Camsing International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2662

Let's PLAY

2018/19 Interim Report

CONTENTS

MANAGEMENT DISCUSSION & ANALYSIS

OVERALL RESULTS

	Six months ended			
	31 December 2018 *HK$'000*	31 December 2017 *HK$'000*	**YoY Growth *HK$'000***	**%**
Revenue	2,318,659	1,433,504	885,155	61.7%
Continuing Operations	2,131,327	1,129,218	1,002,109	88.7%
Discontinued Operations	187,332	304,286	(116,954)	(38.4%)
Gross Profit	190,787	79,030	111,757	141.4%
Continuing Operations	175,880	65,463	110,417	168.7%
Discontinued Operations	14,907	13,567	1,340	9.9%
Profit (Loss) for the Period	144,023	44,416	99,607	224.3%
Continuing Operations	103,562	45,218	58,344	129.0%
Discontinued Operations	40,461	(802)	41,263	(5,145.0%)
Basic EPS (HK$)	0.14	0.04	0.10	250.0%

During the six months ended 31 December 2018 ("Reporting Period"), Camsing International Holding Limited (the "Company") and its subsidiaries (collectively, the "Group") realised a total revenue of approximately HK$2,318,659,000, representing an increase of 61.7% year-on-year ("yoy"), of which, revenue from the continuing operations, which are driven by pan-entertainment Intellectual Property ("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$2,131,327,000, accounting for an increase of 88.7% yoy.

The Group realised a gross profit of approximately HK$190,787,000 during the Reporting Period, representing a growth of 141.4% as compared with that of the corresponding period of last year and the gross profit margin rose to 8.2% from 5.5% of the corresponding period of 2017. During the Reporting Period, the Group realised profit of approximately HK$144,023,000, accounting for a growth of 224.3% as compared with that of the corresponding period of last year, of which, profit from the continuing operations amounted to approximately HK$103,562,000, accounting for an increase of 129.0% yoy. Basic earning per share amounted to HK$0.14, yoy up to 250.0%.

The Group completed the disposal of the entire equity interest in Fittec (BVI) Limited on 19 November 2018 with the disposal gain amounted to approximately HK$37,658,000 and included in the profit for the period from the discontinuing operations. The disposal marked its official detachment from the electronic manufacturing services business. The Group will focus on the development of its principal business driven by pan-entertainment IP, carry out the IP+ development strategy, further consolidating its domestic and overseas resources to realise a new breakthrough for business development and seeking to become a first-class pan-entertainment "IP+" operator in China.

BUSINESS REVIEW

IP Licensing

For IP licensing business including IP licensing and content creation, the Group conducted IP development, creation and licensing by leveraging IP resources and reserves of the Group to generate IP licensing income and content creation income. IP resources of the Group were divided into group-owned IPs and external IPs based on different sources.

For group-owned IPs, the Group select IP taking into account fashionable trend and market demand for in-depth development and creation, producing works in the form of comics, novels or games and reaching out to the target recipients via various media channels. The Group also create and develop tailor-made content according to customers' specific requirements, including IP-related story synopsis, scripts and characters.

Through acquisition of POW! Entertainment Inc. ("POW! Entertainment"), a company founded by the deceased legendary "Father of Superheroes" Mr. Stan Lee, in October 2017, the Group has actively enriched its IP resources and reserves. POW! Entertainment holds over 250 Stan Lee original IPs and has the perpetual exclusive right to use Stan Lee's personal portrait and name, being the sole company in the world with such exclusive right, and hence these high quality international IP reserves are the Group's core competitiveness of pan-entertainment business development.

During the Reporting Period, the Group continued to strengthen its promotion of Stan Lee IP and accelerated the integration of these international IPs with Chinese elements and oriental culture, leading to a remarkable performance in self-owned IP licensing and incubation:

➢ A cooperative agreement was entered into with KBS Hallyu Investment Partners pursuant to which the Group will cooperate with KBS Hallyu Investment Partners to co-create the first South Korean drama "The B-Team" adapted from original Stan Lee IP, by way of IP licensing. The Group, with the help of the mature entertainment industrial packaging of South Korea, will be working with the reputed South Korean TV screenwriter Kang Eun-kyung hopefully to further extend and enrich its IP value, which is conducive to obtention of more popularity from Asia's market thereby.

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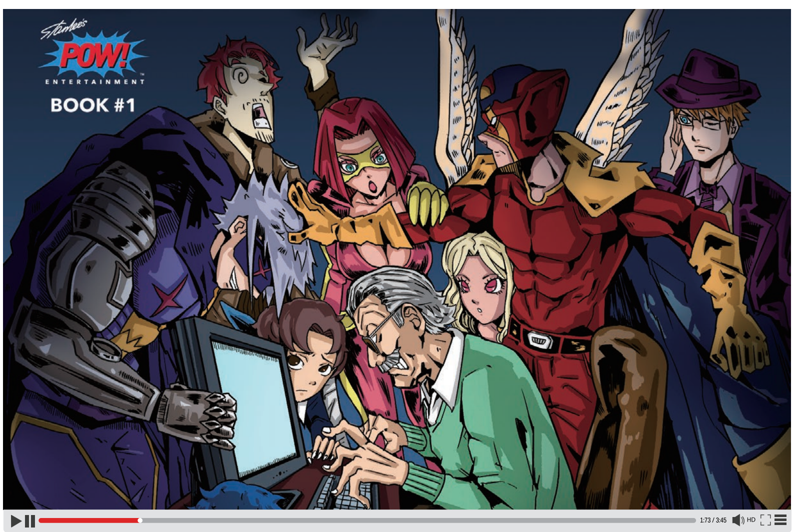
➢ The third season of "Lucky Man" had been televised in UK on 20 July 2018 with its viewership rated top; in the same year, "Lucky Man" entered the US market and received positive response. The production of the fourth season has been underway. The Group also signed a cooperative agreement with Carnival Films, the production studio of "Lucky Man", and they will continue co-launching non-superhero TV drama series "Super Recognizer".

