ms. Lo is the executive chairman and the sole ultimate beneficial owner of Guangzhou Camsing Company Limited (廣州承興營銷管理有限公司) ("Guangzhou Camsing"), a company incorporated in the People's Republic of China which principal business activity is promotion and distribution of consumer products. She has over 20 years of experience in brands promotion and operation and is responsible for business development, strategic planning and general management of the Group. She is also the executive chairman of Camsing Healthcare Limited ("Camsing Healthcare"), a company listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") (stock code: BAC). Ms. Lo is the founding member of Beijing Mulan Foundation and council member of Guangdong Women and Children's Foundation. She is also Vice President of Guangdong Association of Women Entrepreneurs. She received two Executive Master of Business Administration degrees from the Hong Kong University of Science and Technology and the HEC School of Management in Paris.

Ms. Liu Hui, aged 48, was appointed as an Executive Director on 21 January 2016. Ms. Liu is the Deputy General Manager of Guangzhou Camsing and is primarily responsible for Chairman's Office management, large customer distribution business and audit management of the Group. She is also an executive director of Camsing Healthcare. Prior joining the Group, she had worked at 北京大地科技實業總公司 (Beijing Dadi Technology Company Limited*), 寧都創業投資有限公司 (Ningdu Venture Investment Company Limited*) and Cinda Securities Company Limited. Ms. Liu is also a member of China Entrepreneur Mulan Club. She received an Executive Master of Business Administration degree from the HEC School of Management in Paris.

Independent Non-Executive Directors

Mr. Lei Jun, aged 48, was appointed as an Independent Non-executive Director on 21 January 2016. Since December 2015, Mr. Lei has been the Chief Executive Officer and Research Director of Jove-Life Investment Management Co., Ltd. He was the General Manager of Capital Operation Department of Capital Airports Holding Company from June 2005 to November 2015. He was a non-executive director of Bank of Communications Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3328, 4605 (preference share)), from August 2008 to December 2015. He worked for Baoshan Iron & Steel Company Limited, Shanghai Baosteel Group Corporation, Fortune Trust & Investment Company Limited and Goldstate Securities Company Limited. Mr. Lei received a Master's Degree in Business Administration from The University of Hong Kong.

Mr. Ross Yu Limjoco, aged 47, was appointed as an Independent Non-executive Director on 31 May 2016. Mr. Limjoco is the assurance and M&A director of Nexia TS Advisory Pte Ltd. He was an independent director of IPCO International Limited (stock code: I11), a company listed on the SGX-ST, up to 2 August 2017. He is an independent director of Hubei Zhong Liang Huan Energy Management Co., Ltd (湖北綜聯桓能源投資管理股份有限公司) (stock code: 833823), a company listed on the National Equities Exchange and Quotations System

("NEEQ") in the PRC (NEEQ is also commonly known as 新三板 (The New Third Board)). He was the managing director of TMS Capital Advisory Limited from May 2014 to March 2016. From 2012 to 2014, he was the chief financial officer and joint company secretary of PSL Holdings Limited (stock code: BLL), a company listed on the SGX-ST. Mr. Limjoco holds a Bachelor of Science in Business Administration degree with a major in accounting from the Philippine School of Business Administration. He is a Practicing Member of the Institute of Singapore Chartered Accountants, a Certified Fraud Examiner, a Chartered Valuer and Appraiser and a member of each of the Philippine Institute of Certified Public Accountants and International Association of Consultants, Valuators and Analysts.

Mr. Zheng Yilei, aged 39, was appointed as an Independent Non-executive Director of the Company on 31 May 2016. Mr. Zheng currently is a senior partner of Tian Yuan Law Firm, a law firm in the PRC. He has been in the legal practice for 15 years. He started his legal profession in King & Wood Shanghai Office from 2003 to 2006. From 2006 to 2008, he worked for Jones Day Shanghai Office as a senior PRC legal. Afterwards, he joined Fangda Partners as a senior associate until 2011. Since 2011, he worked as a partner in Jingtian & Gongcheng. In 2018, he joined Tian Yuan Law Firm. Mr. Zheng obtained a Bachelor of Law degree from Peking University Law School in 2001. He holds a Master's Degree in Law from Transnational Law & Business University and also a Master's Degree in Law from the Law School of University of California, Berkeley.

Senior Management

Mr. Stan Lee, Chief Creative Officer of the Group. Mr. Stan Lee is responsible for the IP design team of the Group which is engaged to the creation and development of the IPs. He is an American comic-book writer, editor, film executive producer and publisher. He co-created many famous comic characters such as Spider-Man, Fantastic Four, X-Men, Avengers, Iron Man, Hulk, Thor, Captain America, Daredevil and Doctor Strange.

Mr. Leo Lee, Chief Operating Officer of the Group. Mr. Lee is responsible for the Group's overall IP operation including the development and sales of IP derived products. He has 15 years of experience in sales and marketing. Mr. Lee held managerial positions at Intech Group and Fortune Telecom before joining the Group.

Ms. Jie Jing, Chief Marketing Officer of the Group. Ms. Jie is responsible for the Group's sales and marketing. She has 20 years of experience in sales and marketing and customer relations, and held various positions at well-known institutions such as China Guangfa Bank, China CITIC Bank, United Airlines and MasterCard.

Mr. Song Ankun, Chief Financial Officer of the Group. Mr. Song is responsible for the finance and internal control of the Group. He is a certified accountant and has over 10 years of experience in finance and auditing. Prior to joining the Group, Mr. Song held auditing and finance positions at China News Development Shenzhen Company Limited and Telling Communications Company Limited.

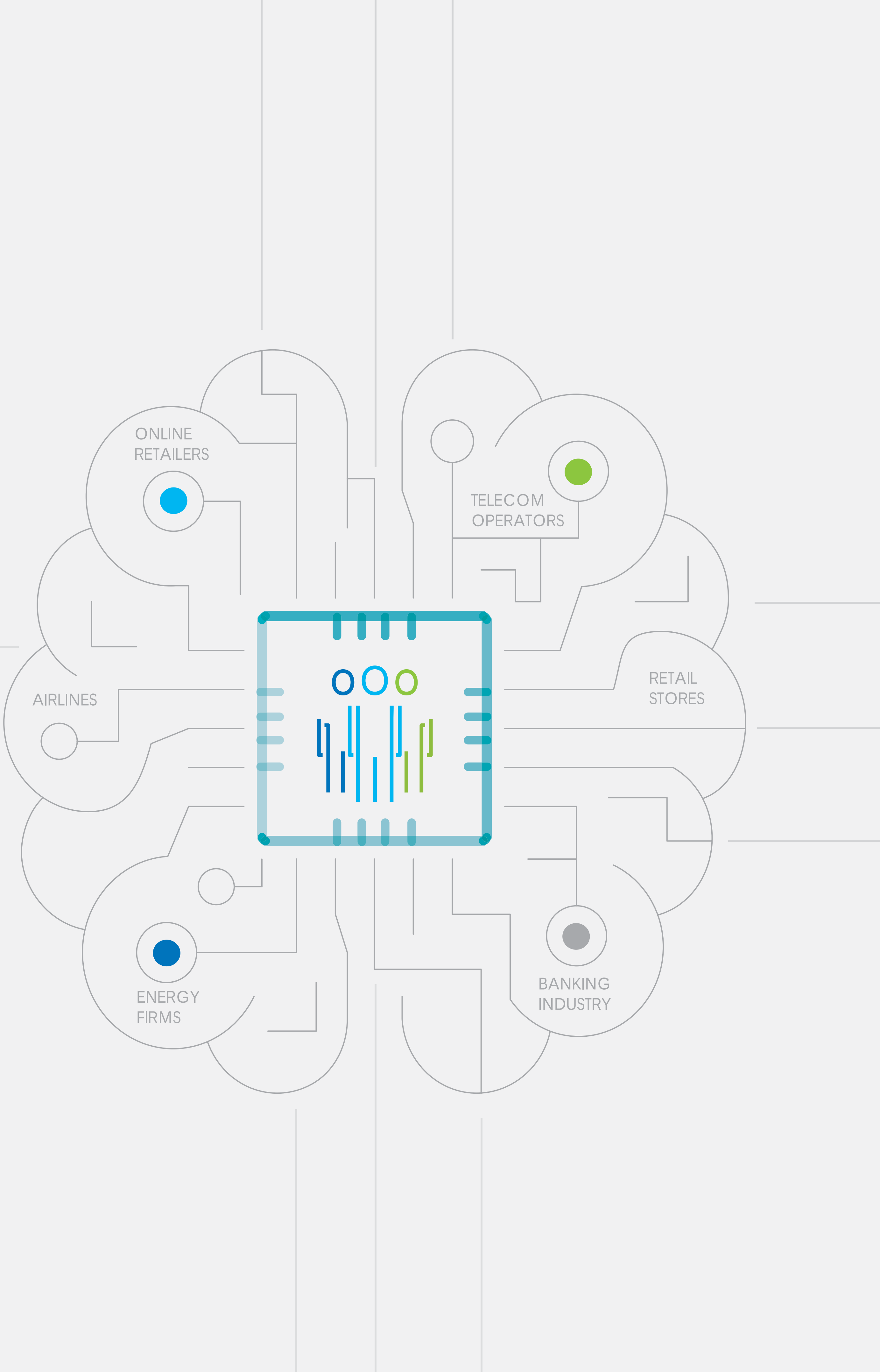
Ms. Jiang Qianya, Content Development and Licensing Director of the Group. Ms. Jiang is responsible for the Group's content development and licensing business. She has been working in the pan-entertainment industry for more than 10 years and accumulated extensive experience in content planning and distribution, brand licensing and business network of TV production houses and animation studios in the PRC market.

* *for identification purpose*

STRONG DISTRIBUTION CHANNELS

- Years of distribution of mobile devices have helped the Group obtain a large number of Top 500 enterprise customers, laying solid foundation for the expansion of the Group's various businesses;

- Vast distribution networks owned by Top 500 enterprise customers enable IP derived products and services of the Group to reach consumers in a fast and effective way.



ONLINE RETAILERS
TELECOM OPERATORS
AIRLINES
RETAIL STORES
ENERGY FIRMS
BANKING INDUSTRY

CORPORATE GOVERNANCE PRACTICES

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

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

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

Biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 26 to 27.

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

During the year ended 30 June 2018, the Directors have made active contribution to the affairs of the Group and four board meetings and one general meeting were held. Details of the Directors' attendance records are set out as follow:

Directors	No. of Eligible Board Meetings Attended/Held	No. of Eligible General Meeting Attended/Held
Executive Directors		
Ms. Lo Ching (Chairman)	4/4	1/1
Ms. Liu Hui	4/4	1/1
Independent Non-Executive Directors		
Mr. Lei Jun	4/4	1/1
Mr. Ross Yu Limjoco	4/4	1/1
Mr. Zheng Yilei	4/4	1/1

The Board also held a board meeting on 12 September 2018 to review and consider, inter alias, the audited financial statements of the Group for the year ended 30 June 2018, internal control and risk management systems and certain corporate governance matters in accordance with Paragraph D3 of the CG Code.

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

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

During the year ended 30 June 2018, the Directors also participated in the following trainings:

Name of Directors	Attending or Participating in the Briefing Sessions/ Seminars/ Programs relevant to the Business/
Executive Directors	
Ms. Lo Ching	✓
Ms. Liu Hui	✓
Independent Non-Executive Directors	
Mr. Lei Jun	✓
Mr. Ross Yu Limjoco	✓
Mr. Zheng Yilei	✓

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee has considered the current composition of the Board maintain in appropriate range and reflects the balance of skills, educational background, experience and diversity of perspectives desirable for the effective management of the Company.

Selection of candidates will be based on a range of diversity perspectives as stated above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

AUDIT COMMITTEE

The Company has formed an audit committee to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Company. The existing committee comprises Mr. Ross Yu Limjoco as Chairman, Mr. Lei Jun, and Mr. Zheng Yilei, all of whom are INEDs. The Audit Committee is provided with sufficient resources to discharge its duties, meets regularly with the management and external auditors, and reviews their reports.

During the financial year, the Audit Committee held two meetings with respect to discussing matters regarding internal control and financial reporting (including the interim results before proposing them to the Board for approval) with the management and external auditors. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Year.

Attendance records of each Audit Committee Member are set out as follows:

Audit Committee Members	No. of Eligible Meetings Attended/Held
Mr. Ross Yu Limjoco (Chairman)	2/2
Mr. Lei Jun	2/2
Mr. Zheng Yilei	2/2

The duties of the Audit Committee shall be:

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

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

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

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

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

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

(i) any changes to accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

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

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

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

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

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

(k) to review the Group's financial and accounting policies and practices.

REMUNERATION COMMITTEE

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

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

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

During the financial year, the Remuneration Committee, reviewed and made recommendation to the Board for final determination, of the remuneration packages of the Executive Directors and the Directors' fee of the Independent Non-Executive Directors, and approved the terms of Executive Directors' service contracts.

The Remuneration Committee held one meeting for the year ended 30 June 2018. The attendance records of each Remuneration Committee Member are set out as follows:

Remuneration Committee Members	No. of Eligible Meeting Attended/Held
Mr. Zheng Yilei (Chairman)	1/1
Mr. Lei Jun	1/1
Mr. Ross Yu Limjoco	1/1

NOMINATION COMMITTEE

The Board established the Nomination Committee with the written terms of reference based as suggested under the new CG code.

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

The Nomination Committee now comprises two Independent Non-Executive Directors, namely Mr. Lei Jun as the Chairman and Mr. Zheng Yilei, and one Executive Director Ms. Lo Ching. The Board is satisfied that these Directors possess relevant qualifications and management expertise to enable them to discharge fully the duties of the Nomination Committee.

During the financial year, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of Independent Non-Executive Directors, and nominated the re-appointment of Directors.

The Nomination Committee held one meeting for the year ended 30 June 2018. The attendance records of each Nomination Committee Member are set out follows:

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

CORPORATE GOVERNANCE FUNCTIONS

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

AUDITOR'S REMUNERATION

The Audit Committee of the Group is responsible for considering the appointment of external auditors and reviewing any non-audit functions performed by external auditors. During the Year under review, approximately HK$3,041,000 is payable to the external auditors for their services, of which approximately HK$780,000 was paid for non-audit services performed.

There is no disagreement between the Board and the Audit Committee on the re-appointment of Deloitte Touche Tohmatsu as the Company's independent auditor, and they both have agreed to recommend the re-appointment of Deloitte Touche Tohmatsu as the independent auditor for its ensuing year at the 2018 annual general meeting of the Company.

ACCOUNTABILITY AND AUDIT

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

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

INTERNAL CONTROL

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

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

COMPANY SECRETARY

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

According to Rule 3.29 of the Listing Rules, Mr. Fung Nam Shan has taken not less than 15 hours of relevant professional training for the financial year ended 30 June 2018.

