ANNUAL REPORT

2018/19

NOVA Group Holdings Limited

諾發集團控股有限公司

(formerly known as Mega Expo Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1360)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Deng Zhonglin *(Chairman)*
Mr. Xu Feng *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Choi Hung Fai
Mr. Tsang Wing Ki
Dr. Wong Kong Tin, *JP*
Mr. Qiu Peiyuan (Appointed on 11 October 2018)

AUDIT COMMITTEE

Mr. Tsang Wing Ki *(Chairman)*
Mr. Choi Hung Fai
Dr. Wong Kong Tin, *JP*

REMUNERATION COMMITTEE

Dr. Wong Kong Tin, *JP (Chairman)*
Mr. Deng Zhonglin
Mr. Tsang Wing Ki

NOMINATION COMMITTEE

Mr. Deng Zhonglin *(Chairman)*
Mr. Choi Hung Fai
Dr. Wong Kong Tin, *JP*

COMPANY SECRETARY

Mr. Tung Tat Chiu Michael
(Appointed on 27 August 2018)
Mr. Lau Wing Chuen (Resigned on 27 August 2018)

AUTHORISED REPRESENTATIVES

Mr. Deng Zhonglin
Mr. Tung Tat Chiu Michael
(Appointed on 27 August 2018)
Mr. Lau Wing Chuen (Resigned on 27 August 2018)

AUDITORS

HLM CPA Limited
Certified Public Accountants

LEGAL ADVISER AS TO HONG KONG LAW

Tung & Co. Solicitors

REGISTERED OFFICE

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P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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One Pacific Place
88 Queensway
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
PO Box 1586
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1360

CORPORATE WEBSITE

http://www.novahldg.com

FINANCIAL HIGHLIGHTS

	Year ended 30 June 2019 HK$'000	Year ended 30 June 2018 HK$'000	Year ended 30 June 2017 HK$'000
Results			
Revenue			
Organisation of exhibitions, events planning and related services income	**34,274**	105,848	102,938
Brand management and related services income	**34,893**	26,075	–
Contracting services and entertainment equipment solution income	**198,486**	83,264	–
Promotion and consulting services income	**276,769**	37,741	–
Financing income	**31,698**	1,123	–
	576,120	254,051	102,938
Profit/(loss) for the year	**107,316**	90,705	(39,317)
Profit/(loss) for the year attributable to owners of the Company	**107,514**	90,706	(36,411)

	At 30 June 2019 HK$'000	At 30 June 2018 HK$'000	At 30 June 2017 HK$'000
Consolidated statement of financial position			
Total assets	**1,174,156**	643,051	170,326
Total liabilities	**(629,674)**	(253,183)	(28,296)
Net assets	**544,482**	389,868	142,030

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of NOVA Group Holdings Limited (formerly known as Mega Expo Holdings Limited) (the "**Company**"), I am pleased to present the report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2019 (the "**Reporting Year**" or "**2019**") to all shareholders and investors.

Given a challenging macro-economic environment including the US-China trade tensions, the sign of global slowdown and limited exhibition market potential in Hong Kong, the overall exhibition performance has been weakened. However, the Group has maintained a good business momentum throughout the whole Reporting Year. The Group's efforts to strengthen our marketing efforts and to expand the customer profile target and comprehensive entertainment solution services used in our key services, have put it in a strong position in relation to the macro-economic trends.

We continue to move closer to our vision of establishing a fully integrated cultural and entertainment services platform, enhancing the quality of the platform and expanding the scope of services to our platform members. Our progress is enabling us to better leverage our existing competitive strengths, take advantage of new business opportunities and advance our market leadership for innovation in the cultural and entertainment industry.

The Group will continuously look for attractive growth opportunities in the People's Republic of China (the "**PRC**") and elsewhere that will drive the financial returns for shareholders in the long term.

In terms of the financial performances, the Group's total revenue amounted to approximately HK$576.12 million, representing an increase of approximately 126.77% as compared to that of the year ended 30 June 2018 (the "**Previous Year**" or "**2018**"). Profit attributable to owners increased by 18.52% to HK$107.51 million and adjusted EBITDA increased by 206.44% to HK$339.63 million.

The Board proposed to declare a final dividend of HK5.0 cents per share in cash, approximately HK$73.15 million in aggregate for the Reporting Year, compared with a final dividend of HK1.0 cent per share in cash, approximately HK$14.54 million in aggregate for 2018.

In the future, the Group will continue to diversify our income stream and enhance our earning profile through exploring investment opportunities in the PRC, which help capitalise on any growth opportunities and thereon to enhance our shareholder's value.