➢ The Group provided Stan Lee's original stories to Audibles, the United States' largest audio book platform and produced novels from such stories together with project co-creators Luke Lieberman and Ryan Silbert and teamed up with Audibles to produce superhero audio book. This is the first time for the Group to tap into the audio book market.

➢ By ingenious IP content incubation operation, the comic "Between The Lines (書靈破境)" adapted based on Stan Lee's original IP has successively been launched on the renowned literary platforms including QQ Reading, iReader and Tencent's Animation during the Reporting Period. Such piece of work is innovative, made by the Group to integrate Stan Lee IP and Chinese elements while maintaining the essence of Chinese culture on the basis of extraction from classic themes. Its unique and fantastic story and featured characters, has become ardently popular among readers.

➢ In addition, during the Reporting Period, the serial comic story "Stan Lee's Work Force" designed based on Stan Lee's original IP has been being serialised on the platform of The Real Stan lee in the US and on the official Weibo and WeChat of Stan Lee's Work Force in China, drawing widespread attention and applause from fans. Stan Lee's original IP serial sci-fi comic "Backchannel" licensed by the Group for production was synchronously available on Webtoon, the world's biggest digital comic services platform as well.



Management Discussion & Analysis

➢ Cooperating with famous publishing house in China to co-adapt Chinese classical literature Liaozhai Zhiyi (聊齋志異) into new comic book "Xianguixu (仙鬼墟)". At present, the story and role settings have been completed with its entry into the comic designing stage and the comic will be serialised within China in 2019.

For external IPs, the Group worked closely with domestic and overseas IP copyright holders to obtain external IPs license based on the customer needs and market trends, and launched a series of IP licensed products by combining external IPs with customer needs.

During the Reporting Period, the Group has been authorised by Hasbro to continue launching co-branded credit card themed by Bumblebee, the protagonist in "Transformers 6" in conjunction with China Construction Bank.

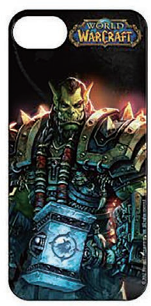
Management Discussion & Analysis

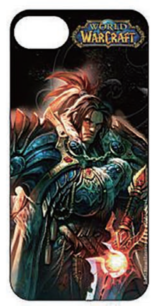
As an exclusively licensed agency of "Sweet Combat" via bank, the Group has successfully enabled China Guangfa Bank to issue the "Sweet Combat" co-branded credit card by consolidating its own channel advantages. At the end of 2018, the Group introduced the IP of Popeye the Sailor Man to domestic credit card industry via the marketing strategy of "IP+Emotion" as well, enabling China Guangfa Bank to issue the Popeye Credit Card successfully.

Moreover, in games sector, the joint development and operation of Japanese game K in cooperation with Yingmog Interaction is still in progress, and the mobile game is expected to be released online in 2019.

Sales of IP derived products and mobile devices

With professional product design teams and stable quality licensed manufacturers, the Group is committed to providing customers with genuine IP derived products. The group-owned IPs and external IPs incubated by the Group are produced into 3C peripheral products and fashion accessories that are popular among youngsters and IP target recipients, with exclusively customised IP derived products offered to different financial institutions as well.





By taking advantage of its B2B distribution channels formed via its mobile devices distribution in the early stage, the Group commenced the sales business of IP derived products with several well-known e-Commerce platforms in China during the Reporting Period, generating stable revenue.

Theme events services

Theme events services business of the Group mainly includes preparation, management and promotion of domestic and international sports and entertainment activities as well as theme park operation services. These services generate sponsorship fee income, ticket income and operating service income, etc. During the Reporting Period, the Group generated income mainly from three businesses of "Run Cartoon Run", entertainment activities planning and theme park operations.

Being the management and operation service provider of Lotus Wonderland in Sanshui Foshan, the Group constantly provides advice and introduces new initiatives for the management of the theme park which leads to an uprise of the number of visitors to the park. In the second half of 2018, in collaboration with Alifish, Lotus Wonderland officially unveiled the world first Travel Frog theme park, successfully reflected the advantages of the Group's efficient integration of IP resources.

Management Discussion & Analysis

Comprehensive marketing services

Comprehensive marketing services business including sales of products as part marketing services derived products and other marketing services of the Group aims to provide comprehensive marketing solutions to domestic and international customers, generating service income and design fee income for the Group. During the Reporting Period, the Group carried out comprehensive marketing services mainly focusing on the needs of banks and international credit card organisations, providing bank customers with credit card product promotion, card face design, card promotion and card issuance service and providing credit card organisations with services including virtual value-added service solutions, privilege extension planning and marketing tool customisation.

OUTLOOK

Following the pass away of Mr. Stan Lee at the end of 2018, the Group formulated the "Post-Stan Lee Era" strategy in respect of the speed, intensity and mode of IP development and incubation currently with nearly 200 Stan Lee original undeveloped IP prototypes. In addition to succession of the original "superhero" character and IP feature, the Group will regard the public preferences in China and Greater China as needs to develop "superhero" image with intrinsic value and cultural extension, shaping it into a global IP culture symbol. By taking advantage of the unique competitive edges of the Group's comprehensive IP industry chain and rich cross-border marketing experience, the "Post-Stan Lee Era" strategy enables the Group to quickly capitalise the IP base handed down by Stan Lee.

In 2019, the Group will continue the previous licensing model and will fully cooperate with outstanding companies engaged in film and television, animation and publishing businesses worldwide to develop Stan Lee's original IP and further develop and incubate self-owned IP. It is expected that new works of film and television, animation and novels will be launched. The Group will strive to make new break-through in IP content creation business, it is also expected that the Group will extend its tailor-made IP services relating to corporate story and corporate branding image.