SHAREHOLDERS' RIGHTS

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

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. The contact details are as follows:

The Board of Directors
Camsing International Holding Limited

Address: Suite 1602, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Tel: 3158 8163

Fax: 8148 5892

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

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

CONSTITUTIONAL DOCUMENTS

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

COMMUNICATION WITH SHAREHOLDERS

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

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

CONCLUSION

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

DIRECTORS' REPORT

The Directors of the Company (the "Directors") present the annual report and the audited consolidated financial statements of the Company for the year ended 30 June 2018 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries and an associate are set out in notes 37 and 16, respectively, to the consolidated financial statements.

BUSINESS REVIEW

Overview and Performance of the Year

A discussion and analysis of the Group's performance during the Year and the key factors affecting its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report. Furthermore, a fair review of, and an indication of likely future development in the Group's business, are set out in the sections headed "Chairman's Statement" of this annual report.

Environmental Policies and Performance

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

Compliance with Relevant Laws and Regulations

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

Key Relationships with Stakeholders

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

Significant Investment Held

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

Liquidity, Financial Resources and Capital Structure

As of 30 June 2018, the net asset of the Group amounted to approximately HK$486.5 million. The gearing ratio of the Group was 0.02 (30 June 2017: 0.11) which was calculated based on the Group's total borrowing and bonds amounting to HK$8,669,000 (30 June 2017: HK$42,222,000) and the equity attributable to owners of the Company amounting to HK$481,181,000 (30 June 2017: HK$385,221,000).

Staff

As at 30 June 2018, the total number of employees being employed by the Group was 539 (2017: 553) of which 503 were employed in Mainland China, 26 were employed in Hong Kong, and 10 were employed in the USA.

Foreign Currency Risk Exposure

The Group's exposure to currency risk mainly arises from fluctuation of foreign currencies against the functional currency of the relevant group entities, including USD, HK$ and RMB. The Directors of the Company consider the exposure is not significant and no hedging contracts were entered.

Charge on Group's Assets

During the financial year and up to the date of this report, none of the assets of the Group was pledged or charged (2017: nil).

Contingent Liabilities

During the financial year and up to the date of this report, the Group had no contingent liabilities (2017: nil).

Events during the Reporting Period and up to the date of this report

1. On 11 April 2018, a direct wholly-owned subsidiary of the Company (the "Vendor") entered into a sale and purchase agreement with Time Chain Holdings Limited (the "Purchaser"), a company wholly-owned by Mr. Lam Chi Ho, a director of certain subsidiaries of the Company, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital of Fittec (BVI) Limited at the total consideration of HK$140.0 million (the "Disposal"). The principal business of Fittec (BVI) Limited and its subsidiaries is pure assembly services and procurement and assembly services.

   As the Purchaser is wholly-owned by Mr. Lam Chi Ho, a director of certain subsidiaries of the Company, the Purchaser is a connected person of the Company within the meanings of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Accordingly, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Disposal is therefore subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

   Please refer to the announcements of the Company dated 11 April 2018, 25 May 2018 and 14 June 2018 for the details of the Disposal.

2. References are made to the announcements of the Company dated 16 May 2018, 17 May 2018, 20 May 2018, 21 May 2018, 15 June 2018, 9 July 2018 and 26 July 2018. In May 2018, Mr. Stan Lee filed a formal complaint (the "USA Complaint") against, among others, POW! Entertainment, Inc. ("POW! Entertainment") in the relevant court in the United States of America ("USA") alleging that POW! Entertainment conspired with other individuals (whom are also subject to the USA Complaint) to knowingly make material misrepresentations of fact, and forced or fraudulently obtained Mr. Stan Lee's signature to give POW! Entertainment the exclusive use of Mr. Stan Lee's identity, name, image and likeness, and seeks damages in excess of USD1 billion from POW! Entertainment and the said individuals. On 5 July 2018, Mr. Stan Lee made an application to the relevant court in the USA to formally withdraw his claim in the USA Complaint against POW! Entertainment. Such application had been approved by the relevant court in the USA.

   The Company has on 21 May 2018 commenced legal proceedings in the High Court of Hong Kong against Mr. Stan Lee for, among other things, the false allegations in the USA Complaint (the "HK Legal Proceedings"). On 20 July 2018, the Company has discontinued the HK Legal Proceedings against Mr. Stan Lee.

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

Major Risks and Uncertainties

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

The global economy improves as a whole while challenges remain

Although China's gross domestic product ("GDP") growth continues in 2018, it has slowed down to a more moderate pace in the last few years. This could be explained by the lagged effect of regulatory tightening and softer external demand. With tightening global financial market conditions and rising trade tensions between China and the US , IMF predicts China's near-term growth would be weaker if reform and re-balance from investment to consumption could not be achieved.

On a global basis, the United Nations ("UN") still holds conservative views. According to the UN, economic prospects remain vulnerable because of the changes in trade policy, sudden deterioration in global financial conditions and rising geopolitical tensions. Policy uncertainties and protectionist tendencies remain the biggest obstacles for a sustainable and healthy economic growth.

Trade relationships, such as the United Kingdom and Northern Ireland's decision to withdraw from the European Union and the USA's decisions to renegotiate the North American Free Trade Agreement and to reassess the terms of its other existing trade agreements,have put a damper on world-wide trade and global economics as a whole.

Inadequate legal protection of copyright in PRC

The Group's continuing operations, mainly around IP licensing and comprehensive services are in face of risks and uncertainties coming from a spectrum of aspects. Notwithstanding the concept of IP has become a hot topic in the PRC along with the whole industry is on a growth, the relevant regulations and laws in terms of protecting the copyright of these IP are still inadequate. Thereby this puts the Group's IP related business in risk as it faces infringement and inappropriate use since the substantial business is taken place in the PRC.

Rising labour cost

Human resources is the most valuable asset of the Group and the cost of labour remains one of the biggest expenses generated by the Group. China's policies in tax and social insurances have put a burden to the Group's business. According to the latest social insurances policies which will be implemented in the next year, the companies in the PRC are met with a stricter regulation in terms of insurance fees paid for employees by the companies. This new policy would, with no doubt, increase the labour cost of the Group in the coming years.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 67 to 68 of this report.

The Board has recommended a final dividend of HK 1.2 cents per ordinary share of the Company for the year ended 30 June 2018 (2017: nil) to the Shareholders out of the share premium account of the Company. The proposed final dividend is subject to the approval of the Shareholders at the AGM to be held on 23 November 2018 of an ordinary resolution approving the payment of the final dividend out of the share premium account pursuant to articles 136 and 137 of the articles of association of the Company and the Directors being satisfied that there are no reasonable grounds for believing that the Company immediately following payment of the final dividend is unable to pay its debts as they fall due in the ordinary course of business. The final dividend is expected to be paid on 13 December 2018 to all Shareholders whose names appear on the register of members of the Company on 3 December 2018.

CLOSE OF REGISTER OF MEMBERS OF THE COMPANY

For determining the entitlement to attend and vote at the AGM to be held on Friday, 23 November 2018, the register of members of the Company will be closed from Tuesday, 20 November 2018 to Friday, 23 November 2018, both days inclusive, during which no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 November 2018.

In order to ascertain the entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 29 November 2018 to Monday, 3 December 2018, both days inclusive. In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 28 November 2018.

FIVE YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, are summarised on page 148 of this report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Year, there was no purchase, redemption or disposal of the Company's listed securities by the Group.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 30 June 2018 amounted to approximately HK$375,646,000 (2017: HK$388,409,000), which comprise the share premium of approximately HK$366,526,000 (2017: HK$366,526,000), the contributed surplus of approximately HK$514,645,000 (2017: HK$514,645,000) and net of accumulated losses of approximately HK$505,525,000 (2017: HK$492,762,000).

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

DIRECTORS

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

Executive Directors
Ms. Lo Ching
Ms. Liu Hui

Independent Non-Executive Directors
Mr. Lei Jun
Mr. Ross Yu Limjoco
Mr. Zheng Yilei

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

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on pages 26 to 27 of this report.

DIRECTORS' SERVICE CONTRACTS

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

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

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests and short position of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) or pursuant to Section 352 of the SFO to be recorded in the register to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long Position

Ordinary shares of HK$0.1 each of the Company

Name of Director	Capacity	Number of Issued Ordinary Shares Held	Percentage of the Issued Share Capital of the Company
Ms. Lo Ching ("Ms. Lo")	Interest of Controlled Corporations *(note)*	698,769,952	64.87%

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

Save as disclosed above, as at 30 June 2018, none of the Directors nor chief executive and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SHARE OPTIONS

The Company's share option scheme was adopted on 16 November 2005 and expired on 15 November 2015.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2018, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long Position

Ordinary shares of HK$0.1 each of the Company

Name of Shareholder	Capacity	Number of Issued Ordinary Shares Held		Percentage of the Issued Share Capital of the Company
		Direct Interest	Total Interest	
China Base	Beneficial Owner	676,864,150	676,864,150	62.83%

Note:

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

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2018.

EMOLUMENT POLICY

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

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

Details of Directors' emoluments during the Year are set out in note 11 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers comprised approximately 88.5% of the Group's total sales from the continuing operations and the sales attributable to the Group's largest customer were approximately 44.6% of the Group's total sales from the continuing operations for the Year.

The aggregate purchases attributable to the Group's five largest suppliers comprised approximately 87.5% of the Group's total cost of sales from the continuing operations and the purchases attributable to the Group's largest supplier were approximately 43.6% of the Group's total cost of sales from the continuing operations for the Year.

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

CONTINUING CONNECTED TRANSACTIONS

Theme Park Management Services Agreement

On 20 June 2018, 奇承(廣州)景區管理有限公司(Qi Cheng (Guangzhou) Scenic Management Limited*) ("Qi Cheng (Guangzhou)"), an indirect wholly-owned subsidiary of the Company, entered into a theme park management services agreement (the "Agreement") with 佛山奇境文化投資有限公司(Fo Shan Qi Jing Cultural Investments Limited*) ("Fo Shan Qi Jing"), Fo Shan Qi Jing is a direct wholly-owned subsidiary of 廣東奇境文化投資有限公司(Guangdong Qi Jing Cultural Investments Limited) ("Guangdong Qi Jing"), which is in turn directly wholly-owned by 上海承勵投資管理咨詢有限公司(Shanghai Cheng Li Investment Management and Consultancy Limited*) ("Shanghai Cheng Li") and 廣東承興控股集團有限公司(Guangdong Cheng Xing Holdings Limited*) ("Guangdong Cheng Xing") together. Shanghai Cheng Li is directly owned as to 60% by Ms. Lo Ching, who is a substantial shareholder, the chairman of the Board, chief executive officer of the Company and executive Director, while Guangdong Cheng Xing is directly owned as to 86.96% by Mr. Lo Wei, who is a brother of Ms. Lo Ching. Fo Shan Qi Jing will pay a fixed amount of RMB2,000,000 plus a variable fee of 5% of the annual revenue of Fo Shan Qi Jing to Qi Cheng (Guangzhou) on a yearly basis. For each of the three years ending on 30 June 2020, the annual caps payable by Fo Shan Qi Jing to the Group in respect of the Theme Park Management Services under the Agreement are HK$400,000, HK$7,000,000 and HK$8,500,000, respectively. Details of the transaction were disclosed in the announcement of the Company dated 20 June 2018. The annual caps, consideration paid for the year ended 30 June 2018 and other details are set out below:

Connected Party	Date of Agreement	Term	Nature of Transaction	Annual Cap for the year ended 30 June 2018 *HK$'000*	Consideration paid for the year ended 30 June 2018 *HK$'000*
Fo Shan Qi Jing	20 June 2018	2 years commencing on 20 June 2018 and expiring on 20 June 2020	Qi Cheng (Guangzhou) shall provide theme park management services to Fo Shan Qi Jing	400	84

The Directors (including the independent non-executive Directors) of the Company have reviewed and confirmed that the continuing connected transactions mentioned above conducted in the Year was entered into on the following basis:

(a) in the ordinary and usual course of the business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

* *for identification purpose only*

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group as above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In addition, the auditor of the Company has confirmed to the Board that in respect of the above continuing connected transactions for the Year:

(a) nothing has come to auditor's attention that causes the auditor to believe that the disclosed continuing connected transaction has not been approved by the Company's board of directors;

(b) nothing has come to auditor's attention that causes the auditor to believe that the transaction was not entered into, in all material respects, in accordance with the relevant agreement governing such transaction;

(c) with respect to the aggregate amount of the disclosed continuing connected transaction, nothing has come to auditor's attention that causes the auditor to believe that the disclosed continuing connected transaction has exceeded the annual cap as set by the Company.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the continuing connected transactions mentioned above.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions of the Group are set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The Group's consolidated financial statements have been audited by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, who will retire and offer itself for re-appointment at the for forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

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

On behalf of the Board

Ms. Lo Ching
Chairman

12 September 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

1.1. Reporting Period

This Environmental, Social and Governance ("ESG") Report illustrates and highlights the environmental and social performance of the Group from 1 July 2017 to 30 June 2018 unless otherwise stated.

1.2. Reporting Scope

The content of this ESG report is focused on the Group's development, licensing and diversified operations of pan-entertainment intellectual property ("IP") in Hong Kong and the People's Republic of China ("PRC"), and the assembly and procurement business of its hard disk drive controller ("HDD controllers") and personal computer ("PC") motherboard products in the Group's Suzhou and Shenzhen manufacturing plants. This report demonstrates the ESG performance of the Group in achieving sustainable development for the future.

1.3. Reporting Framework

This ESG report follows the disclosure requirements as set out in the ESG Reporting Guide ("ESG Guide") contained in Appendix 27 to the Listing Rules.

Key Performance Index ("KPI") Reference Table

Reference KPI of the ESG Guide		Corresponding KPI in the section of this report
A	Environmental Performance	Environmental Performance
A1	Emissions Policies and Compliances	Environmental Performance Emissions Policies and Compliances Minimising Emission
A2	Use of Resources	Minimising Emission The Environment and Natural Resources
A3	The Environment and Natural Resources	Environmental Performance The Environment and Natural Resources
B1	Employment Policies and Compliances	Employment Policies and Compliances
B2	Health and Safety Policies and Compliances	Occupational Health and Safety Policies and Compliances
B3	Development and Training Policies	Human Capital Development and Training Policies
B4	Labour Standards	Employment Policies and Compliances
B5	Supply Chain Management	Supply Chain Management
B6	Product Responsibility	Product Responsibility and Quality Assurance Process Protecting Intellectual Property Rights Consumer Data Protection and Privacy Policies
B7	Anticorruption Policies and Compliances	Anticorruption Policies and Compliances Conflict of Interest Preventive Measures and Whistle-blowing Procedures
B8	Community Investment	Community Care

2. ENVIRONMENTAL PERFORMANCE

The Group's pan-entertainment IP driven main business is mainly conducted through the Internet, and the environmental concerns towards this business is relatively low when compared to the electronic manufacturing business which would be discussed below. The Group does not involve in air (dust and residues), water, and noise pollution which are regulated under relevant environmental laws and regulations.