The Group will continue from time to time to seek new exhibition business partners and investment opportunities to expand the exhibition business in the PRC that could enhance corporate development and strengthen the income base of the Group. The Group will also devote to provide more comprehensive music and performance solution services, stores style design, and construction solutions to our existing music theme stores customers. To further enhance the quality of services, the Group is planning to import artificial intelligence ("**AI**"), virtual reality technology ("**VR**") and 3D technology into the comprehensive services platform to cultural and entertainment stores customers in the near future. We also aim to step in the advertising field of cultural and entertainment industry, to provide advertising and promotion solution services to store members, which would enhance the income of store members, as well as the income source of the Group.

CHAIRMAN'S STATEMENT
(Continued)

In conclusion, the Group devotes to continue the increase of the number of entertainment store members, service types of platform and its frequency of services and thus to become a competitive comprehensive services platform.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all staff members for their dedication and contributions and to our shareholders and business partners for their support. We will continue with our endeavour to pursue growth of our business and create value for our shareholders.

Deng Zhonglin
Chairman

Hong Kong, 27 September 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

For the year ended 30 June 2019 (the "**Reporting Year**" or "**2019**"), NOVA Group Holdings Limited (formerly known as Mega Expo Holdings Limited) (the "**Company**") and its subsidiaries (collectively, the "**Group**") achieved better overall operation performance across key areas of business segments. During the Reporting Year, the Group achieved approximately HK$576.12 million in revenue, representing an increase of approximately 126.77% as compared with that of approximately HK$254.05 million in the year ended 30 June 2018 (the "**Previous Year**" or "**2018**"). Operating profit is the profit from operating activities which includes the net loss on financial assets at fair value through profit or loss and net loss on change in fair value of contingent consideration payables. Operating profit for the Reporting Year was approximately HK$218.50 million, representing an increase of approximately 92.71% as compared with that of approximately HK$113.38 million in the Previous Year as cultural and entertainment stores customers and members continued to respond enthusiastically to the array of comprehensive entertainment services and products offered by the Group.

The following table sets forth the performance of the Group for the Reporting Year with comparative figures for the Previous Year presented:

	For the year ended 30 June	
	2019	2018
	HK$'000	HK$'000
Revenue	**576,120**	254,051
Operating profit	**218,495**	113,377
Operating profit margin (%)	**37.93%**	44.63%
Profit for the year	**107,316**	90,705
Adjusted EBITDA	**339,634**	110,833

Revenue

The revenue has increased by approximately HK$322.07 million, or approximately 126.77%, from approximately HK$254.05 million for the Previous Year to approximately HK$576.12 million for the Reporting Year. The improvement was primarily due to the combined effect of: (i) the increased revenue in the promotion and consulting segment accounting for approximately HK$239.03 million (2018: approximately HK$37.74 million); and (ii) the increased revenue in the contracting services and entertainment equipment solution segment accounting for approximately HK$115.22 million driven by the strong growth in both sales volume of contracting services and entertainment equipment solution (2018: approximately HK$83.26 million).

Cost of Sales

The Group's cost of sales has increased by approximately HK$55.02 million, or approximately 39.93%, from approximately HK$137.79 million for the Previous Year to approximately HK$192.81 million for the Reporting Year. The increase was mainly due to an increase from the promotion cost and the entertainment equipment cost, which are in line with the growth of revenue during the Reporting Year.

Gross Profit and Gross Profit Margin

The Group's gross profit has increased by approximately HK$267.05 million, or approximately 229.70%, from approximately HK$116.26 million for the Previous Year to approximately HK$383.31 million for the Reporting Year. The Group's gross profit margin increased from approximately 45.76% for the Previous Year to approximately 66.53% for the Reporting Year. The increase was mainly due to the strong growth of revenue in the promotion and consulting segment, and the contracting services and entertainment equipment solution segment.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Selling Expenses

The Group's selling expenses increased by approximately HK$6.50 million from approximately HK$12.57 million for the Previous Year to approximately HK$19.07 million for the Reporting Year. Such increase was in line with the growth of revenue during the Reporting Year.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$70.09 million from approximately HK$40.21 million for the Previous Year to approximately HK$110.30 million for the Reporting Year. Such increase was primarily due to the equity-settled share-based payment expenses of approximately HK$57.40 million, as well as the expansion of the Group's administration departments, including the management, human resources and finance teams.