Furthermore, worldwide merchandise licensing business of Stan Lee's image and name will also be the business development direction of the Group. At present, some partnerships are formed in the fields of clothing and figures and toys while both the cooperative parties and areas will further be enlarged in 2019. In face of difficult macroeconomic condition and downward pressure on the economy in 2019, the Group will analyse the situation cautiously and consistently execute the "IP +" strategy, lay good foundation for the trump card of Stan Lee IP, proactively integrate the resources from various channels of the Group, strengthen talent training, explore IP value and innovative profit-making models and more powerful realisability. Despite of the difficult times in the capital market, the Group is confident that it will achieve new breakthroughs in business development and create greater value for shareholders and investors.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had bank balances and cash of approximately HK$25,423,000 as at 31 December 2018. The Group had net current assets of approximately HK$493,729,000 (30 June 2018: approximately HK$389,966,000) with a current ratio of 3.52 (30 June 2018: 2.33).

As at 31 December 2018, the net asset of the Group amounted to approximately HK$588,276,000, representing an increase of 20.9% as compared to approximately HK$486,512,000 as at 30 June 2018. The gearing ratio of the Group was 0.02 (30 June 2018: 0.02) which was calculated based on the Group's total borrowing and bonds amounting to HK$9,182,000 (30 June 2018: HK$8,669,000) and the equity attributable to owners of the Company amounting to HK$584,397,000 (30 June 2018: HK$481,181,000).

SIGNIFICANT INVESTMENT HELD

During the Reporting Period and up to the date of this report, the Group did not hold any significant investment.

SUBSTANTIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER ISSUES

Save as disclosed below, the Group had no substantial acquisition and disposal of assets and merger issues during the Reporting Period.

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 "Disposal Transaction 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$140,000,000. The principal business of Fittec (BVI) Limited and its subsidiaries is pure assembly services and procurement and assembly services. Please refer to the circular of the Company dated 31 October 2018 for the details of the Disposal.

The transaction was completed on 19 November 2018 and the gain on such disposal was recorded HK$37,658,000.

CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 31 December 2018.

STAFF

As at 31 December 2018, the Group employed a total of 95 staff members, of which 74 were employed in the PRC, 11 were employed in Hong Kong and 10 were employed in the USA. The Group has implemented remuneration package, bonus and share option scheme as part of the remuneration policy designed to motivate individual staff by linking part of the staff's compensation with their respective performance. In addition, fringe benefits such as insurance, medical allowance and pensions were provided to ensure the competitiveness of remuneration packages offered by the Group.

CHARGE ON GROUP'S ASSETS

During the Reporting Period and up to the date of this report, none of the assets of the Group was pledged or charged (30 June 2018: nil).

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.

DIVIDEND

During the current interim period, a final dividend of HK1.2 cents per ordinary share out of the share premium account of the Company in respect of the year ended 30 June 2018 (2017: nil) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK$12,926,000 (2017: nil).

No interim dividend was proposed for the six months ended 31 December 2018 and 2017.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, the interests and short position of the Directors, the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 (the "Shares")

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 31 December 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 was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 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:

Other Information

Long position

Ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held: Direct interest	Number of issued ordinary shares held: Total interest	Percentage of the issued share capital of the Company
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 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Board confirms that the Group has complied with all material code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Stock Exchange") except for the derivation as stated herein. Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Ms. Lo Ching ("Ms. Lo") serves as the chairman and also acts as chief executive officer of the Company, which constitutes a deviation from the code provision A.2.1.

The Board is of the view that vesting both roles in Ms. Lo will allow for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors (the "INEDs") 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.

Save as disclosed above, the Company has met all the applicable code provisions of the CG Code during the Period.

The Company has appointed Ms. Jie Jing as the chief executive officer of the Company on 1 February 2019 and Ms. Lo has ceased to be the chief executive officer of the Company. Thereafter, the Company has complied with code provision A.2.1. of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 31 December 2018, all Directors have fully complied with the required standard set out in the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES OR DEBENTURE

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the Listing Rules) of the Company or their respective close associates (as defined in the Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Period, there was no purchase, sale or redemption of the Group's listed securities by the Group.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on an extraordinary general meeting of the Company 17 December 2018. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

No share option was granted since the adoption of the Scheme and there are no outstanding share options as at 31 December 2018.

AUDIT COMMITTEE

The Company has formed an audit committee (the "Audit Committee") to assist the Board in providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the company. The existing committee comprises Mr. Ross Yu Limjoco, as the chairman, Mr. Lei Jun and Mr. Zheng Yilei, all of whom are independent non-executive Directors. The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with the management and external auditors and review their reports. The Audit Committee has reviewed the unaudited consolidated financial statements and results announcement of the Company for the Period which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements and adequate disclosures have been made.

Other Information

REVIEW OF INTERIM RESULT

The Company's unaudited interim results for the six months ended 31 December 2018 have been reviewed by the Company's auditor and the Audit Committee.

By order of the Board
Camsing International Holding Limited
Lo Ching
Chairman and Executive Director

Hong Kong, 27 February 2019

As at the date of this report, the Board comprises Ms. Lo Ching and Ms. Liu Hui as the executive Directors and Mr. Lei Jun, Mr. Ross Yu Limjoco and Mr. Zheng Yilei as independent non-executive Directors.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Camsing International Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 50, which comprise the condensed consolidated statement of financial position as of 31 December 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 February 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	NOTES	Six months ended 31.12.2018 HK$'000 (unaudited)	Six months ended 31.12.2017 HK$'000 (unaudited) (restated)
Continuing operations			
Revenue	3	2,131,327	1,129,218
Cost of sales		(1,955,447)	(1,063,755)
Gross profit		175,880	65,463
Other income		1,202	1,163
Other gains and losses		(818)	3,160
Distribution costs		(9,244)	(2,640)
General and administrative expenses		(28,039)	(19,954)
Finance costs		(553)	(1,691)
Share of results of an associate		(65)	(75)
Profit before tax		138,363	45,426
Income tax expense	4	(34,801)	(208)
Profit for the period from continuing operations	5	103,562	45,218
Discontinued operations			
Profit (loss) for the period from discontinued operations	6	40,461	(802)
Profit for the period		144,023	44,416
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		(22,251)	19,076
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		8,601	(9,491)
Reclassification of cumulative exchange differences on foreign operations upon disposal of subsidiaries		(10,369)	–
		(1,768)	(9,491)
Total other comprehensive (expense) income for the period		(24,019)	9,585
Total comprehensive income for the period		120,004	54,001