2.1. Emission Policies and Compliances

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

2.2. Minimising Emission

Carbon footprint generated from the manufacturing operations and office locations will be disclosed in this report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas ("GHG") expressed in terms of equivalent amount of carbon dioxide ("CO_2") emission. Hazardous and non-hazardous waste generated from its operations will also be discussed. To reduce GHG emissions, the Group has energy saving practice in place by switching off unused air-conditioning, lighting and equipment.

Comprising the Group's headquarters, the Guangzhou office, and the subsidiaries including the manufacturing plants and warehouses, the Group's operations cover a total floor area of 26,005.95 square meter ("m^2") (2017: 32,467.00 m^2) and accounted for 100% of its GHG emissions.

Carbon Footprint — GHG Emissions

The total net GHG emissions generated by the Group were 7,186.97 tonnes of carbon dioxide equivalent ("tCO_2-eq") (mainly carbon dioxide, methane and nitrous oxide) (2017: 6,560.93 tCO_2-eq). With the total audited area of 26,005.95 m^2 (2017: 32,467.00 m^2), the total annual carbon emission intensity due to energy usage was 0.276 tCO_2-eq/m^2 (2017: 0.199 tCO_2-eq/m^2). The following table highlights the year on year comparison of the Group's carbon footprint.

Scope	Sources of GHG emissions	2018 GHG* emissions (in tCO_2-eq)	2018 Distribution	2017 GHG* emissions (in tCO_2-eq)	2017 Distribution	% change
1	Mobile — Diesel consumed by the Group's motor vehicles	139.02	1.93%	77.61	1.18%	79.13%
2	Purchased electricity	6,877.10	95.69%	6,451.01	98.33%	6.61%
3	Disposal of paper waste	132.48		Not available		
	Fresh water processing	38.37	2.38%	32.30	0.49%	428.95%
	Sewage water processing	0.00		0.00		
	Total GHG emissions	7,186.97		6,560.92		9.54%
	Carbon emission intensity	0.276		0.199		38.69%

* The GHG is calculated according to the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

The total net GHG emissions has been increased by 9.54% with the carbon emission intensity also being increased by 38.69% (from 0.199 to 0.276 in tCO_2-eq/m^2) as compared to the last reporting period. The increase in GHG emissions was mainly attributed to the increase in electricity consumption due to the increase in production volume in the manufacturing plants. To save energy and reduce GHG emissions, the Group has energy saving practice in place by switching off unused air-conditioning, lighting and equipment.

Another major source of GHG emissions was from the use of diesel-powered motor vehicles for goods transportation. Motor vehicles, especially the diesel powered, emit a considerable amount of respirable suspended particulates and nitrogen dioxide into the atmosphere. Although the usage of diesel contributed to only around 2% of the Group's total carbon footprint at 139.02 tCO_2-eq, the Group will continue to consider the possibility of using more energy efficient vehicles in phases to reduce GHG emissions.

Paper waste constituted about 2% of the Group's total GHG emissions at 132.48 tCO_2-eq. To reduce paper consumption, the Group has been recycling single side printed papers for reuse and using digital technology to replace papers.

Hazardous Waste

The production of HDD controllers and PC motherboard products would produce electrical/electronic waste ("e-waste"). Since the Group's products have obtained the relevant TUV[1] testing and CE[2] marking to fulfil the regulatory and safety requirement on electronic and electrical appliance for the relevant export markets, especially for the European market, it means all e-waste generated from production has fulfilled the Restriction on Hazardous Waste Directive ("RoHS") and Waste Electrical and Electronic Equipment ("WEEE") Directive of the CE marking scheme. In addition, the HDD controllers and PC motherboard products and their parts did not exceed the limit being set for the CE accredited listed hazardous substances, and the post-consumer parts and e-waste were also sorted and recycled accordingly.

There was other hazardous waste being generated by the electroplating process during products manufacturing. Electroplating waste such as organic solvent solution, heavy metal, cyanide and electrolyte residues is potentially hazardous to human health and the environment when they are improperly managed. There were 0.7 tonnes (2017: 0.4 tonnes) of hazardous organic solvent being generated and they were treated appropriately by accredited waste treatment contractor in the PRC.

Non-hazardous Waste

Various types of raw materials were procured and used in products manufacturing. Certain packaging waste such as carton boxes, foam, plastic bags and wood created from the materials being procured, and the residual waste after manufacturing were generated and deposed of by the Group. There are practices in place to collect the waste for recycling and disposal. It was recorded that a total of 24.5 tonnes (2017: 27.6 tonnes) of non-hazardous waste from manufacturing was generated.

1 Product safety and quality certification marks

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

Paper was the only non-hazardous waste generated from office administration, it was recorded that 27,600.00 kg of paper (2017: not available due to the inexperience in paper use data collection) was used. Paper waste was collected by designated service supplier in the PRC for recycling and the building management in Hong Kong for disposal.

2.3. The Environment and Natural Resources

The main manufacturing operations of the electronic products are located in designated industrial area, most of the emission and waste generated from the manufacturing plants were well treated before they were returned to the environment. Therefore, the direct impact from the Group's activities towards the environment and natural resources is minimal.

Energy Consumption — Electricity

The total electricity consumed was 8,162,650.00 Kilowatt-hour ("kWh") (2017: 7,492,157.00 kWh). With the total operation area of 26,005.95 m^2 (2017: 32,467.00 m^2), the energy intensity was 313.88 kWh/m^2 (2017: 257.11 kWh/m^2), an increase of 22.08%. The Group is actively seeking for more energy efficient production equipment to reduce electricity consumption in the manufacturing process.

Fossil Fuel Consumption — Diesel

A total of 46,302.90 litres (2017: 25,850.00 litres) of diesel were being used by the Group's motor vehicles, an increase of 79.12% year on year due to the increase in transportation needs of the electronic manufacturing business. Hence, the use of more efficient transportation methods or electrical vehicles shall be considered to minimise the GHG emissions generated by transportation.

Water Consumption

The total fresh water consumption was 90,483.92 cubic meters ("m^3") (2017: 76,179.00 m^3), an increase of 18.78% when compared with the last reporting period. The Group is conscientious in water conservation as it is one of the most precious natural resources on earth.

Total Packaging Material Used for Finished Products

Various packaging materials were used for the packaging of finished products. Packaging materials ranging from plastic wrapping, foam materials and carton boxes were used for product protection and transportation. It was recorded that 5.3 tonnes of plastic wrapping, 3.3 tonnes of foam materials and 12.3 tonnes of carton boxes were used during the reporting period. While there is no official solution unless better eco-design is available as an alternative, packaging waste will be disposed of by the final consumers.

3. EMPLOYMENT POLICIES AND COMPLIANCES

As at 30 June 2018, the total workforce of the Group was 539 (2017: 553) with a combination of 298 men and 241 women and the following age distribution.

	18–25	26–35	36–45	46–55	56 and above
2018	21.32%	42.25%	27.71%	7.56%	1.16%
2017	22.78%	45.21%	23.15%	7.41%	1.45%

The Group complies with the laws and regulations relating to employment, child and forced labour practices. The Group's employee handbook is designed to communicate important regulations and work ethics surrounding employment, benefits and welfare, and obligation and responsibilities. It is an essential tool in helping to define the expectations of both the management and the employees, and to protect them from unfair or inconsistent treatment and discrimination.

The Group provides equal opportunities for employees in respect of recruitment, training and development, job advancement, and remuneration and benefits. Employees' remuneration is structured to ensure that employees are rewarded with their work performance and job responsibility with a wide range of additional benefits such as attendance award, meal and shift allowances, and performance bonus. Employees may take leaves for examination, marriage, child birth, personal and compassionate occasions.

Recruitment of employees is strictly abided by the hiring procedures and guidelines of the Group so that suitable talents are recruited in accordance with the job requirement, relevant laws, and candidates' expectation for a fair, healthy and sustainable workforce.

During the reporting period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration relating to labour disputes against the Group.

3.1. Occupational Health and Safety Policies and Compliances

The Group emphasises the importance of the well-being of employees and strives to provide a safe and healthy working environment to them. Regular reviews and audits are performed in accordance with the statutory and industrial requirements and the work injury rate was reduced to zero.

Through adopting various occupational health and safety measures such as health and safety trainings, working environment condition evaluation, and indoor air quality and noise testing, a safe and healthy working environment is provided and maintained. Moreover, employees are provided with personal protection equipment ("PPE") such as face masks, ear plugs and safety shoes for protection and to ensure work safety. During the reporting period, the Group did not violate any related safety and health ordinance and provisions.

Occupational Health and Safety Data	2018	2017
Number of Work-related Fatalities	0	0
Work injury cases with leave of absence >3 days	0	1
Work injury cases with leave of absence <3 days	0	0
Lost days due to work injury	0	94
Work Injury rate	0	1.98

3.2. Human Capital Development and Training Policies

The Group believes that the skills and talents of its employees are the most valuable intangible assets to its continued growth and success. To encourage and assist employees in developing their potential, training budget is planned, and training programs are developed and implemented to ensure that employees receive professional training for skills and knowledge improvement as well as future progression on their career path.

The Group continues to provide a variety of professional training programs to enhance employees' knowledge and skills to thrive in the workplace.

New Employees Induction Training	• Company Introduction • Human Resources System • Administrative System • Financial System • Information Technology Operations • Professional Quality • Business Etiquette • Health and Safety Awareness
Business Skills Training	• Office General Skills • Office Software Application • Administrative Skills • Business Skills • News Publishing Skills
Management Training	• Management Skills • Financial Budgeting • Communication and Motivation Skills • Leadership Skills • Coaching Skills • Decision Making Skills • Stress Management • Public Speaking Skills
Team Building	• Outreach Training
Supplementary Training	• Reading Session • Case Studies Session

4. SUPPLY CHAIN MANAGEMENT

The quality and safety of the final products are one of the top priorities of the Group. To ensure product safety and service quality, various suppliers of products, materials and service are engaged for goods and services. To make sure goods and services are procured in an honest, competitive, fair, and transparent manner that delivers the highest cost performance, the Group's systematic supplier management system is in place to manage its supply chain so that suppliers are selected based upon rational and clear criteria.

The Group recognises the importance of using strategic suppliers who offer reliable, high quality, safe and technologically advanced products to meet the engineering needs of its customers. With the supplier qualifying process and the supplier performance measurement, suppliers are being accessed based on selection criteria including reputation, customer satisfaction guarantee, quality performance, delivery performance, price and payment terms. Sourcing for suppliers must undergo supplier survey and supplier on-site audit with acceptable scores to become the strategic suppliers of the Group. There are over 250 suppliers being selected and listed in the approved suppliers' list. The Group would regularly review the list and monitor the performance of its suppliers to ensure its supply chain is operating efficiently that guarantees the quality and standard of its products and services.

5. PRODUCT RESPONSIBILITY AND QUALITY ASSURANCE PROCESS

The Group is committed to providing innovative and high-quality products and services to its customers. With the Group's extensive experience in the manufacturing of HDD controllers and PC motherboard products, and the products' conformity with the relevant European directives by having the CE marking, the quality and safety performance of its products are guaranteed. By partnering with suppliers and business partners to ensure product quality and service stability, the Group periodically monitors the overall performance of product suppliers by conducting on-site audit with documented report for continuous improvement and on-going cooperation. During the reporting period, there was no product recall nor return and no significant complaint in product and service quality and delivery from customers.

5.1. Protecting Intellectual Property Rights

The Group's pan-entertainment IP driven main business includes the development, management and licensing of intellectual properties ("IP") and the sales of IP derived products. Operating in the field of IP licensing must enter into the license agreements with brand owners in relation to the production and distribution of licensed products under their renowned brands. Thus, the Group understands and complies with the IP rights regulations. During the reporting period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

5.2. Consumer Data Protection and Privacy Policies

The Group properly manages and protects the data collected from its business partners, customers, employees and suppliers to ensure their privacy and confidentiality. As stipulated in the employee handbook on data protection, employees are instructed of their responsibility to use and secure the entirety of information being collected, and the servers and computers are protected from access passwords. The Group complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), and is strictly abided by the regulation in the collection, disclosure, usage, retention, and storage of data to ensure data integrity and safety.

6. ANTICORRUPTION POLICIES AND COMPLIANCES

The Group is committed to conducting business with the highest level of business ethics and integrity, directors and employees must adhere to the Group's ethical policies to ensure business activities are conducted in an honest and transparent manner. To formalise the commitments, employees are required to read and understand the Group's rules and regulations on fraud, unethical conduct such as bribery or corruption, and actual or potential breach of the law. Employees are guided to use good judgement in the course of business engagement.

The Group conducts periodic and systematic risk assessment and communicates related anti-fraud policy and procedures to employees on a regular basis.

6.1. Conflict of Interest

The Group's Ethical Policy requires its directors and employees (including their family members, relatives, and close personal friends) to avoid the conflict between personal and financial interest and their professional official duties in the Group. They understand that using their positions in the Group or the Group's resources, properties and information to pursue opportunities by exercising positioning power to influence decisions or gain access to valuable information when dealing with third parties with his profession to achieve financial and personal gain is strictly prohibited.

6.2. Preventive Measures and Whistle-blowing Procedures

The Group encourages whistle-blowing whereas any employee could report any concern or complaint about suspected misconduct, fraudulent activities and conflict of interest that seriously affect the interest of the Group through the internal reporting system in strict confidence. A systematic reporting flowchart is to be followed for any whistle-blowing report. Reporting cases would be directed to the General Manager, Human Resources and Administration Manager or Directors with cross referral for assessment and investigation. Results will be addressed to the whistle-blower to ensure fairness and transparency. The Group also requires directors and employees to declare any conflict of interest as per the related instruction and guidelines. During the reporting period, there was no related fraudulent case reported against the Group.

7. COMMUNITY INVESTMENT

7.1. Community Care

The Group is committed to conducting business in every aspect to minimise any potential environmental and social impact by continuously considering the community and performing its works in an environmentally friendly and sustainable way. Besides, the Group continues to employ workers with disabilities in the Shenzhen manufacturing plant with the aim to support the United Nations' Convention on the rights of persons with disabilities.

8. CONSIDERING THE FUTURE OF SUSTAINABLE DEVELOPMENT

Developing sustainably in the current market situation with high expectation from the customers, stringent guidelines on legal and regulatory requirements and raising awareness on ESG matters in the community is becoming more challenging. The Group will leverage on its solid executive experience, strengths on compliance and positive relationship with customers to succeed in the industry.