Operating Profit and Operating Profit Margin

As a result of the foregoing, the Group's operating profit has increased by approximately HK$105.12 million, or approximately 92.71%, from approximately HK$113.38 million for the Previous Year to approximately HK$218.50 million for the Reporting Year. The Group's operating profit margin has decreased from approximately 44.63% for the Previous Year to approximately 37.93% for the Reporting Year. Such decrease was mainly due to the increase in loss on change in fair value of contingent consideration payables and equity-settled share-based payment.

Loss on Change in Fair Value of Contingent Consideration Payables

The Group's loss on change in fair value of contingent consideration payables has increased significantly to approximately HK$23.26 million or approximately 153.56% for the Reporting Year (2018: gain of approximately HK$43.43 million), primarily due to the significant change in fair value of contingent consideration payables as a result of HK$168 million to be settled by convertible notes ("**CN**") in the major acquisition of Cheer Sino Investment Holdings Limited and its subsidiaries (the "**Cheer Sino Group**"). Details of such acquisition were set out in the announcement of the Company dated 8 March 2018. The losses arising on fair value changes in contingent consideration payable were unrealised losses and have no impact on the cash flow of the Group.

Profit Attributable to Owners of the Company

The Group's profit attributable to the owners of the Company increased by approximately HK$16.80 million, or approximately 18.52%, from the profit of approximately HK$90.71 million for the Previous Year to approximately HK$107.51 million for the Reporting Year, which was due to the combined effect of: (i) the increased revenue in the contracting services and entertainment equipment solution segment; (ii) the increased revenue in the promotion and consulting services segment; and (iii) the increased revenue in the interest income from finance leasing business.

Non-HKFRS Measure

To supplement the result in this report which is presented in accordance with HKFRS, adjusted EBITDA, adjusted net profit and adjusted net asset value ("**Adjusted NAV**") are used as additional financial measures. The Group also believes that these non-HKFRS measures provide useful information to investors and others to understand and evaluate the Group's consolidated results for the purpose of comparing financial results across accounting periods and to those of our peer companies.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

The following table sets forth the Group's non-HKFRS financial data for the years presented:

	For the year ended 30 June	
	2019	2018
	HK$'000	HK$'000
Profit for the year	**107,316**	90,705
Finance costs	**22,665**	237
Taxation	**88,514**	22,435
Depreciation	**3,157**	3,325
Amortisation	**7,314**	7,388
EBITDA	**228,966**	124,090
Loss on financial assets at fair value through profit or loss	**30,009**	23,974
Loss/(gain) on change in fair value of contingent consideration payables	**23,255**	(43,433)
Equity-settled share-based payment expenses	**57,404**	6,202
Adjusted EBITDA	**339,634**	110,833

Adjusted EBITDA represents net income before interest, income taxes, depreciation and amortisation, equity-settled share-based payment expenses, impact on financial assets at fair value through profit or loss and change in fair value of contingent consideration payables.

The Group's adjusted EBITDA has increased by approximately HK$228.80 million, or approximately 206.44% from approximately HK$110.83 million for the Previous Year to approximately HK$339.63 million for the Reporting Year.

Adjusted Net Profit

Adjusted net profit represents net profit after tax excluded loss on financial assets at fair value through profit or loss, equity-settled share-based payment expenses and loss/gain on change in fair value of contingent consideration payables. The following table sets forth the Group's non-HKFRS financial data for the Reporting Year presented:

	For the year ended 30 June	
	2019	2018
	HK$'000	HK$'000
Profit for the year	**107,316**	90,705
Equity-settled share-based payment expenses	**57,404**	6,202
Loss on financial assets at fair value through profit or loss	**30,009**	23,974
Loss/(gain) on change in fair value of contingent consideration payables	**23,255**	(43,433)
	217,984	77,448

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Adjusted NAV

Adjusted NAV represents net asset value excluded the impact of loss/gain on change in fair value of contingent consideration payables. The following table sets forth the Group's non-HKFRS financial data for the Reporting Year presented:

	As at 30 June	
	2019	2018
	HK$'000	HK$'000
Net assets	**544,482**	389,868
Loss/(gain) on change in fair value of contingent consideration payables	**23,255**	(43,433)
	567,737	346,435

The Group's adjusted NAV has increased by approximately HK$221.30 million, or approximately 63.88% from approximately HK$346.44 million for the Previous Year to approximately HK$567.74 million for the Reporting Year.

BUSINESS SEGMENT REVIEW

Exhibition and Exhibition Related Services

Operation of exhibition business, events planning and related services

Facing the challenges including the increased competition, increased costs and limited market potential in Hong Kong, the Group will be prudent in managing exhibition business operations and evaluating business developing opportunities in Hong Kong. The Group considers to scale down the operations in Hong Kong, while exploring business opportunities outside Hong Kong at the same time to diversify the revenue sources and strengthen the competitive advantages so that the Group can minimise possible exposure to the uncertainties in the Hong Kong market.