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2018

	NOTE	Six months ended 31.12.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (unaudited) (restated)
Profit (loss) for the period attributable to:			
Owners of the Company			
— from continuing operations		**105,018**	46,271
— from discontinued operations		**40,461**	(802)
		145,479	45,469
Non-controlling interests			
— Loss for the period from continuing operations		**(1,456)**	(1,053)
		144,023	44,416
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**121,456**	55,068
Non-controlling interests		**(1,452)**	(1,067)
		120,004	54,001
Basic earnings per share	8		
— From continuing and discontinued operations		**HK$0.14**	HK$0.04
— From continuing operations		**HK$0.10**	HK$0.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	31.12.2018 HK$'000 (unaudited)	30.6.2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	9	4,532	2,304
Interest in an associate		909	1,011
Rental deposits paid		1,764	1,833
Intangible assets		49,478	53,822
Goodwill		57,398	57,508
		114,081	116,478
Current assets			
Trade and other receivables	10	658,123	438,905
Contract assets		5,877	–
Bank balances and cash		25,423	36,543
		689,423	475,448
Assets classified as held for sale	6	–	206,872
		689,423	682,320
Current liabilities			
Trade and other payables	11	115,350	168,706
Contract liabilities		33,497	–
Tax liabilities		46,809	31,692
Bonds		38	40
		195,694	200,438
Liabilities associated with assets classified as held for sale	6	–	91,916
		195,694	292,354
Net current assets		493,729	389,966
Total assets less current liabilities		607,810	506,444
Non-current liabilities			
Bonds		9,144	8,629
Deferred tax liabilities	12	10,390	11,303
		19,534	19,932
Net assets		588,276	486,512

Condensed Consolidated Statement of Financial Position

At 31 December 2018

	NOTE	31.12.2018 HK$'000 (unaudited)	30.6.2018 HK$'000 (audited)
Capital and reserves			
Share capital	13	107,712	107,712
Share premium and reserves		476,685	373,469
Equity attributable to owners of the Company		584,397	481,181
Non-controlling interests		3,879	5,331
Total equity		588,276	486,512

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	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$'000	Accumulated (losses) profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2017 (audited)	107,712	366,526	11,478	6,400	(8,892)	(98,003)	385,221	(146)	385,075
Profit (loss) for the period	–	–	–	–	–	45,469	45,469	(1,053)	44,416
Exchange differences arising on translation	–	–	–	–	9,599	–	9,599	(14)	9,585
Total comprehensive (expense) income for the period	–	–	–	–	9,599	45,469	55,068	(1,067)	54,001
Acquisition of a subsidiary *(note 15)*	–	–	–	–	–	–	–	5,745	5,745
At 31 December 2017 (unaudited)	107,712	366,526	11,478	6,400	707	(52,534)	440,289	4,532	444,821
At 30 June 2018 (audited)	107,712	366,526	11,478	6,400	249	(11,184)	481,181	5,331	486,512
Adjustment *(note 2)*	–	–	–	–	–	(5,314)	(5,314)	–	(5,314)
At 1 July 2018 (restated)	107,712	366,526	11,478	6,400	249	(16,498)	475,867	5,331	481,198
Profit (loss) for the period	–	–	–	–	–	145,479	145,479	(1,456)	144,023
Exchange differences arising on translation	–	–	–	–	(13,654)	–	(13,654)	4	(13,650)
Reclassification of cumulative exchange differences on foreign operations upon disposal of subsidiaries *(note 6(a))*	–	–	–	–	(10,369)	–	(10,369)	–	(10,369)
Total comprehensive (expense) income for the period	–	–	–	–	(24,023)	145,479	121,456	(1,452)	120,004
Dividend recognised as distribution *(note 7)*	–	(12,926)	–	–	–	–	(12,926)	–	(12,926)
Reclassification of cumulative exchange differences arising on translation to presentation currency upon disposal of subsidiaries	–	–	–	–	16,584	(16,584)	–	–	–
At 31 December 2018 (unaudited)	107,712	353,600	11,478	6,400	(7,190)	112,397	584,397	3,879	588,276

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 in exchange in December 2004.

(ii) The special reserve 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	NOTES	Six months ended 31.12.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(45,339)	(5,251)
INVESTING ACTIVITIES:			
Proceeds from disposal of subsidiaries (net of cash and cash equivalent disposed of)	6	16,631	–
Interest received		126	95
Purchase of property, plant and equipment		(3,460)	(2,248)
Acquisition of a subsidiary (net of cash and cash equivalent acquired)	15	–	(75,627)
Investment in an associate		–	(1,152)
Proceeds from disposal of property, plant and equipment		–	150
NET CASH FROM (USED IN) INVESTING ACTIVITIES		13,297	(78,782)
FINANCING ACTIVITIES:			
Advance from a related party		1,716,605	1,088,328
Repayment to a related party		(1,699,614)	(1,028,776)
Dividends paid	7	(12,926)	–
Interest paid		(40)	–
NET CASH FROM FINANCING ACTIVITIES		4,025	59,552
NET DECREASE IN CASH AND CASH EQUIVALENTS		(28,017)	(24,481)
CASH AND CASH EQUIVALENTS AT 1 JULY			
— from continuing operations		36,543	68,902
— from discontinued operations		17,534	–
		54,077	68,902
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(637)	1,944
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		25,423	46,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 July 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosure as described below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue" and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales and distribution of intellectual property ("IP") derived products and mobile devices
- Theme event services
- Marketing services
- IP licensing-content creation income
- IP licensing fee
- Pure assembly services and procurement and assembly services (included in the discontinued operations)

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For income from sales and distribution of IP derived products and mobile devices, sales of products as part of marketing services and pure assembly services and procurement and assembly services, revenue is recognised at a point in time.