9. STAKEHOLDERS' FEEDBACK

Your comments and feedbacks regarding the Group's performance and approach on ESG aspects are valuable to its continuous improvement, please email your questions, suggestions and recommendations to cih@camsing.com.

FINANCIAL SECTION

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CAMSING INTERNATIONAL HOLDING LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Camsing International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 147, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matters
Impairment of goodwill and intangible assets	Our procedures in relation to impairment of goodwill and intangible assets included:
We identified the impairment of goodwill and intangible assets arising on the acquisition of POW! Entertainment, Inc. (the "POW! Entertainment") as a key audit matter due to the complexity and significant judgements made by the management in the valuation process.	• Understanding the entity's key controls in relation to the impairment of goodwill and intangible assets, including the process of preparation of the future cash flow projections, CGU allocation and assumptions estimation;
As at 30 June 2018, the carrying values of goodwill and intangible assets of POW! Entertainment were approximately HK$57,508,000 and HK$53,822,000, as set out in notes 18 and 17 to the consolidated financial statements, respectively.	• Evaluating the appropriateness of the key assumptions used in the cash flow projections, including discount rate and expected sales from customers, by reference to external information and historical performance and discussing with the management based on their expectation for market development;
Determining whether the goodwill and intangible assets are impaired requires the management's estimation of the value in use of cash-generating unit ("CGU") related to business of which the goodwill and intangible assets have been allocated. In estimating the value in use of the CGU, key assumptions used by the management include cash flow projections, discount rate, expected sales from customers and management's expectation for market development.	• Evaluating the reasonableness of, and recalculating, the sensitivity analysis prepared by management and assess the extent of impact on the value in use;
	• Comparing historical financial performance and revenue of the relevant CGU with the original forecast, to evaluate the accuracy of management's budgeting process; and
	• Assessing whether the disclosures of impairment testing in the consolidated financial statements are sufficient and appropriate.

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Revenue recognition of sales and distribution of intellectual property ("IP") derived products and mobile devices and IP licensing and comprehensive services (formerly known as pan-entertainment operation)	
We identified the revenue recognition of sales and distribution of IP derived products and mobile devices and IP licensing and comprehensive services as a key audit matter due to their significant amounts to the consolidated statement of profit or loss and other comprehensive income. The accounting policy for revenue recognition is disclosed in note 3 to the consolidated financial statements. Revenue from sales of goods is recognised when the goods are delivered and titles have passed. Licensing fee income included in IP licensing and comprehensive services is recognised on an accrual basis in accordance with the substance of the relevant agreements and is determined on a time basis that recognised on a straight line basis over the period of the agreements. Revenue from theme events services and marketing services under IP licensing and comprehensive services is recognised when the theme events are organised/produced and services are provided. Revenue from content creation income from IP licensing business under IP licensing and comprehensive services is recognised when the contents are delivered and accepted by customers. As disclosed in note 5 to the consolidated financial statements, the Group recognised revenue of approximately HK$2,792,589,000 and HK$127,846,000 from sales and distribution of IP derived products and mobile devices and IP licensing and comprehensive services, respectively, for the year ended 30 June 2018.	Our procedures in relation to the revenue recognition of sales and distribution of IP derived products and mobile devices and IP licensing and comprehensive services included: • Obtaining an understanding of the revenue business process of sales and distribution of IP derived products and mobile devices and IP licensing and comprehensive services; • Understanding and testing the Group's key controls over revenue recognition on sales and distribution of IP derived products and mobile devices; • Checking, on a sample basis, sales transactions to delivery notes, customers acknowledgement of goods receipt and invoices to assess the appropriateness of revenue recognition on sales and distribution of IP derived products and mobile devices; • Understanding the Group's revenue recognition policy in relation to the revenue from theme events services, content creation income, licensing fee income, and marketing services under IP licensing and comprehensive services;

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matters
Revenue recognition of sales and distribution of intellectual property ("IP") derived products and mobile devices and IP licensing and comprehensive services (formerly known as pan-entertainment operation) (Continued)	
	• Obtaining the list of contracts for theme events services and marketing services under IP licensing and comprehensive services from management and reviewing the appropriateness of revenue recognition by checking to the corresponding contracts and supporting documents including the acknowledgement of receipts or evidence for the theme events organised; • Obtaining the list of contracts for content creation income included in IP licensing and comprehensive services from management and reviewing the appropriateness of revenue recognition by checking to the corresponding contracts and supporting documents including the acknowledgement of receipts of the contents; • Obtaining the list of contracts for licensing fee income included in IP licensing and comprehensive services from management and assessing the accuracy of the licensing fee income based on the corresponding contracts; and • Performing analytical review procedures including sales and gross profit analysis per customer to identify any unusual fluctuation, and obtaining and assessing management's explanations for such fluctuation.

OTHER INFORMATION

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations			
Revenue	5	2,920,435	2,400,731
Cost of sales		(2,708,339)	(2,332,775)
Gross profit		212,096	67,956
Other income		2,356	2,797
Other gains and losses	6	(10,650)	14,217
Distribution costs		(4,452)	(1,777)
General and administrative expenses		(50,725)	(15,270)
Finance costs	7	(4,511)	(12,035)
Share of results of an associate		(172)	–
Profit before tax		143,942	55,888
Income tax expense	8	(27,415)	(11,891)
Profit for the year from continuing operations	10	116,527	43,997
Discontinued operations			
(Loss) profit for the year from discontinued operations	9	(30,531)	1,094
Profit for the year		85,996	45,091
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		16,044	(18,474)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(6,938)	(1,227)
Cumulative exchange differences reclassified to profit or loss upon disposal of subsidiaries		–	(2,322)
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary		–	(402)
		(6,938)	(3,951)
Total other comprehensive income (expense) for the year		9,106	(22,425)
Total comprehensive income for the year		95,102	22,666

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 *HK$'000*	2017 *HK$'000* (restated)
Profit (loss) for the year attributable to:			
Owners of the Company			
— from continuing operations		**117,350**	44,139
— from discontinued operations		**(30,531)**	1,094
		86,819	45,233
Non-controlling interests			
— Loss for the year from continuing operations		**(823)**	(142)
		85,996	45,091
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**95,960**	22,812
Non-controlling interests		**(858)**	(146)
		95,102	22,666
Basic earnings per share	14		
— From continuing and discontinued operations		**HK$0.08**	HK$0.04
— From continuing operations		**HK$0.11**	HK$0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	2,304	31,182
Interest in an associate	16	1,011	–
Rental deposits paid		1,833	3,537
Intangible assets	17	53,822	–
Goodwill	18	57,508	–
		116,478	34,719
Current assets			
Inventories	19	–	46,369
Trade and other receivables	20	438,905	371,539
Tax recoverable		–	272
Bank balances and cash	21	36,543	68,902
		475,448	487,082
Assets classified as held for sale	9	206,872	–
		682,320	487,082
Current liabilities			
Trade and other payables	22	168,706	86,015
Tax liabilities		31,692	8,489
Borrowing	24	–	34,566
Bonds	25	40	–
		200,438	129,070
Liabilities associated with assets classified as held for sale	9	91,916	–
		292,354	129,070
Net current assets		389,966	358,012
Total assets less current liabilities		506,444	392,731
Non-current liabilities			
Bonds	25	8,629	7,656
Deferred tax liabilities	23	11,303	–
		19,932	7,656
Net assets		486,512	385,075

Consolidated Statement of Financial Position

At 30 June 2018

	Note	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	26	107,712	107,712
Share premium and reserves		373,469	277,509
Equity attributable to owners of the Company		481,181	385,221
Non-controlling interests		5,331	(146)
Total equity		486,512	385,075

The consolidated financial statements on pages 67 to 147 were approved and authorised for issue by the Board of Directors on 12 September 2018 and are signed on its behalf by:

Ms. Lo Ching
DIRECTOR

Ms. Liu Hui
DIRECTOR

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note i)	Special reserve HK$'000 (Note ii)	Exchange reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2016	107,712	366,526	11,478	6,400	13,529	(143,236)	362,409	–	362,409
Profit (loss) for the year	–	–	–	–	–	45,233	45,233	(142)	45,091
Exchange differences arising on translation	–	–	–	–	(19,697)	–	(19,697)	(4)	(19,701)
Cumulative exchange differences reclassified to profit or loss upon disposal of subsidiaries *(note 28)*	–	–	–	–	(2,322)	–	(2,322)	–	(2,322)
Cumulative exchange differences reclassified to profit or loss upon deregistration of a subsidiary *(note 29)*	–	–	–	–	(402)	–	(402)	–	(402)
Total comprehensive (expense) income for the year	–	–	–	–	(22,421)	45,233	22,812	(146)	22,666
At 30 June 2017	**107,712**	**366,526**	**11,478**	**6,400**	**(8,892)**	**(98,003)**	**385,221**	**(146)**	**385,075**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**86,819**	**86,819**	**(823)**	**85,996**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**9,141**	**–**	**9,141**	**(35)**	**9,106**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**9,141**	**86,819**	**95,960**	**(858)**	**95,102**
Acquisition of subsidiaries *(note 27)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,335**	**6,335**
At 30 June 2018	**107,712**	**366,526**	**11,478**	**6,400**	**249**	**(11,184)**	**481,181**	**5,331**	**486,512**

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before tax from continuing and discounted operations	116,423	57,259
Adjustments for:		
Depreciation of property, plant and equipment	6,372	12,136
Amortisation of intangible assets	5,549	–
Finance costs	4,511	12,035
Loss on disposals of property, plant and equipment	1,415	61
Allowance for doubtful debts recognised during the year	7,093	140
Written off of prepayments for IP licensing and comprehensive services	6,775	–
Share of results of an associate	172	–
Write-down of inventories	147	234
Interest income	(238)	(1,855)
Impairment loss recognised in respect of property, plant and equipment	–	675
Release of prepaid lease payments	–	59
Changes in fair value of derivative financial instruments	–	1
Gain on disposal of subsidiaries	–	(7,281)
Gain on bargain purchase arising on acquisition of subsidiaries	–	(1,535)
Gain on deregistration of a subsidiary	–	(402)
Operating cash flows before movements in working capital	148,219	71,527
Increase in trade and other receivables and deposits	(197,157)	(251,899)
Decrease (increase) in inventories	14,242	(18,891)
Increase (decrease) in trade and other payables	43,007	(2,174)
Changes in derivative financial instruments	–	(878)
Cash generated from (used in) operations	8,311	(202,315)
Income tax paid	(14,306)	(6,518)
NET CASH USED IN OPERATING ACTIVITIES	(5,995)	(208,833)

	Notes	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Deposits received from disposal of discontinued operations		100,000	–
Interest received		238	1,855
Proceeds from disposals of property, plant and equipment		186	1,519
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	27	(74,858)	9,146
Purchase of property, plant and equipment		(2,961)	(3,977)
Investment in an associate		(1,152)	–
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	28	–	91,978
NET CASH FROM INVESTING ACTIVITIES		21,453	100,521
FINANCING ACTIVITIES			
Repayment to a related company		(2,827,518)	–
Repayment of borrowings		(36,985)	(877,982)
Interest paid		(3,728)	(11,480)
Advance from a related company		2,836,527	–
Borrowings raised		–	912,548
Proceeds on issue of bonds		–	7,331
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(31,704)	30,417
NET DECREASE IN CASH AND CASH EQUIVALENTS		(16,246)	(77,895)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		68,902	148,487
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,421	(1,690)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		54,077	68,902
Represented by:			
Bank balances and cash from continuing operations		36,543	68,902
Bank balances and cash from discontinued operations		17,534	–
		54,077	68,902

1. GENERAL

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

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

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries and an associate are set out in notes 37 and 16, respectively.

The functional currency of the Company is Renminbi ("RMB"). The directors of the Company selected Hong Kong dollars ("HK$") as the presentation currency because the shares of the Company are listed on the Stock Exchange and HK$ has been adopted as presentation currency in the Group's consolidated financial statements for years.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

Amendments to HKAS 7 "Disclosure Initiative"

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

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

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

Amendments to HKAS 7 "Disclosure Initiative" (Continued)

A reconciliation between the opening and closing balances of these items is provided in note 35. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 35, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs and interpretations in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on consolidated financial statements in the foreseeable future.

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

HKFRS 9 "Financial Instruments"

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

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

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods, and

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

Based on the Group's financial instruments and risk management policies as at 30 June 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All the financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

Impairment

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

Based on the assessment by the directors of the Company, if the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 July 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses and deferred tax assets at 1 July 2018.

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

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

The directors of the Company have assessed the impact on application of HKFRS 15 and do not anticipate a material impact on revenue from pure assembly services, procurement and assembly services, sales and distribution of intellectual property ("IP") derived products and mobile devices and income from IP licensing and comprehensive services except the following areas:

- Content creation income from IP licensing business under IP licensing and comprehensive services may meet the HKFRS 15 criteria for recognising revenue over time since the products are tailor-made with customers' specification which does not have alternative use to the Group and the Group is entitled to payment for work performed up to date. Currently under HKAS 18, the Group recognises revenue upon delivery of the story outline and completed contents accepted by customers separately. The change in accounting policy regarding the content creation income from IP licensing business under IP licensing and comprehensive services would expect to result in recognition of a contract asset and related deferred tax liabilities as at 1 July 2018, and opening accumulated losses would decrease.

In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

The directors of the Company intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of equity at 1 July 2018.

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

HKFRS 16 "Leases"

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of approximately HK$33,627,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$1,932,000 from the continuing operations as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets. Accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use-assets.

Furthermore, the application of new requirements may results in changes in measurement, presentation and disclosure as indicated above.

3. PRINCIPAL ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis.

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to Group's cash-generating unit ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill).

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment in an associate

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

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

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

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

Non-current assets held for sale

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

Pure assembly services income is recognised when services are provided.

Revenue from theme events services and marketing services under IP licensing and comprehensive services is recognised when the events are organised/produced and respective services are provided.

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

Content creation income from IP licensing business under IP licensing and comprehensive services is recognised when the contents are delivered and accepted by customers.

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the terms of the relevant lease.

The Group as lessee

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

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

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease terms on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

On the disposal of a operation with RMB as functional currency, all of the exchange differences arising from retranslation to HK$, i.e. presentation currency of the Group's consolidated financial statements accumulated in equity, are not recognised in profit or loss and are reclassified to accumulated losses directly.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported as costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted-average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Inventories under IP licensing and comprehensive services are stated at costs.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by the group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, borrowing and bonds are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

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

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future years.

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

Estimated impairment of goodwill and intangible assets

Determining whether the goodwill and intangible assets are impaired requires the management's estimation of the value in use of CGU related to business of which the goodwill and intangible assets have been allocated. In estimating the value in use of the CGU, key assumptions used by the management include cash flow projections, discount rate, expected sales from customers and management's expectation for market development. When the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise.

As at 30 June 2018, the carrying amounts of goodwill and intangible assets are approximately HK$57,508,000 (2017: nil) and HK$53,822,000 (2017: nil), respectively. Details of the Group's goodwill and intangible assets are set out in notes 18 and 17, respectively.

Estimated impairment loss on trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of accounts by management's estimation. In determining whether impairment is required, the Group takes into consideration the likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original interest rate and the carrying value. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 30 June 2018, the carrying amount of trade receivables, net of allowance for doubtful debts of approximately HK$6,861,000 from the continuing operations and HK$39,000 from the discontinued operations (2017: HK$179,000 from the continuing and discontinued operations), was approximately HK$89,673,000 from the continuing operations and HK$124,848,000 from the discontinued operations (2017: HK$317,382,000 from the continuing and discontinued operations).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Assessment of the useful lives of intangible assets with finite useful lives

The intangible assets with finite useful lives of the Group represents the intellectual properties arising from acquisition of POW! Entertainment Inc. ("POW! Entertainment") during the year which are amortised on a straight line basis over the estimated useful lives of the asset. The Group determines the estimated useful lives of intellectual properties on initial recognition in order to determine the amount of amortisation expense to be recorded during any reporting period. The useful lives of the intellectual properties were determined with reference to a number of factors, including the useful lives of similar intangible assets in certain comparable transactions, management's experience and industry knowledge. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates. The carrying amount of intangible assets is HK$53,822,000 at 30 June 2018 (2017: nil) (see note 17).

5. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations		
Sales of goods	2,792,589	2,333,585
Rendering of services	49,620	53,271
IP licensing derived income	78,226	13,875
	2,920,435	2,400,731

Segment information

The Group is principally engaged in the business of provision of (i) sales and distribution of IP derived products and mobile devices; and (ii) IP licensing and comprehensive services, including IP licensing and content creation, provision of theme events services and marketing services.

In previous years, the Group reported its primary segment information based on four major operating and reporting segments including (i) pure assembly services; (ii) procurement and assembly services; (iii) sales and distribution of electronic products; and (iv) pan-entertainment operation.

During the year, the Group entered into an agreement for Second Disposal Transaction (as defined in note 9). Upon the completion of the Second Disposal Transaction, the Group will cease to operate the pure assembly services and procurement and assembly services.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

The operating segments regarding the pure assembly services and the procurement and assembly services were presented as discontinued operations in the consolidated financial statements. The segment information reported below for the years ended 30 June 2018 and 2017 do not include any amounts for these discontinued operations, which are described in more detail in note 9. The comparative figures have been restated to exclude the discontinued operations.

In addition, the Group renamed the operating and reporting segment of sales and distribution of electronic products and pan-entertainment operation to sales and distribution of IP derived products and mobile devices and IP licensing and comprehensive services, respectively, to reflect the Group's current and long-term operation strategies.

The information reported to the chief operating decision makers ("CODM") (i.e. the executive directors of the Company) in respect of the Group's business is based on the operating and reportable segments mentioned above. These divisions are the basis on which information reported to the CODM to allocate resources and to assess performance.

	2018 *HK$'000*	2017 *HK$'000* (restated)
Continuing operations		
Results		
Segment revenue		
Sales and distribution of IP derived products and mobile devices	2,792,589	2,333,585
IP licensing and comprehensive services	127,846	67,146
	2,920,435	2,400,731
Segment results		
Sales and distribution of IP derived products and mobile devices	151,277	36,525
IP licensing and comprehensive services	60,819	31,431
	212,096	67,956
Operating expenses	(55,177)	(17,047)
Other income	2,356	2,797
Other gains and losses	(10,650)	14,217
Finance costs	(4,511)	(12,035)
Share of results of an associate	(172)	–
Profit before tax	143,942	55,888

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of other income, other gains and losses, share of results of an associate, distribution costs, general and administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

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

	2018 *HK$'000*	2017 *HK$'000* (restated)
Continuing operations		
IP derived products and mobile devices	2,792,589	2,333,585
Theme events services	29,581	53,271
IP licensing fee income	12,767	13,875
IP licensing-content creation income	65,459	–
Marketing services	20,039	–
	2,920,435	2,400,731

Geographical segments

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

	2018 *HK$'000*	2017 *HK$'000* (restated)
Continuing operations		
The People's Republic of China (the "PRC")	2,910,547	2,400,731
Hong Kong	4,700	–
The United States of America (the "US")	5,188	–
	2,920,435	2,400,731

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

The Group's non-current assets from the continuing operations are presented based on geographical location of the assets, as detailed below:

	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations		
The PRC	4,923	4,441
Hong Kong	7	9
US	111,548	–
	116,478	4,450

Information about major customers

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

	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations		
Customer A[1]	1,301,565	804,146
Customer B[1]	865,642	–
Customer C[1]	–	1,196,397

1 Revenue of Customer A, B and C are all derived from the sales and distribution of IP derived products and mobile devices.

6. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations		
Net foreign exchange gain	3,213	12,726
Allowance for doubtful debts recognised during the year	(7,083)	(140)
Written off of prepayments for IP licensing and comprehensive services	(6,775)	–
Gain on bargain purchase arising on acquisition of subsidiaries *(note 27)*	–	1,535
Others	(5)	96
	(10,650)	14,217

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Interest on borrowings	**2,572**	11,710
Interest on bonds	**1,013**	325
Interest on factoring arrangement	**926**	–
	4,511	12,035

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
The income tax expense comprises:		
PRC Enterprise Income Tax (the "EIT"):		
Current period	**36,388**	11,891
PRC withholding tax on licensing fee income	**362**	–
Deferred tax *(note 23)*		
Credit for the year	**(1,165)**	–
Effect of change in tax rate	**(8,170)**	–
	(9,335)	–
	27,415	11,891

8. INCOME TAX EXPENSE (Continued)

Hong Kong

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations in Hong Kong for the years of assessment commencing on or after 1 April 2018 will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the current year ended 30 June 2018. The directors of the Company are in the view that there is no impact of the two-tiered profits tax rates regime on the Group's current and deferred tax position.

The PRC

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

According to the relevant laws and regulations in the PRC, the China-sourced passive licensing fee income earned by a Company's wholly-owned Hong Kong subsidiary, which is without establishments or places of business in the PRC, shall be subject to the PRC withholding tax at 7% on gross income.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary located in Xinjiang, is entitled to full exemption from the EIT for five years commencing from its first profit-making year of operation. No provision for the EIT was made for the year ended 30 June 2018 on this subsidiary as it enjoys the exemption.

US

US corporate income tax rate has been changed to 21% with effective from 1 January 2018 in accordance with the Tax Cuts and Jobs Act. The US income tax includes (a) federal income tax calculated at a fixed rate of 21% from 1 January 2018 to 30 June 2018 and a progressive rate of 15% to 35% from 1 July 2017 to 31 December 2017 on the estimated US federal taxable income and (b) state income tax calculated at various state income tax rates for both periods on the estimated state taxable income for the respective states. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates) based on the apportionment factors provided from the state tax returns in previous year. No provision for the US corporate income tax has been made as the Group's US subsidiary incurred loss for the current year.

8. INCOME TAX EXPENSE (Continued)

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

	2018 *HK$'000*	2017 *HK$'000* (restated)
Profit before tax from continuing operations	**143,942**	55,888
Tax at the EIT rate 25%	**35,986**	13,972
Tax effect of expenses not deductible for tax purposes	**436**	698
Tax effect of income not taxable for tax purposes	**(548)**	(3,678)
Tax effect of tax losses not recognised	**10,375**	1,263
Tax effect of deductible temporary differences not recognised	**3,402**	–
Effect of different tax rate of group entities operating in jurisdictions other than the PRC	**1,889**	(364)
Change in deferred tax liabilities resulting from a decrease in applicable tax rate *(note 23)*	**(8,170)**	–
Effect of tax exemption granted to a PRC subsidiary	**(16,360)**	–
PRC withholding tax on licensing fee income	**362**	–
Tax effect of share of results of an associate	**43**	–
Income tax expense for the year	**27,415**	11,891

Details of the deferred taxation are set out in note 23.

9. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

On 11 April 2018, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a company (the "Disposal Transaction Purchaser") which is wholly-owned by Mr. Lam Chi Ho, who is a director of the Second Disposal Group (as defined below) and was a former executive director of the Company. The Group has agreed to sell and the Disposal Transaction Purchaser has agreed to purchase the entire issued share capital of Fittec (BVI) Limited ("Fittec BVI") and its subsidiaries (the "Second Disposal Group") from the Group at a consideration of HK$140,000,000 (the "Second Disposal Transaction"). The Second Disposal Group is engaged in the business of pure assembly services and procurement and assembly services which will be discontinued by the Group after the disposal. The assets and liabilities attributable to the Second Disposal Group, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

9. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

The loss for the year from the Second Disposal Group is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the Second Disposal Group as a discontinued operation.

For the year ended 30 June 2018

	2018 *HK$'000*
Revenue	523,226
Cost of sales	(494,176)
Gross profit	29,050
Other income	1,896
Other gains and losses	(2,071)
Distribution costs	(13,230)
General and administrative expenses	(43,164)
Loss before tax	(27,519)
Income tax expense	(3,012)
Loss for the year	(30,531)

Loss for the year from discontinued operations includes the following:

	2018 *HK$'000*
Total staff costs	56,825
under discontinued operations	
— audit services	300
Depreciation of property, plant and equipment	5,648
Loss on disposals of property, plant and equipment	1,415
Cost of inventories recognised as an expense (included in cost of sales under discontinued operations)	406,122
Write-down of inventories (included in cost of sales under discontinued operations)	147
Allowance for doubtful debts recognised	10
Rental income	(822)
Interest income	(69)
Rework charges to customers (included in other income under discontinued operations)	(18)

During the year, the Second Disposal Group contributed HK$3,235,000 in respect of the Group's net operating cash flows and paid HK$2,410,000 in respect of investing activities.

9. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

For the year ended 30 June 2018 (continued)

The major classes of assets and liabilities of the Second Disposal Group as at 30 June 2018, which have been presented separately in the consolidated statement of financial position, are as follows:

	2018 *HK$'000*
Property, plant and equipment	25,008
Inventories	33,749
Trade and other receivables	130,581
Bank balances and cash	17,534
Total assets classified as held for sale	206,872
Trade and other payables	89,935
Tax liabilities	1,981
Total liabilities associated with assets classified as held for sale	91,916

Cumulative debit amount of HK$3,825,000 relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

For the year ended 30 June 2017

On 15 December 2016, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with the Disposal Transaction Purchaser which is wholly-owned by Mr. Lam Chi Ho. The Group had agreed to sell and the Disposal Transaction Purchaser had agreed to purchase the entire issued share capital of Time Ally Global Limited ("Time Ally") and the amount due and owing by Time Ally and its subsidiaries (the "First Disposal Group") to the Group at a consideration of HK$100,000,000 (the "First Disposal Transaction"). The First Disposal Group was engaged in the business of pure assembly services and procurement and assembly services.

Details of the transaction were set out in the circular issued by the Company dated 20 February 2017. The transaction was completed on 13 March 2017.

9. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

For the year ended 30 June 2017 (Continued)

The (loss) profit for the year ended 30 June 2017 from the discontinued pure assembly services and procurement and assembly services operations, i.e. the First Disposal Group and the Second Disposal Group, were set out below.

	2017		
	First Disposal Group *HK$'000*	Second Disposal Group *HK$'000*	Total *HK$'000*
Revenue	58,656	474,434	533,090
Cost of sales	(46,637)	(454,063)	(500,700)
Gross profit	12,019	20,371	32,390
Other income	3,697	1,580	5,277
Other gains and losses	(346)	4,006	3,660
Change in fair value of derivative financial instruments	–	(1)	(1)
Distribution costs	(2,183)	(6,348)	(8,531)
General and administrative expenses	(18,972)	(19,058)	(38,030)
Impairment loss recognised in respect of property, plant and equipment	–	(675)	(675)
Loss before tax from discontinued operations	(5,785)	(125)	(5,910)
Income tax expense	(80)	(197)	(277)
Loss for the year from discontinued operations	(5,865)	(322)	(6,187)
Add: Gain on disposal of First Disposal Group *(note 28)*	7,281	–	7,281
	1,416	(322)	1,094

9. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

For the year ended 30 June 2017 (Continued)

Loss for the year from discontinued operations included the following:

	2017		
	First Disposal Group *HK$'000*	Second Disposal Group *HK$'000*	Total *HK$'000*
Total staff costs	25,463	56,267	81,730
Auditors' remuneration			
— audit services	6	367	373
Depreciation of property, plant and equipment	4,739	6,989	11,728
Loss (gain) on disposals of property, plant and equipment	354	(293)	61
Release of prepaid lease payments	59	–	59
Cost of inventories recognised as an expense (included in cost of sales under discontinued operations)	16,397	382,422	398,819
Write-down of inventories (included in cost of sales under discontinued operations)	–	234	234
Gain on deregistration of a subsidiary *(note 29)*	–	(402)	(402)
Interest income	(36)	(60)	(96)
Rework charges to customers (included in other income under discontinued operations)	(352)	(1,339)	(1,691)

During the year ended 30 June 2017, the discontinued pure assembly services and procurement and assembly services, i.e. the First Disposal Group and the Second Disposal Group, paid HK$8,256,000 in respect of the Group's net operating cash flows and paid HK$7,469,000 in respect of investing activities.

10. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2018 *HK$'000*	2017 *HK$'000* (restated)
Profit for the year from continuing operations has been arrived at after charging (crediting):		
Directors' emoluments *(note 11)*	**2,016**	1,094
Other staff costs	**19,282**	4,998
Retirement benefit scheme contributions (excluding contributions in respect of directors of the Company)	**700**	385
Total staff costs	**21,998**	6,477
Auditors' remuneration		
— audit services	**1,961**	1,266
— non-audit services	**780**	596
Depreciation of property, plant and equipment	**724**	408
Amortisation of intangible assets (included in cost of sales)	**5,549**	–
Cost of inventories recognised as an expense (included in cost of sales)	**2,641,311**	2,297,075
Interest income	**(169)**	(1,759)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the five (2017: five) directors were as follows:

For the year ended 30 June 2018

Name of directors	**Fees** ***HK$'000***	**Salaries and other benefits** ***HK$'000***	**Retirement benefit scheme contributions** ***HK$'000***	**Total** ***HK$'000***
Executive directors				
Ms. Lo	**–**	**1,200**	**36**	**1,236**
Ms. Liu Hui	**–**	**420**	**–**	**420**
Independent non-executive directors				
Mr. Lei Jun	**120**	**–**	**–**	**120**
Mr. Ross Yu Limjoco	**120**	**–**	**–**	**120**
Mr. Zheng Yilei	**120**	**–**	**–**	**120**
	360	**1,620**	**36**	**2,016**

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

For the year ended 30 June 2017

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

Ms. Lo is also the chief executive officer of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive officer.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

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

During the years ended 30 June 2018 and 2017, no emoluments were paid by the Group to the directors and the chief executive officer as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, neither the chief executive officer nor any of the directors waived any emoluments during the years ended 30 June 2018 and 2017.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included one director (2017: one director). The emoluments of the five highest paid employees were as follows:

	2018 *HK$'000*	2017 *HK$'000*
Basic salaries and allowances	4,806	6,235
Performance related bonus*	–	491
Retirement benefit scheme contributions	93	69
	4,899	6,795

* Performance related bonus were determined with reference to the Group's operating results and individual performance.