Details of impact arising from initial application of HKFRS 15 are set out in note 2.1.2.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

For the IP licensing-content creation income which is included in IP licensing and comprehensive services segment, revenue is recognised over time as the licensing-content creation is tailor-made based on customer's specification with no alternative use to the Group and the Group has enforceable right to payment for performance completed to date. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the contents transferred to the customer to date relative to the remaining contents promised under the contract, that best depict the Group's performance in transferring control of goods or services.

For the IP licensing fee income, theme events services and other marketing services which are included in IP licensing and comprehensive services segment, revenue is recognised over time as the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

For sales and distribution of IP derived products and mobile devices, the Group is a principal as it has control of the IP derived products and mobile devices before these goods are transferred to customers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

New critical accounting judgements and key sources of estimation uncertainty in relation to revenue recognition upon application of HKFRS 15

Critical accounting judgment

Under HKFRS 15, control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to IP licensing-content creation income create an enforceable right to payment for the Group. The Group has considered the terms of the relevant sales contracts, the relevant local laws that apply to those relevant contracts and opinion from external legal counsel. Based on the assessment of the Group's management, the Group has enforceable right to payment for performance completed to date for contracts with customers for IP licensing-content creation income.

Accordingly, the IP licensing-content creation income, which is included in IP licensing and comprehensive services segment, is recognised over time as the licensing-content creation is tailor-made based on customer's specification with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Key sources of estimation uncertainty

The IP licensing-content creation income is recognised over time amounting to approximately HK$12,679,000 for the six months ended 31 December 2018 and estimation is required on measuring the progress towards complete satisfaction of a performance obligation that is based on output method. The progress is based on historical performance and management's expectation of the value of the contents transferred to the customer to date relative to the remaining contents promised under the contract. The reassessment of the progress towards the completion is performed from time to time and the revenue recognition from the IP licensing-content creation is sensitive to the changes in estimates.

2.1.2 Summary of effects arising from initial application of HKFRS 15

Under HKFRS 15, revenue from sales of goods is recognised at a point in time, when the goods are delivered to customers' specific location and the control of goods is transferred to the customers.

Revenue from theme events services and other marketing services is recognised over the period of the services.

IP licensing-content creation income is recognised over time based on the progress towards the completion of the contract and measured based on output method.

IP licensing fee income is recognised over the period of the terms of the IP licensing contracts.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Revenue from pure assembly services and procurement and assembly services included in the discontinued operations is recognised at a point in time.

There is no material difference on the timing and amounts of revenue (other than the income from IP licensing-content creation) recognised under HKFRS 15 and HKAS 18. The application of HKFRS 15 has had no material impact on accumulated losses as at 1 July 2018 and the impact on the revenue recognised during the six months ended 31 December 2018 has been set out in below.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 30 June 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 July 2018
		HK$'000	*HK$'000*	*HK$'000*
Current liabilities				
Trade and other payables	*(a)*	168,706	(5,783)	162,923
Contract liabilities	*(a)*	–	5,783	5,783

Note:

(a) As at 1 July 2018, advances from customers of HK$5,783,000 in respect of sales contracts with customers for marketing services previously included in trade and other payables were reclassified to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 31 December 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the condensed consolidated statement of financial position

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current asset				
Contract assets	*(b)*	5,877	(5,877)*	–
Current liabilities				
Trade and other payables	*(a), (b)*	115,350	33,161	148,511
Contract liabilities	*(a)*	33,497	(33,497)	–

* The amount includes the adjustment from the application of HKFRS 9, amounting to approximately HK$51,000 representing the impairment loss recognised on contract assets.

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	Note	As reported HK$'000	Adjustment HK$'000	Amounts without application of HKFRS 15 HK$'000
Continuing operation				
Revenue	*(b)*	2,131,327	(5,592)	2,125,735

Notes:

(a) As at 31 December 2018, advances from customers of HK$33,497,000 in respect of sales contracts are classified as contract liabilities that would have been included in trade and other payables without application of HKFRS 15.

(b) Under HKAS 18, the Group recognised IP licensing-content creation income when the contents are delivered and accepted by customers. Upon application of HKFRS 15, the Group's contracts with customer for IP licensing-content creation income are tailor-made based on customer's specification with no alternative use to the Group. Taking into account the contract terms, the Group has enforceable right to payment for performance completed to date and hence the income is be recognised over time upon application of HKFRS 15.

IP licensing-content creation income of HK$5,592,000 has been recognised under HKFRS 15 with the corresponding adjustment to contracts assets of HK$5,928,000 (before the application of HKFRS 9) and value-added tax payables of HK$336,000 (included in trade and other payables) for the six months ended 31 December 2018.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018, if any, are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The directors of the Company reviewed and assessed the Group's financial assets at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the Group's financial assets continue to be measured at amortised cost subsequently upon adoption of HKFRS 9, which is the same measurement used under HKAS 39.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets, other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

	Note	Financial assets subject to ECL included in assets classified as held for sale HK$'000	Amortised cost (previously classified as loans and receivables) HK$'000	Accumulated losses HK$'000
Closing balance at 30 June 2018 — HKAS 39		145,018	126,286	(11,184)
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model	*(a)*	(4,793)	(521)	(5,314)
Opening balance at 1 July 2018		140,225	125,765	(16,498)

Note (a):

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually for debtors with significant balances or grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances and other receivables, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 July 2018, the additional credit loss allowance of approximately HK$5,314,000 has been recognised against the accumulated losses. The additional loss allowance is charged against the loss allowance amount of the respective assets.