Their emoluments were within the following bands:

	2018		2017	
	No. of directors	No. of employees	No. of directors	No. of employees
Nil to HK$1,000,000	–	3	1	2
HK$1,000,001 to HK$1,500,000	1	1	–	–
HK$2,000,001 to HK$2,500,000	–	–	–	1
HK$2,500,001 to HK$3,000,000	–	–	–	1

13. DIVIDEND

No interim dividend was proposed for the years ended 30 June 2018 and 2017.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 30 June 2018 of HK1.2 cents (2017: nil) per ordinary share in total of HK$12,926,000 (2017: nil), has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

14. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings per share from continuing and discontinued operations for the year ended 30 June 2018 is based on the profit attributable to owners of the Company of approximately HK$86,819,000 (2017: HK$45,233,000) and 1,077,128,000 (2017: 1,077,128,000) shares in issue.

The calculation of the basic earnings per share from continuing operations for the year ended 30 June 2018 is based on the profit attributable to owners of the Company from continuing operations of approximately HK$117,350,000 (2017: HK$44,139,000) and 1,077,128,000 (2017: 1,077,128,000) shares in issue.

The calculation of the basic loss per share from discontinued operations for the year ended 30 June 2018 is based on the loss attributable to owners of the Company from discontinued operations of approximately HK$30,531,000 and 1,077,128,000 shares in issue. The basic loss per share from discontinued operations for the year ended 30 June 2018 is HK$0.03.

The calculation of the basic earnings per share from discontinued operations for the year ended 30 June 2017 is based on the profit attributable to owners of the Company from discontinued operations of approximately HK$1,094,000 and 1,077,128,000 shares in issue. The basic earnings per share from discontinued operations for the year ended 30 June 2017 is HK0.10 cent.

Diluted earnings per share is not presented for the years ended 30 June 2018 and 2017 as there is no potential ordinary share outstanding during both years or at the end of the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture and fixtures	Leasehold improvements	Motor vehicles	Office equipment	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 July 2016	40,325	8,324	86,847	15,420	90,230	477,833	718,979
Exchange realignment	(878)	(409)	(3,320)	(165)	(1,212)	(14,380)	(20,364)
Additions	–	3	2,543	304	1,127	–	3,977
Acquisition of subsidiaries *(note 27)*	–	–	–	–	25	–	25
Disposals	–	–	–	(1,732)	(1,283)	(18,794)	(21,809)
Disposal of subsidiaries *(note 28)*	(36,878)	(6,722)	(48,836)	(2,633)	(4,069)	(84,918)	(184,056)
At 30 June 2017	2,569	1,196	37,234	11,194	84,818	359,741	496,752
Exchange realignment	–	24	1,526	102	834	5,547	8,033
Additions	–	–	665	1,017	886	393	2,961
Acquisition of a subsidiary *(note 27)*	–	–	–	–	153	–	153
Disposals	–	(49)	(174)	(982)	(37,650)	(112,180)	(151,035)
Reclassified as held for sale *(note 9)*	(2,569)	(1,171)	(36,805)	(11,331)	(48,028)	(253,501)	(353,405)
At 30 June 2018	–	–	2,446	–	1,013	–	3,459
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 July 2016	6,334	7,372	57,864	12,726	79,647	444,355	608,298
Exchange realignment	(145)	(391)	(2,100)	(139)	(1,000)	(12,811)	(16,586)
Provided for the year	811	5	3,071	1,489	1,185	5,575	12,136
Eliminated on disposals	–	–	–	(1,732)	(1,181)	(17,316)	(20,229)
Eliminated upon disposals of subsidiaries *(note 28)*	(6,277)	(5,842)	(24,416)	(2,202)	(3,080)	(76,907)	(118,724)
Impairment loss recognised in profit or loss	–	–	–	–	–	675	675
At 30 June 2017	723	1,144	34,419	10,142	75,571	343,571	465,570
Exchange realignment	–	19	1,461	72	669	4,823	7,044
Provided for the year	51	4	1,317	927	1,093	2,980	6,372
Eliminated on disposals	–	(49)	(174)	(905)	(36,989)	(111,317)	(149,434)
Reclassified as held for sale *(note 9)*	(774)	(1,118)	(36,170)	(10,236)	(40,042)	(240,057)	(328,397)
At 30 June 2018	–	–	853	–	302	–	1,155
CARRYING AMOUNT							
At 30 June 2018	–	–	1,593	–	711	–	2,304
At 30 June 2017	1,846	52	2,815	1,052	9,247	16,170	31,182

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 30 June 2017, the leasehold land and buildings with carrying amount of HK$1,846,000 was located in Hong Kong. In the opinion of the directors of the Company, allocation between the land and building elements of the property in Hong Kong could not be made reliably.

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

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

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

The fair value of the plant and machinery of Fittec Electronics at 30 June 2017 was determined based on the market comparable approach that reflected recent transaction prices of similar assets, adjusted for differences in the condition of the asset (comparable utility, age and etc.).

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

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

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

During the year ended 30 June 2018, as the pure assembly services and the procurement and assembly services operations were discontinued as described in note 9, the major classes of assets and liabilities used in the discontinued operation have been presented separately in the consolidated statement of financial position. Because the net proceeds of the Second Disposal Transaction are expected to exceed the net carrying amounts of the relevant assets and liabilities and accordingly, at 30 June 2018, no further impairment loss in respect of property, plant and equipment has been recognised.

16. INTEREST IN AN ASSOCIATE

	2018 HK$'000	2017 HK$'000
Cost of unlisted investment in an associate	1,152	–
Share of post-acquisition loss and other comprehensive expense	(141)	–
	1,011	–

Detail of the Group's associate at the end of the reporting period is as follows:

Name of entity	Place of incorporation/ operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2018	2017	2018	2017	
南京潤騰科技有限公司	The PRC	30%	–	30%	–	IP and brand licensing and management business

The above associate is accounted for using the equity method in these consolidated financial statements.

Information of an associate that is not material

	2018 HK$'000	2017 HK$'000
The Group's share of loss for the year from continuing operations	(172)	–
The Group's share of other comprehensive income for the year	31	–
The Group's share of total comprehensive expense for the year	(141)	–
Aggregate carrying amount of the Group's interest in an associate	1,011	–

17. INTANGIBLE ASSETS

	Intellectual properties *HK$'000*
COST	
At 1 July 2016 and 30 June 2017	–
Acquisition of a subsidiary *(note 27)*	59,140
Exchange realignment	347
At 30 June 2018	59,487
AMORTISATION	
At 1 July 2016 and 30 June 2017	–
Provided for the year	5,549
Exchange realignment	116
At 30 June 2018	5,665
CARRYING VALUE	
At 30 June 2018	53,822
At 30 June 2017	–

Intellectual properties amounting HK$59,140,000 are identified in the business combination of POW! Entertainment, as set out in note 27, are recognised as intangible assets. The aggregate amount of intellectual properties are amortised over the period of the useful lives, which is assessed as being 7 years.

For the purpose of impairment testing, intellectual properties have been allocated to the CGU representing POW! Entertainment (note 18). Particulars regarding impairment testing of the CGU representing POW! Entertainment as at 30 June 2018 are set out in note 18.

18. GOODWILL

	HK$'000
COST	
At 1 July 2016 and 30 June 2017	–
Arising on acquisition of subsidiaries (note 27)	57,172
Exchange realignment	336
At 30 June 2018	57,508

For the purpose of impairment testing, goodwill and intellectual properties (note 17) of approximately HK$57,508,000 (2017: nil) and HK$53,822,000 (2017: nil), respectively, have been allocated to the CGU representing POW! Entertainment.

The recoverable amount of the CGU of POW! Entertainment at 30 June 2018 has been calculated based on its value in use. That calculation uses cash flow projections based on financial projections approved by management of the Group covering a five-year period with a pre-tax discount rate of 16.1% (2017: N/A) and expected five-year sales plan from customers (2017: N/A). Cash flows beyond the five-year period are extrapolated using a steady 2.0% (2017: N/A) growth rate which is reference to the long-term inflation rate in the place of operation. The estimation of the key assumptions is based on past performance of POW! Entertainment and management's expectations of market conditions. The Group has not recognised an impairment loss during the year ended 30 June 2018 (2017: N/A) based on the impairment assessment performed.

The recoverable amount of the CGU of POW! Entertainment exceeds its carrying amount by approximately HK$5,419,000 (2017: N/A) at 30 June 2018.

The effect of the reasonably possible change in key assumptions on the calculation of value in use of the CGU of POW! Entertainment, which would cause the carrying amount to exceed its recoverable amount is disclosed below.

If the pre-tax discount rate increased by 10% and all other variables were held constant, the carrying amount of the CGU of POW! Entertainment would exceed its recoverable amount by approximately HK$3,787,000 (2017: N/A) at 30 June 2018.

If the expected unit sales/licensing price of each IP owned by CGU of POW! Entertainment decreased by 10% and all other variables were held constant, the carrying amount of the CGU of POW! Entertainment would exceed its recoverable amount by approximately HK$3,601,000 (2017: N/A) at 30 June 2018.

The recoverable amount will equal to the carrying value of the CGU of POW! Entertainment when the pre-tax discount rate increased by 6.2% or when the expected unit sales/licensing price of each IP owned by CGU of POW! Entertainment decreased by 6.0%.

19. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	–	25,919
Work in progress	–	6,428
Finished goods	–	12,338
	–	44,685
Production in progress under IP licensing and comprehensive services	–	1,684
	–	46,369

20. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	96,534	317,561
Less: allowance for doubtful debts	(6,861)	(179)
	89,673	317,382
Prepayments for purchase of raw materials and IP derived products and mobile devices	338,876	26,386
Prepayments for IP licensing and comprehensive services	7,083	20,296
Prepayments for operating expenses	871	1,453
Deposits and other receivables	2,402	6,022
Trade and other receivables	438,905	371,539

As at 30 June 2017, included in other receivables, approximately HK$81,000 was due from a related company in which Ms. Lo is the ultimate beneficial owner. The balance was unsecured, interest-free and repayable on demand and has been fully repaid in the current year.

20. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows credit periods ranging from 30 to 180 days (2017: from 30 to 120 days) to its trade customers. The following is an aged analysis of the Group's trade receivables, net of allowance for doubtful debts presented based on the dates of delivery of goods/dates of rendering of services at the end of the reporting period which approximated the respective revenue recognition dates:

	2018 HK$'000	2017 HK$'000
0–30 days	21,968	254,332
31–60 days	65,997	32,484
61–90 days	1,708	24,845
91–180 days	–	5,712
Over 365 days	–	9
Trade receivables	89,673	317,382

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

	2018 HK$'000	2017 HK$'000
United States dollars ("USD")	6,241	186
RMB	–	97
	6,241	283

Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Limits attributed to customers are reviewed regularly.

As at 30 June 2018, 28.4% (2017: 98.4%) trade receivables balances were neither past due nor impaired and had good repayment history.

As at 30 June 2018, included in the Group's trade receivables balance, approximately HK$62,225,000 (2017: HK$5,040,000) were past due at the end of the reporting period but for which the Group has not provided for impairment loss. The Group did not hold any collateral over these balances.

20. TRADE AND OTHER RECEIVABLES (Continued)

Ageing of trade receivables which were past due but not impaired

	2018 HK$'000	2017 HK$'000
0–30 days	62,225	–
31–60 days	–	4,211
61–90 days	–	556
91–120 days	–	273
	62,225	5,040

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

Movement in the allowance for doubtful debts

	2018 HK$'000	2017 HK$'000
At beginning of the year	179	39
Impairment losses recognised during the year	7,093	140
Amounts written off as uncollectible	(373)	–
Reclassified as held for sale	(38)	–
At end of the year	6,861	179

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

21. BANK BALANCES AND CASH

At 30 June 2018 and 2017, bank balances held by the Group bearing at market interest rate. The effective interest rates on bank balances ranged from 0.01% to 0.30% (2017: 0.01% to 0.30%) per annum.

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

	2018 ***HK$'000***	2017 *HK$'000*
HK$	**642**	16,515
USD	**3,180**	313
Japanese Yen ("JPY")	**–**	216
RMB	**12**	544
	3,834	17,588

22. TRADE AND OTHER PAYABLES

	2018 ***HK$'000***	2017 *HK$'000*
Trade payables	**18,593**	48,439
Deposits received on the Second Disposal Transaction	**100,000**	–
Receipt in advance from customers	**5,783**	21,269
Accruals and other payables	**44,330**	16,307
	168,706	86,015

As at 30 June 2018, deposits received from the Second Disposal Transaction Purchaser amounting HK$100,000,000 (2017: nil) was for the Second Disposal Transaction as set out in note 9. The balance is unsecured, interest-free and refundable.

As at 30 June 2018, included in accruals and other payables, approximately HK$8,976,000 (2017: nil) was due to a related company in which Ms. Lo has significant influence that have been fully repaid subsequent to the end of the reporting date, and approximately HK$2,995,000 (2017: nil) was due to a non-controlling shareholder of a subsidiary of the Company. The balances are non-trade in nature, unsecured, interest-free and repayable on demand.

22. TRADE AND OTHER PAYABLES (Continued)

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

	2018 HK$'000	2017 HK$'000
0–30 days	16,919	44,552
31–60 days	–	2,509
61–90 days	–	1,034
91–180 days	1,674	344
	18,593	48,439

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

	2018 HK$'000	2017 HK$'000
HK$	–	333
JPY	–	39
RMB	–	412
USD	7,150	660
	7,150	1,444

23. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Revaluation of assets upon acquisition of a subsidiary HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2016	1,214	–	(1,214)	–
(Credited) charged to profit or loss	(648)	–	648	–
At 30 June 2017	566	–	(566)	–
(Credited) charged to profit or loss	(93)	(1,165)	93	(1,165)
Acquisition of a subsidiary *(note 27)*	–	20,699	–	20,699
Effect of change in tax rate *(note)*	–	(8,170)	–	(8,170)
Exchange realignment	–	(61)	–	(61)
Reclassified as held for sale *(note 9)*	(473)	–	473	–
At 30 June 2018	**–**	**11,303**	**–**	**11,303**

Note: On 22 December 2017, US President signed into law the tax legislation to reduce US corporate tax rate effective from 1 January 2018. Deferred taxation recognised from the revaluation of assets upon acquisition of a subsidiary has been adjusted to the new tax rate.