All loss allowances for financial assets representing loss allowance for trade receivables and trade receivables included in assets classified as held for sale as at 30 June 2018 reconcile to the opening loss allowance as at 1 July 2018 is as follows:

	Assets classified as held for sales HK$'000	Trade receivables HK$'000
At 30 June 2018 — HKAS 39	39	6,861
Amounts remeasured through opening accumulated losses	4,793	521
At 1 July 2018	4,832	7,382

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	30 June 2018 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1 July 2018 (Restated) *HK$'000*
Current asset				
Trade and other receivables	438,905	–	(521)	438,384
Assets classified as held for sales	206,872	–	(4,793)	202,079
Current liabilities				
Trade and other payables	168,706	(5,783)	–	162,923
Contract liabilities	–	5,783	–	5,783
Capital and reserves				
Accumulated losses	11,184	–	5,314	16,498

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the business of provision of (i) sales and distribution of intellectual property ("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.

During the year ended 30 June 2018, the Group entered into an agreement for the Disposal Transaction (as defined in note 6). Upon the completion of the Disposal Transaction, i.e. 19 November 2018, the Group ceased to operate the pure assembly services and procurement and assembly services.

The operating segments regarding the pure assembly services and the procurement and assembly services were presented as discontinued operations in the condensed consolidated financial statements. The segment information reported below for the six months ended 31 December 2018 and 2017 do not include any amounts for these discontinued operations, which are described in more detail in note 6. The comparative figures have been restated to exclude the discontinued operations.

The information reported to the chief operating decision maker ("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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

3A. Revenue from goods and services

Disaggregation of revenue

Segments	Six months ended 31.12.2018 Sales and distribution of IP derived products and mobile devices *HK$'000*	IP licensing and comprehensive services *HK$'000*
Types of goods or services		
Sales and distribution of IP derived products and mobile devices	2,038,089	–
Theme events services	–	36,954
Other marketing services	–	13,027
Sales of products as part of marketing services	–	20,426
IP licensing-content creation income	–	12,679
IP licensing fee income	–	10,152
Total revenue from contracts with customers	2,038,089	93,238
Geographical markets		
The People's Republic of China (the "PRC")	2,038,089	55,232
Hong Kong	–	32,600
The United States of America (the "US")	–	5,406
Total	2,038,089	93,238
Timing of revenue recognition		
A point in time	2,038,089	20,426
Over time	–	72,812
Total	2,038,089	93,238

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

3. REVENUE AND SEGMENT INFORMATION (Continued)

3B. Segment information

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

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Segment revenue		
Sales and distribution of IP derived products and mobile devices	**2,038,089**	1,063,597
IP licensing and comprehensive services	**93,238**	65,621
	2,131,327	1,129,218
Segment results		
Sales and distribution of IP derived products and mobile devices	**134,948**	24,663
IP licensing and comprehensive services	**40,932**	40,800
	175,880	65,463
Unallocated operating expenses	**(37,283)**	(22,594)
Unallocated other income and gains and losses	**384**	4,323
Finance costs	**(553)**	(1,691)
Share of results of an associate	**(65)**	(75)
Profit before tax from continuing operations	**138,363**	45,426

The segment revenue is all from external customers and there are no inter-segment sales for both periods.

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 CODM.

4. INCOME TAX EXPENSE

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
Continuing operations		
The income tax expense comprises:		
Hong Kong Profit Tax		
Current period	**3,283**	–
PRC Enterprise Income Tax (the "EIT")		
Current period	**32,223**	8,178
PRC withholding tax on licensing fee income	**186**	200
Deferred tax *(note 12)*		
Credit for the period	**(891)**	–
Effect of change in tax rate	**–**	(8,170)
	34,801	208

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Group for both periods. No provision for Hong Kong Profits Tax had been made for the six months ended 31 December 2017 as the Group had no assessable profits arising in Hong Kong.

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 periods.

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 10% 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 i.e. year ended 30 June 2018. No provision for the EIT was made for the six months ended 31 December 2018 on this subsidiary as it enjoys the exemption.

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For the six months ended 31 December 2018

4. INCOME TAX EXPENSE (Continued)

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 July 2018 to 31 December 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 periods. No provision for the US corporate income tax has been made as the Group's US subsidiary incurred loss for both periods.

5. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
		(restated)
Profit for the period from continuing operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**366**	269
Amortisation of intangible assets (included in cost of sales)	**4,245**	1,390
Net exchange loss (gain) (included in other gains and losses)	**777**	(3,160)
Interest income	**(107)**	(66)
Impairment loss recognised in respect of contract assets (included in other gains and losses)	**51**	–
Reversal of impairment loss recognised in respect of trade receivables (included in other gains and losses)	**(10)**	–
Gain on disposal of a subsidiary (note 6(b))	**(5)**	–

6. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

(a) Disposal of Fittec (BVI) Limited and its subsidiaries

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 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 "Disposal Group") from the Group at a cash consideration of HK$140,000,000 (the "Disposal Transaction").

Details of the Disposal Transaction are set out in the circular issued by the Company dated 31 October 2018. The Disposal Transaction was completed on 19 November 2018 (the "Transaction Date").

The Disposal Group is engaged in the business of pure assembly services and procurement and assembly services which has been discontinued by the Group after the completion of the disposal. As at 30 June 2018, the Disposal Group has been classified as disposal group held for sale and were presented separately in the condensed consolidated statement of financial position.

The profit (loss) from the Disposal Group for the current period up to the Transaction Date and preceding interim period is analysed as follows and the comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the Disposal Group as a discontinued operation:

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
Profit (loss) of the Disposal Group for the period	**2,803**	(802)
Gain on disposal of the Disposal Group	**37,658**	–
	40,461	(802)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

6. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

(a) Disposal of Fittec (BVI) Limited and its subsidiaries (Continued)

The results of the Disposal Group for the current period up to the Transaction Date and preceding interim period were as follows:

	1.7.2018 to 19.11.2018 HK$'000	Six months ended 31.12.2017 HK$'000
Revenue	187,332	304,286
Cost of sales	(172,425)	(290,719)
Gross profit	14,907	13,567
Other income	537	812
Other gains and losses	450	(359)
Distribution costs	(2,975)	(2,371)
General and administrative expenses	(10,116)	(12,451)
Profit (loss) before tax	2,803	(802)
Income tax expense	–	–
Profit (loss) for the period	2,803	(802)
Add: gain on disposal of the Disposal Group	37,658	–
Profit (loss) for the period of the Disposal Group	40,461	(802)

Profit (loss) for the period from the Disposal Group includes the following:

	1.7.2018 to 19.11.2018 HK$'000	Six months ended 31.12.2017 HK$'000
Loss (gain) on disposal of property, plant and equipment	63	(52)
Depreciation of property, plant and equipment	1,611	3,476
Auditor's remuneration	100	–
Write-down of inventories	8	68
Net exchange (gain) loss	(513)	410
Interest income	(19)	(29)

Notes to the Condensed Consolidated Financial Statements

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6. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

(a) Disposal of Fittec (BVI) Limited and its subsidiaries (Continued)

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

	30.6.2018 *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

The net assets of the Disposal Group at the date of disposal were as follows:

Consideration received and receivable:

	HK$'000
Cash received	140,000

Analysis of assets and liabilities over which control was lost:

	19.11.2018 *HK$'000*
Property, plant and equipment	23,156
Inventories	29,106
Trade and other receivables	107,997
Bank balances and cash	21,235
Trade and other payables	(68,936)
Tax liabilities	(1,981)
Net assets disposed of	110,577

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2018

6. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

(a) Disposal of Fittec (BVI) Limited and its subsidiaries (Continued)

Gain on disposal of the Disposal Group:

	HK$'000
Consideration received	140,000
Net assets disposed of	(110,577)
Reclassification of cumulative exchange differences on foreign operations upon disposal of the Disposal Group	10,369
Transaction costs and expenses directly attributable to the Disposal Transaction	(2,134)
Gain on disposal of the Disposal Group	37,658

As at 30 June 2018, deposits for the Disposal Transaction was received from the Disposal Transaction Purchaser amounting to HK$100,000,000 and was utilised as part of aforesaid disposal transaction consideration during the current interim period.

Net cash inflow arising on disposal:

	HK$'000
Cash consideration received in the current period	40,000
Less: bank balances and cash disposed of	(21,235)
Less: transaction costs and expenses directly attributable to the Disposal Transaction	(2,134)
	16,631

Cash flow from the Disposal Group:

	1.7.2018 to 19.11.2018 HK$'000	Six months ended 31.12.2017 HK$'000
Net cash flows from operating activities	5,196	425
Net cash flows used in investing activities	(722)	(2,010)
Net cash flows	4,474	(1,585)

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For the six months ended 31 December 2018

6. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE (Continued)

(b) Disposal of 廣州秉迅體育發展有限公司 ("廣州秉迅")

On 13 December 2018, First Creative International Limited ("First Creative"), an indirect wholly-owned subsidiary, entered into a sale and purchase agreement with an independent third party (the "Purchaser"). The Group has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of 廣州秉迅 from the Group at a cash consideration of RMB1,260,000 (equivalent to approximately HK$1,437,000) and loan assignment of RMB780,000 (equivalent to approximately HK$891,000) due from First Creative. 廣州秉迅 is principally engaged in sports events organising business. The transaction was completed on 13 December 2018.

Consideration receivable:

	31.12.2018 HK$'000
Consideration receivable (included in trade and other receivables)	1,437

Analysis of assets and liabilities over which control was lost:

	HK$'000
Trade and other receivables	2,931
Amount due from First Creative	891
Trade and other payables	(1,499)
Net assets disposed of	2,323

Gain on disposal of 廣州秉迅:

	HK$'000
Consideration receivable	1,437
Net assets disposed of	(2,323)
Loan assignment	891
Gain on disposal	5

Included in the profit for the period from the continuing operation is loss of approximately HK$260,000 attributable to 廣州秉迅 and no revenue for the period is attributable to 廣州秉迅.

廣州秉迅 paid HK$260,000 in respect of the Group's net operating cash flows.

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7. DIVIDEND

During the current interim period, a final dividend of HK1.2 cents per ordinary share out of the share premium account of the Company in respect of the year ended 30 June 2018 (2017: nil) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK$12,926,000 (2017: nil).

No interim dividend was proposed for the six months ended 31 December 2018 and 2017.

8. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share from continuing and discontinued operations for the six months ended 31 December 2018 is based on the profit for the period attributable to owners of the Company of approximately HK$145,479,000 (2017: approximately HK$45,469,000) and the number of 1,077,128,000 (2017: 1,077,128,000) ordinary shares in issue.

The calculation of the basic earnings per share from continuing operations for the six months ended 31 December 2018 is based on the profit for the period attributable to owners of the Company from continuing operations of approximately HK$105,018,000 (2017: HK$46,271,000) and the number of 1,077,128,000 (2017: 1,077,128,000) shares in issue.

The calculation of the basic earnings per share from discontinued operations for the six months ended 31 December 2018 is based on the profit for the period attributable to owners of the Company from discontinued operations of approximately HK$40,461,000 (2017: loss of approximately HK$802,000) and the number of 1,077,128,000 (2017: 1,077,128,000) shares in issue. The basic earnings per share from the discontinued operations for the six months ended 31 December 2018 is HK$0.04 (2017: basic loss per share of HK0.07 cents).

Diluted earnings per share is not presented for the six months ended 31 December 2018 and 2017 as there is no potential ordinary shares outstanding during both periods or at the end of the reporting period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2018, the Group acquired property, plant and equipment of approximately HK$2,718,000 for the continuing operation (2017: approximately HK$2,248,000 for both continuing and discontinued operations). No property, plant and equipment was disposed of for the continuing operation during the six months ended 31 December 2018.

During the six months ended 31 December 2017, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK$98,000 for proceeds of approximately HK$150,000, resulting in a gain on disposal of approximately HK$52,000 from the discontinued operations.