At the end of the reporting period, the Group had unused tax losses of approximately HK$280,559,000 (2017: HK$215,210,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$2,869,000 (2017: HK$3,432,000) of such losses as at 30 June 2018. No deferred tax asset has been recognised in respect of approximately HK$277,690,000 (2017: HK$211,778,000) due to the unpredictability of future profit streams.

As at 30 June 2018, the tax losses amounted to approximately HK$83,887,000 (2017: HK$55,359,000) will expire in one to five years and other losses may be carried forward indefinitely. Unrecognised tax losses amounted to approximately HK$10,739,000 (2017: approximately HK$4,410,000) expired during the year.

As at 30 June 2018, the Group has deductible temporary differences of HK$13,857,000 (2017: nil) arising from the doubtful debts allowance and impairment of other receivables. No deferred tax asset has been recognised in respect of the deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in respect of temporary differences attributable to the undistributed profit earned by PRC subsidiaries as at 30 June 2018 of approximately HK$122,802,000 (2017: HK$36,944,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

24. BORROWING

During the year ended 30 June 2017, the Group obtained a new loan from an independent third party amounting to RMB30,000,000 (equivalent to approximately HK$34,566,000). The loan was unsecured, carried fixed interest rate at 8% and was repayable within one year. During the year ended 30 June 2018, the loan was fully repaid with accumulated accrued interest amounting RMB2,400,000 (equivalent to approximately HK$2,802,000).

During the year ended 30 June 2017, the Group also obtained loans from an independent third party amounting to RMB762,000,000 (equivalent to approximately HK$877,982,000). The loans were guaranteed by Ms. Lo and a related company in which Ms. Lo has significant influence, pledged by certain trade receivables and carried fixed interest rates at 8.5% to 9.5% per annum. The loans were fully repaid during the year ended 30 June 2017 with interest payments amounting RMB9,888,000 (equivalent to approximately HK$11,480,000).

25. BONDS

	2018	2017
	HK$'000	*HK$'000*
Carrying value at beginning of the year	**7,656**	–
Bonds issued during the year	**–**	7,331
Effective interest charged for the year	**1,013**	325
Carrying value at end of the year	**8,669**	7,656
Bonds at amortised cost and are repayable:		
Within one year	**40**	–
Within a period of more than one year but not exceeding two years	**37**	37
Within a period of more than two years but not exceeding five years	**87**	87
Within a period of more than five years	**8,505**	7,532
	8,669	7,656
Less: Amount due within one year shown under current liabilities	**(40)**	–
Amount shown under non-current liabilities	**8,629**	7,656

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

25. BONDS (Continued)

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

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

26. SHARE CAPITAL

	Number of shares	Amounts
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2016, 30 June 2017 and 30 June 2018	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2016, 30 June 2017 and 30 June 2018	1,077,128,000	107,712

27. ACQUISITION OF SUBSIDIARIES

For the year ended 30 June 2018

(a) Acquisition of POW! Entertainment

On 5 May 2017, an indirect wholly-owned subsidiary of the Company entered into an agreement to acquire POW! Entertainment (the "Acquisition"). Upon the completion of the Acquisition on 23 October 2017, POW! Entertainment became an indirect wholly-owned subsidiary of the Company. POW! Entertainment was a US public company formed under the laws of Delaware and the shares were traded on the Over-The-Counter Pink Market in US before the Acquisition. POW! Entertainment primarily engages in multimedia production and licensing business. The cash consideration of the transaction is US$11,500,000 (approximately HK$89,725,000).

Pursuant to a restricted stock agreement and an equity and indemnification agreement both dated 28 September 2017 entered into, amongst others, between POW! Entertainment and the founder of POW! Entertainment, POW! Entertainment shall issue and grant new shares representing 15% of its equity interest to the founder of POW! Entertainment immediately upon completion of the Acquisition at nil consideration. The Group, therefore, is considered to acquire 85% effective shareholding in POW! Entertainment.

The acquisition-related costs that related to the Acquisition was minimal.

27. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 30 June 2018 (Continued)

(a) Acquisition of POW! Entertainment (Continued)

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

	HK$'000
Intangible assets *(note i)*	**59,140**
Property, plant and equipment	**153**
Other receivables	**460**
Bank balances and cash	**14,098**
Other payables *(note ii)*	**(14,854)**
Deferred tax liability	**(20,699)**
	38,298

Notes:

(i) Intangible assets amounting approximately HK$59,140,000 are intellectual properties recognised upon the Acquisition. The intangible assets are amortised on straight line method over 7 years, which is the expected useful life.

(ii) Included in other payables at the date of the Acquisition was the amount due to a non-controlling shareholder of the subsidiary amounting approximately HK$2,978,000.

The fair value of other receivables at the date of the Acquisition amounted to approximately HK$460,000. The gross contractual amounts of those other receivables acquired amounted to approximately HK$460,000 at the date of the Acquisition. The best estimate at the Acquisition date of the contractual cash flows not expected to be collected is nil.

Goodwill arising on the Acquisition:

	HK$'000
Consideration transferred	**89,725**
Plus: Non-controlling interests *(note)*	**5,745**
Less: Net assets acquired at fair value	**(38,298)**
Goodwill arising on acquisition	**57,172**

Note: The non-controlling interests (15%) recognised at the Acquisition date was measured by the fair value of the proportion share of recognised amounts of net assets acquired.

27. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 30 June 2018 (Continued)

(a) Acquisition of POW! Entertainment (Continued)

Goodwill arose in the the Acquisition of POW! Entertainment because the cost of combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of POW! Entertainment. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the Acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on the Acquisition:

	HK$'000
Cash consideration	89,725
Less: Bank balances and cash	(14,098)
	75,627

Included in the profit for the year from continuing operations is loss of approximately HK$7,087,000 attributable to POW! Entertainment. Revenue from continuing operations for the year includes approximately HK$5,188,000 attributable to POW! Entertainment.

Had the acquisition of POW! Entertainment been effected at the beginning of the year, the total amount of revenue of the Group from continuing operations for the year ended 30 June 2018 would have been approximately HK$2,922,358,000, and the amount of the profit for the year from continuing operations would have been approximately HK$109,085,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

27. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 30 June 2018 (Continued)

(b) Acquisition of 北京魔氪互動信息技術有限公司 ("魔氪")

On 28 April 2018, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement with an independent individual and Guangzhou Camsing Company Limited 廣州承興營銷管理有限公司 ("Guangzhou Camsing"), which is a company under the control of Ms. Lo. Pursuant to the acquisition agreement, the Group agreed to acquire and the individual and Guangzhou Camsing agreed to sell the 51% in aggregate of the equity interest in 魔氪, a company incorporated in the PRC with limited liability, and principally engages in the digital marketing and IP licensing and comprehensive services. The cash consideration of the acquisition is approximately HK$616,000. The acquisition was completed on 2 May 2018.

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

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

	HK$'000
Trade and other receivables	1,291
Bank balances and cash	1,385
Trade and other payables	(1,470)
	1,206

Included in trade and other receivables, approximately HK$1,110,000 is due from Guangzhou Camsing which has been settled before the end of the reporting period.

The fair value of trade and other receivables at the date of acquisition amounted to HK$1,291,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$1,291,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil.

Goodwill arising on the acquisition:

	HK$'000
Consideration transferred	616
Add: Non-controlling shareholder *(note)*	590
Less: Net assets acquired	(1,206)
Goodwill arising on acquisition	–

Note: The non-controlling interests (49%) recognised at the acquisition date was measured by the proportion share of recognised amounts of net assets acquired.

27. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 30 June 2018 (Continued)

(b) Acquisition of 北京魔氪互動信息技術有限公司 ("魔氪") (Continued)

Net cash inflow arising on the acquisition:

	HK$'000
Cash consideration	616
Less: Bank balances and cash	(1,385)
	(769)

Included in the profit for the year from continuing operations is approximately HK$603,000 profit attributable to 魔氪. Revenue from continuing operations for the year includes approximately HK$2,149,000 attributable to 魔氪.

Had the acquisition of 魔氪 been effected at the beginning of the year, the total amount of revenue of the Group from continuing operations for the year ended 30 June 2018 would have been approximately HK$2,922,450,000, and the amount of the profit from continuing operations for the year would have been approximately HK$116,511,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

For the year ended 30 June 2017

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

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

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

27. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 30 June 2017 (Continued)

(c) Acquisition of 深圳市貿隆興貿易有限公司 (“貿隆興”) (Continued)

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

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

Included in trade and other payables, approximately HK$19,455,000 was due to a related party in which Ms. Lo has significant influence which had been settled were before the end of the year ended 30 June 2017.

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

Gain on bargain purchase arising on acquisition:

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

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

27. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 30 June 2017 (Continued)

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

Net cash inflow arising on acquisition:

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

Included in the profit for the year ended 30 June 2017 from the continuing operations was HK$16,480,000 attributable to 貿隆興and its subsidiary. Revenue from continuing operations for the year ended 30 June 2017 included approximately HK$2,338,471,000 attributable to 貿隆興 and its subsidiary.

Had the acquisition of 貿隆興 been effected at the beginning of the year ended 30 June 2017, the total amount of revenue from continuing operations of the Group for the year ended 30 June 2017 would have been approximately HK$2,411,353,000 (restated), and the amount of the profit from continuing operations for the year would have been approximately HK$44,524,000 (restated). The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 30 June 2017, nor is it intended to be a projection of future results.

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

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

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

27. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 30 June 2017 (Continued)

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

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

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

Included in trade and other receivables, approximately HK$1,735,000 was due from a related party in which Ms. Lo has significant influence which had been settled before the end of the year ended 30 June 2017.

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

Gain on bargain purchase arising on acquisition:

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

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

27. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 30 June 2017 (Continued)

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

Net cash outflow arising on acquisition:

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

Included in the profit for the year ended 30 June 2017 from continuing operations was HK$4,114,000 loss attributable to Camsing Brand. Revenue from continuing operations for the year ended 30 June 2017 includes approximately HK$2,250,000 attributable to Camsing Brand.

Had the acquisition of Camsing Brand been effected at the beginning of the year ended 30 June 2017, the total amount of revenue from continuing operations of the Group for the year ended 30 June 2017 would have been approximately HK$2,400,823,000 (restated), and the amount of the profit from continuing operations for the year ended 30 June 2017 would have been approximately HK$43,961,000 (restated). The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 30 June 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit from the continuing operations of the Group had Camsing Brand been acquired at the beginning of the year ended 30 June 2017, the directors calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

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

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

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

27. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 30 June 2017 (Continued)

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

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

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

Included in trade and other payables, approximately HK$1,088,000 was due to a related party in which Ms. Lo was the ultimate beneficial owner which has been settled at the end of the year ended 30 June 2017.

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

Net cash inflow arising on acquisition:

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

Included in the profit for the year ended 30 June 2017 from continuing operations was approximately HK$100,000 loss attributable to 奇摩. Revenue from continuing operations for the year ended 30 June 2017 included approximately HK$3,237,000 attributable to 奇摩.

27. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 30 June 2017 (Continued)

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

Had the acquisition of 奇摩 been effected at the beginning of the year ended 30 June 2017, the total amount of revenue from continuing operations of the Group for the year ended 30 June 2017 would have been approximately HK$2,401,482,000 (restated), and the amount of the profit from continuing operations for the year ended 30 June 2017 would have been approximately HK$44,164,000 (restated). The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 30 June 2017, nor is it intended to be a projection of future results.

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

28. DISPOSAL OF SUBSIDIARIES

During the year ended 30 June 2017, the Group had agreed to sell and the First Disposal Purchaser had agreed to purchase the entire issued share capital of Time Ally and the amount due and owing by the First Disposal Group to the Group at a consideration of HK$100,000,000 as the First Disposal Transaction defined in note 9. Details of the Transaction were set out in the circular issued by the Company dated 20 February 2017. The First Disposal Transaction was completed on 13 March 2017.

Consideration received:

	HK$'000
Cash	100,000

Analysis of assets and liabilities over which control was lost:

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

28. DISPOSAL OF SUBSIDIARIES (Continued)

Gain on disposal of subsidiaries:

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

Net cash inflow arising on disposal:

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

Included in the profit for the year ended 30 June 2017 from discontinued operations was approximately HK$5,865,000 loss attributable to the First Disposal Group. Revenue from discontinued operations for the year ended 30 June 2017 included approximately HK$58,656,000 attributable to the First Disposal Group.

The subsidiaries disposed of during the year ended 30 June 2017 paid HK$6,404,000 in respect of the Group's net operating cash flows and contributed HK$36,000 in respect of investing activities.

29. DEREGISTRATION OF A SUBSIDIARY OF THE COMPANY

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

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

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

The subsidiary deregistered of during the year ended 30 June 2017 did not have significant contribution to the results and cash flows of the Group during the period prior to the deregistration.

30. OPERATING LEASES

During the year, the Group made minimum lease payments of approximately HK$13,644,000 (2017: HK$12,382,000) under operating leases in respect of its factory and office premises. Leases are negotiated, and monthly rentals are fixed, for a range of one to five years (2017: one to five years).

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

The Group as leasee

	2018	2017
	HK$'000	*HK$'000*
Within one year	**13,381**	11,555
In the second to fifth year inclusive	**20,246**	25,480
	33,627	37,035

The Group as lessor

During the year, the Group from continuing and discontinued operations earned rental income of approximately HK$3,009,000 (2017: HK$3,259,000) under operating subleases in respect of its factory and office premises. Leases are negotiated, and monthly rentals are fixed, for a range of one to three years (2017: one to three years).

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**3,094**	2,792
In the second to fifth year inclusive	**1,867**	4,572
	4,961	7,364

31. RETIREMENT BENEFIT PLANS

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

(i) Plans for Hong Kong employees

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

(ii) Plans for PRC employees

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

The total cost of approximately HK$5,030,000 (2017: HK$6,373,000) charged to profit or loss for continuing operations and discontinued operations represents contributions paid or payable to the above schemes by the Group for the year.

32. RELATED PARTY DISCLOSURES

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

	2018 HK$'000	2017 HK$'000
Rental income (included in other income)	2,187	1,081
Licensing fee income (included in revenue)	1,670	650
Marketing services income (included in revenue)	1,637	–
Theme events service income (included in revenue)	532	–
Marketing services fee (included in cost of sales)	1,120	–
Licensing fee expenses (included in cost of sales)	–	91

The above transactions are with related companies in which Ms. Lo is the ultimate beneficial owner or has significant influence.

During the year ended 30 June 2018, the Group acquired 魔氪 from Guangzhou Camsing and an independent individual. Details of the acquisition are set out in note 27(b).