10. TRADE AND OTHER RECEIVABLES

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

	31.12.2018 *HK$'000*	30.6.2018 *HK$'000*
0–30 days	34,403	21,968
31–60 days	3,162	65,997
61–90 days	202	1,708
91–180 days	690	–
Trade receivables	38,457	89,673

As at 31 December 2018, included in other receivables, approximately HK$615,191,000 (30 June 2018: approximately HK$345,959,000) was prepayments to suppliers and approximately HK$1,437,000 (30 June 2018: nil) was consideration receivable from the Purchaser of 廣州秉迅 (note 6(b)).

11. TRADE AND OTHER PAYABLES

The credit period 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 are as follows:

	31.12.2018 *HK$'000*	30.6.2018 *HK$'000*
0–30 days	35,918	16,919
31–60 days	2,012	–
91–180 days	14,014	1,674
Trade payables	51,944	18,593

As at 31 December 2018, included in other payables, approximately HK$25,308,000 (30 June 2018: HK$8,976,000) was due to a related company in which Ms. Lo Ching ("Ms. Lo") has significant influence. Ms. Lo is the ultimate controlling party of the Group and an executive director and the Chairman of the Board of Directors of the Company. Approximately HK$2,990,000 (30 June 2018: HK$2,995,000) 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.

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11. TRADE AND OTHER PAYABLES (Continued)

As at 30 June 2018, deposits received from the Disposal Transaction Purchaser amounting HK$100,000,000 was for the Disposal Transaction as set out in note 6(a). The balance was unsecured, interest-free and refundable and was utilised during the current interim period as part of the consideration of the Disposal Transaction.

12. 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*
As at 1 July 2017	566	–	(566)	–
(Credit) charge to profit or loss	(74)	–	74	–
Acquisition of a subsidiary *(note 15)*	–	20,699	–	20,699
Effect of change in tax rate *(note)*	–	(8,170)	–	(8,170)
Exchange realignment	–	(86)	–	(86)
As at 31 December 2017	492	12,443	(492)	12,443
(Credit) charge to profit or loss	(19)	(1,165)	19	(1,165)
Reclassified as held for sale *(note 6)*	(473)	–	473	–
Exchange realignment	–	25	–	25
As at 30 June 2018	**–**	**11,303**	**–**	**11,303**
Credit to profit or loss	**–**	**(891)**	**–**	**(891)**
Exchange realignment	**–**	**(22)**	**–**	**(22)**
As at 31 December 2018	**–**	**10,390**	**–**	**10,390**

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 had been adjusted to the new tax rate.

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 31 December 2018 of approximately HK$297,514,000 (30 June 2018: 189,715,000), 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.

13. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2017, 31 December 2017, 1 July 2018 and 31 December 2018	3,000,000,000	300,000
Issued and fully paid:		
At 1 July 2017, 31 December 2017, 1 July 2018 and 31 December 2018	1,077,128,000	107,712

14. SHARE-OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted and approved pursuant to a resolution passed on 17 December 2018 (the "Adoption Date") for the primary purpose of providing incentives and rewards to directors and eligible persons for their contribution to the growth of the Group, and will expire on 16 December 2028.

The subscription price in respect of the Scheme shall, subject to any adjustments in the event of any alteration in the capital structure of the Company, be a price determined by the board of directors of the Company and notified to each grantee but may not be less than the higher of:

(i) the average of the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited daily quotation sheets for the five business days immediately preceding the date of grant; and

(ii) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited daily quotation sheet on the date of grant, which must be a business day, provided that in the event of fractional prices, the subscription price shall be rounded upwards to the nearest whole cent.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not, in aggregate, exceed ten percent of the total number of the issued shares as at the Adoption Date.

During the current interim period, no share options has been granted under the Scheme since its adoption.

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15. ACQUISITION OF A SUBSIDIARY

For the period ended 31 December 2017

On 5 May 2017, an indirect wholly-owned subsidiary of the Company entered into an agreement to acquire POW! Entertainment, Inc. ("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.

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.

15. ACQUISITION OF A SUBSIDIARY (Continued)

For the period ended 31 December 2017 (Continued)

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.

Goodwill arose in 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 interim period ended 31 December 2017 from continuing operations was loss of approximately HK$5,349,000 attributable to POW! Entertainment. Revenue from continuing operations for the interim period ended 31 December 2017 included approximately HK$83,000 attributable to POW! Entertainment.

Had the acquisition of POW! Entertainment been effected at the beginning of the period ended 31 December 2017, the total amount of revenue of the Group from continuing operations for the period ended 31 December 2017 would have been approximately HK$1,131,141,000, and the amount of the profit for the period ended 31 December 2017 from continuing operations would have been approximately HK$37,777,000. The pro-forma information was for illustrative purposes only and was 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 period ended 31 December 2017, nor is it intended to be a projection of future results.

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16. RELATED PARTY DISCLOSURES

(a) Related party transactions

	Six months ended	
	31.12.2018	31.12.2017
	HK$'000	*HK$'000*
Theme events services income (included in revenue)	**4,058**	–
IP licensing fee income (included in revenue)	**1,588**	–
Marketing services income (included in revenue)	**274**	–
Rental income (included in other income)	**1,093**	1,098

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

During the period ended 31 December 2018, the repayment to a related company and the advance from a related company are set out in condensed consolidated statement of cash flows.

(b) Related party balances

Details of related party balances are disclosed in note 11.

(c) Compensation of key management personnel

The compensation of the Group's key management personnel for the six months ended 31 December 2018 is approximately HK$2,680,000 (2017: approximately HK$990,000).

17. EVENT AFTER THE REPORTING PERIOD

On 10 December 2018, the Group and an individual third party which is a fund management entity incorporated in the PRC (the "Investor") entered into three agreements for capital injection into three non-wholly owned PRC incorporated subsidiaries of the Company, which are engaged in the IP licensing and comprehensive services (the "Target Companies") (the "Capital Injection Agreements").

Pursuant to the Capital Injection Agreements, the Target Companies agreed to issue and the Investor agreed to purchase 5%, 10% and 15.33% of ordinary shares of the Target Companies (the "Investments"), respectively, at cash consideration of RMB18,000,000, RMB8,000,000 and RMB23,000,000, respectively.