During the year ended 30 June 2018, the repayment to a related company and the advance from a related company are set out in consolidated statement of cash flows.

During the year ended 30 June 2017, the Group acquired Camsing Brand from Guangzhou Camsing and 奇摩 from Ms. Liu. Details of the acquisition are set out in note 27(d) and (e).

During the year ended 30 June 2017, a related company in which Ms. Lo has significant influence and control sublicenses an IP to Group with no consideration.

32. RELATED PARTY DISCLOSURES (Continued)

(b) Details of related party balances are disclosed in notes 20 and 22.

(c) As at 30 June 2018 and 2017, certain banking facilities amounting to HK$300,000 granted to the Group were guaranteed by Ms. Lo.

(d) Details of borrowing which was guaranteed by Ms. Lo and a related company in which Ms. Lo has significant influence and was fully repaid during the year ended 30 June 2017 are set out in note 24.

(e) Compensation of key management personnel

	2018 *HK$'000*	2017 *HK$'000*
Short-term employee benefits	**4,596**	5,841
Post-employment benefits	**108**	51
	4,704	5,892

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

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowing and bonds disclosed in notes 24 and 25, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium and various reserves.

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

34. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	126,286	390,115
Financial liabilities		
Amortised cost	45,595	96,003

b. Financial risk management objectives and policies

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

Market risk

Currency risk

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

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

	Assets		Liabilities	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
USD	9,421	499	7,150	660
HK$	642	16,515	8,669	7,989
RMB	12	642	–	412

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in the value of the functional currencies against the relevant foreign currencies. 5% (2017: 5%) is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items but excludes monetary items denominated in USD and HK$ for entities with HK$ and USD as functional currencies, respectively, as the directors of the Company consider that the Group's exposure to USD and HK$ is insignificant on the ground that HK$ is pegged to USD. The sensitivity analysis adjusts their translation at the year end for a 5% (2017: 5%) change in foreign currency rates.

2018

	HK$ impact *HK$'000*	USD Impact *HK$'000*	RMB Impact *HK$'000*
5% appreciation of the functional currencies			
Increase (decrease) in post-tax profit for the year	335	(257)	(1)
5% depreciation of the functional currencies			
(Decrease) increase in post-tax profit for the year	(335)	257	1

2017

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

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

As at 30 June 2018, the Group was also exposed to currency risk concerning non-trading nature current accounts due to group entities which were denominated in HK$ amounting to HK$100,000,000 (2017: HK$100,000,000), payable to a group entity operated in Hong Kong with a functional currency of HK$. When the functional currency of the group entities strengthened 5% against the HK$, post-tax profit for the year would increase by approximately HK$4,175,000 (2017: HK$4,175,000) and vice versa.

Interest rate risk

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

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

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

Credit risk

As at 30 June 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group has significant concentration of credit risk as receivable from two customers (2017: three customers) accounted for approximately 87% (2017: 90%) of its total trade receivables as at 30 June 2018. An analysis of the amounts due from these customers at the end of the reporting period is as follows:

	% of total trade receivables	
	2018	**2017**
Customer 1	69	34
Customer 2	18	–
Customer 3	N/A *(note (i))*	32
Customer 4	N/A *(note (ii))*	24

Notes:

(i) As at 30 June 2018, Customer 3 accounted for less than 5% of the Group's balance of trade receivable.

(ii) Revenue derived from Customer 4 is of procurement and assembly services that was discontinued in the current year as set out in note 9. As at 30 June 2018, the amount receivable from Customer 4 is disclosed as "assets classified as held for sale" line item on the consolidated statement of financial position and not included in the Group's continuing operations' "trade receivables" line item.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures for all its customers and in particular, its two (2017: three) largest customers to ensure that follow-up action is taken to recover overdue debts.

Customer 1 and Customer 3 are well-known electronic products retail stores and electronic products online trading platform, respectively, that are incorporated in the PRC and revenue generated by the Group from these two customers is of the sales and distribution of IP derived products and mobile devices segment. Customer 2 has rich experience and is a specialist in advertisement business and film and television products investment and producing which has good repayment history and revenue generated by the Group from Customer 2 is of licensing income. Customer 4 is a listed entity in Japan and it is well-known manufacturer of high technology electronic products in the world which has good repayment history.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity and interest risk tables

	Weighted average effective interest rate	On demand and less than 1 month *HK$'000*	1–3 months *HK$'000*	3 months to 1 year *HK$'000*	1–5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 30 June 2018 *HK$'000*
2018								
Non-derivative financial liabilities								
Trade and other payables	–	36,926	–	–	–	–	36,926	36,926
Bonds	13.34%	–	–	42	168	70,504	70,714	8,669
		36,926	–	42	168	70,504	107,640	45,595

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

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

c. Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amount due to a related company	Borrowing	Interest payable	Bonds	Amount due to a non-controlling shareholder of a subsidiary of the Company	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note i)	*(Note ii)*	*(Note iii)*		*(Note iv)*	
At 1 July 2017	–	34,566	230	7,656	–	42,452
Financing cash flows	9,009	(36,985)	(3,728)	–	–	(31,704)
Non-cash changes						
Interest on borrowing	–	–	2,572	–	–	2,572
Interest on factoring arrangement	–	–	926	–	–	926
Interest on bonds	–	–	–	1,013	–	1,013
Acquisition of a subsidiary	–	–	–	–	2,978	2,978
Exchange realignment	(33)	2,419	–	–	17	2,403
At 30 June 2018	**8,976**	**–**	**–**	**8,669**	**2,995**	**20,640**

Notes:

(i) Amount due to a related company represents the advance from a related company which is included in the line item of "Trade and other payables". The financing cash flows from amount due to a related company make up the net amount of advance from a related company and repayment to a related company, in the consolidated statement of cash flows.

(ii) The financing cash flows from borrowing represents the repayment of borrowing in the consolidated statement of cash flows.

(iii) Interest payable represents the interest expense accrued for borrowing which is included in the line item of "Trade and other payables". The financing cash flows from interest payable represents the interest paid in the consolidated statement of cash flows.

(iv) Amount due to a non-controlling shareholder of a subsidiary of the Company is included in the line item of "Trade and other payables".

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current asset		
Interests in subsidiaries	465,740	90,010
Current assets		
Amounts due from subsidiaries	219,037	488,846
Trade and other receivables	6,239	86
Bank balances and cash	642	15,034
	225,918	503,966
Current liabilities		
Amounts due to subsidiaries	108,034	101,338
Other payables	103,661	1,267
Bonds	40	–
	211,735	102,605
Net current assets	14,183	401,361
Total assets less current liabilities	479,923	491,371
Non-current liability		
Bonds	8,629	7,656
Net assets	471,294	483,715
Capital and reserves		
Share capital	107,712	107,712
Share premium and reserves	363,582	376,003
Total equity	471,294	483,715

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

Movement in the Company's reserves:

	Share premium HK$'000	Contribution surplus HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2016	366,526	514,645	–	(497,362)	383,809
Profit for the year	–	–	–	4,600	4,600
Exchange difference arising on translation	–	–	(12,406)	–	(12,406)
Total comprehensive (expense) income for the year	–	–	(12,406)	4,600	(7,806)
At 30 June 2017	366,526	514,645	(12,406)	(492,762)	376,003
Loss for the year	–	–	–	(12,763)	(12,763)
Exchange difference arising on translation	–	–	342	–	342
Total comprehensive income (expense) for the year	–	–	342	(12,763)	(12,421)
At 30 June 2018	**366,526**	**514,645**	**(12,064)**	**(505,525)**	**363,582**

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 30 June 2018 and 30 June 2017 are as follows:

Name of subsidiaries	Place of establishment/ incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Principal activities
Excel Star Group Limited	The BVI	Ordinary USD50,000	**100%**	100%	**–**	–	Investment holding
Greater Brand Limited	The BVI	Ordinary HK$1	**100%**	100%	**–**	–	Investment holding
Fittec (BVI) Limited	The BVI	Ordinary USD101	**–**	–	**100%**	100%	Investment holding

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of establishment/ incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2018	2017	2018	2017	
Fittec Electronics	Hong Kong	Ordinary HK$10,000,000	–	–	100%	100%	Investment holding and manufacturing and sales of printed circuit board ("PCB") assembly
Sheng Da Electronics (Shenzhen) Company Limited 陞達電子（深圳）有限公司 *(Note i)*	The PRC	Paid up capital USD6,393,000	–	–	100%	100%	Manufacturing of PCB, electronics components and related parts
Fittec Electronics (Suzhou) Company Limited 泛達電子（蘇州）有限公司 *(Note i)*	The PRC	Paid up capital USD24,000,000	–	–	100%	100%	Manufacturing of PCB, electronics components and related parts
First Creative International Limited	Hong Kong	Ordinary HK$1,000,000	–	–	100%	100%	Investment holding
Camsing Brand 香港承興品牌管理有限公司 *(Note vi)*	Hong Kong	Ordinary HK$1,000,000	–	–	100%	100%	IP and brand licensing and management business
貿隆興 (Notes i and vi)	The PRC	Paid up capital RMB10,000,000	–	–	100%	100%	Investment holding
廣州承興體育發展有限公司 *(Notes ii and iii)*	The PRC	Paid up capital RMB nil	–	–	100%	–	Inactive
奇承（廣州）景區管理有限公司 *(Notes ii and iii)*	The PRC	Paid up capital RMB1,000	–	–	100%	–	Consulting on brand marketing business
廣州燦宏供應鏈管理有限公司 *(Notes ii and v)*	The PRC	Paid up capital RMB10,000,000	–	–	100%	100%	Sales and distribution of IP derived products and mobile devices
蘇州環谷通訊設備貿易有限公司 *(Notes ii and iii)*	The PRC	Paid up capital RMB nil	–	–	100%	–	Sales and distribution of IP derived products and mobile devices
廣州澤展市場營銷有限公司 *(Notes iv and vii)*	The PRC	Paid up capital RMB3,500,000	–	–	70%	70%	Marketing services business

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of establishment/ incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2018	2017	2018	2017	
廣州仁宏市場營銷有限公司 *(Notes i and iv)*	The PRC	Paid up capital RMB10,299,600	–	–	100%	100%	Marketing services and sports events organising business
魔氪 *(Notes v and vii)*	The PRC	Paid up capital RMB1,000,000	–	–	51%	–	Sports events organising business
廣州秉迅體育發展有限公司 *(Notes i and iv)*	The PRC	Paid up capital RMB nil	–	–	100%	100%	Sports events organising business
廣州波音達品牌管理有限公司 *(Notes i and iv)*	The PRC	Paid up capital RMB1,064,160	–	–	100%	100%	IP and brand licensing business
奇摩 *(Notes vi and vii)*	The PRC	Paid up capital RMB nil	–	–	70%	70%	Consulting on corporate management business
喀什廣音達文化創意有限公司 *(Notes ii and iii)*	The PRC	Paid up capital RMB500,000	–	–	100%	–	IP licensing business
POW! Entertainment *(Notes v)*	US	Ordinary USD1,000	–	–	85%	–	Multimedia production and licensing business

Notes:

(i) These subsidiaries are established in the PRC as wholly foreign-owned enterprises.

(ii) These subsidiaries are established in the PRC as wholly owned domestic enterprises.

(iii) These subsidiaries were incorporated during the year ended 30 June 2018.

(iv) These subsidiaries were incorporated during the year ended 30 June 2017.

(v) These subsidiaries were acquired by an indirectly-owned subsidiary of the Company during the year ended 30 June 2018 (note 27).

(vi) These subsidiaries were acquired by an indirectly-owned subsidiary of the Company during the year ended 30 June 2017 (note 27).

(vii) These subsidiaries are established in the PRC as non-wholly owned domestic enterprises.

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

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY THAT HAVE MATERIAL NON-CONTROLLING INTEREST

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

Name of subsidiary	Principal place of business	Proportion of ownership interests held by non-controlling interests		(Loss) profit attributable to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018 *HK$'000***	2017 *HK$'000*	**2018 *HK$'000***	2017 *HK$'000*
POW! Entertainment	US	**15%**	–	**(1,063)**	–	**4,647**	–
Individually immaterial subsidiaries with non-controlling interests				**240**	(142)	**684**	(146)
Total				**(823)**	(142)	**5,331**	(146)

Summarised financial information in respect of subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

POW! Entertainment	**2018 *HK$'000***
Financial information of consolidated statement of profit or loss and other comprehensive income	
Revenue	**5,188**
Other income and other gains and losses	**(315)**
Expenses and taxation	**(11,960)**
Loss for the year	**(7,087)**
Other comprehensive expense	**(230)**
Total comprehensive expense for the year	**(7,317)**
Loss for the year, attributable to:	
Equity holders of the Company	**(6,024)**
Non-controlling interests of the Group	**(1,063)**
	(7,087)
Total comprehensive expense for the year, attributable to:	
Equity holders of the Company	**(6,219)**
Non-controlling interests of the Group	**(1,098)**
	(7,317)
Dividends paid to non-controlling interest of the Group	**–**

38. DETAILS OF NON-WHOLLY OWNED SUBSIDIARY OF THE COMPANY THAT HAVE MATERIAL NON-CONTROLLING INTEREST (Continued)

	2018 *HK$'000*
Financial information of consolidated statement of financial position	
Non-current assets	54,041
Current assets	15,349
Current liabilities	(27,107)
Non-current liability	(11,303)
	30,980
Equity attributable to:	
Equity holders of the Company	26,333
Non-controlling interests of the Group	4,647
	30,980
Financial information of consolidated statement of cash flows	
Net cash outflow from operating activities	(6,035)
Net cash inflow from investing activities	6,604
Net cash inflow	569

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000* (restated)	**2018** ***HK$'000***
Continuing operations					
Revenue	1,081,782	726,771	461,922	2,400,731	**2,920,435**
(Loss) profit before tax	(265,480)	(77,778)	(50,829)	55,888	**143,942**
Income tax credit (expense)	629	(52)	(849)	(11,891)	**(27,415)**
(Loss) profit for the year from continuing operations	(264,851)	(77,830)	(51,678)	43,997	**116,527**
Attributable to:					
Owners of the Company	(264,851)	(77,830)	(51,678)	44,139	**117,350**
Non-controlling interests	–	–	–	(142)	**(823)**
	(264,851)	(77,830)	(51,678)	43,997	**116,527**

ASSETS AND LIABILITIES

	At 30 June				
	2014 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2017 *HK$'000*	**2018** ***HK$'000***
Total assets	699,349	550,175	430,992	521,801	**798,798**
Total liabilities	126,169	56,547	68,583	136,726	**312,286**
Shareholders' funds	573,180	493,628	362,409	385,075	**486,512**
Attributable to:					
Owners of the Company	573,016	493,628	362,409	385,221	**481,181**
Non-controlling interests	164	–	–	(146)	**5,331**
	573,180	493,628	362,409	385,075	**486,512**

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