The Group considers the prospects of the People's Republic of China (the "**PRC**" or "**China**") exhibition market is promising. To further expand the Group's income source and taking advantage of the favourable market environment in the PRC, the Group has acquired 51% equity interest of an exhibition and exhibition related company in the PRC during the Reporting Year, which has launched an "unmanned self-services stores exhibition", named the 3rd edition of Unattended Retail Exhibition ("**URE**") and the 1st edition of Important Product Tracing Expo from 21 August 2019 to 23 August 2019 in Shanghai Hongqiao National Exhibition Centre. There were more than 280 exhibitors participated in the above mentioned exhibitions, which are expected to contribute a turnover of more than RMB10 million to the Group in the next financial year. On the other hand, the Group has delivered a major technology exhibition in Shanghai Hongqiao Trade Centre, namely Japanese Technology and Culture Exhibition from 5 November 2018 to 31 March 2019.

During the Reporting Year, we delivered services in more than 66 exhibition events to our customers in the PRC. The major events we organised like the product launch events, sales promotion events, music awards ceremony and art exhibitions were successful and received general recognition from the market. Looking ahead, the Group will continue to develop its project management team, sharpen its expertise as an event service provider and build its reputation within the industry.

During the Reporting Year, the revenue in the exhibition business, events planning and related services segment accounted for approximately 5.95% (2018: approximately 41.66%) of the Group's total revenue. The profit in this segment was approximately HK$15.74 million (2018: approximately HK$40.98 million).

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Looking ahead, the Group will continue to seek new business opportunities and investment in the PRC, as well as further development of newly acquired exhibition services company in the PRC.

Cultural and Entertainment Comprehensive Services Platform

Operation of contracting services and entertainment equipment solution

The Group also successfully provided equipment advisory on the spectacle of light art, specialised sound and music, interactive light and sound art installation projects for the players in the cultural and entertainment industries and satisfactory performance was recorded during the Reporting Year.

Perfect stage effect is crucial, which the software materials and its services are needed to achieve a good stage and visual effects, and accordingly, the Group has delivered numerous customised contracting and supply of equipment services for more than 36 customers. During the Reporting Year, the revenue accounted for approximately HK$198.49 million (2018: approximately HK$83.26 million) or approximately 34.45% (2018: approximately 32.77%) of the Group's total revenue. The profit in this segment was approximately HK$60.38 million (2018: approximately HK$16.91 million).

Operation of brand management and related services

During the Reporting Year, the revenue in brand management and related services segment has increased by approximately HK$8.81 million, or approximately 33.78% from approximately HK$26.08 million for the Previous Year to approximately HK$34.89 million for the Reporting Year, as a result of our significantly increased number of licensees to 48 stores from 21 stores for the Previous Year.

The increase in the number of licensees with our bar brand are set out as follows:

	As at 30 June	
	2019	2018
PHEBE	**20 Stores**	16 Stores
Club MT MULTI TRACK	**13 Stores**	4 Stores
DrOscar	**13 Stores**	–
U.CLUB	**2 Stores**	1 Store
Total	**48 Stores**	21 Stores

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Operation of promotion and consulting services

During the Reporting Year, the Group has achieved remarkable results from the promotion and consulting services segment and our expansion in the PRC recorded a promising growth. During the Reporting Year, the revenue in the promotion and consulting services segment accounted for approximately HK$276.77 million (2018: approximately HK$37.74 million) or approximately 48.04% (2018: approximately 14.86%) of the Group's total revenue. The profit in this segment was approximately HK$229.26 million (2018: approximately HK$21.38 million).

During the Reporting Year, the Group has completed the planning and execution of more than 100 notable alcoholic promotion events in the PRC for the two top multinational alcoholic beverages suppliers. In addition, the Group successfully delivered the promotion service for a leading mobile charging equipment producer in the PRC. The revenue of promotion services was approximately HK$76.13 million (2018: approximately HK$18.21 million).

In view of numerous notable promotion events operated and the persistent high-quality services delivered by the Group, many bars, clubs, pubs, restaurants and lounges basic members were successfully attracted to convert to high tier diamond members. During the Reporting Year, the Group's total high tier diamond members has increased to 77 members (2018: 66).

Apart from the above, with the synergic advantages of 諾笛聯盟平台(tranliterated as the "**NOD Union Platform**" or the "**NOD Union**"), the Group has achieved remarkable results in the service of systematic business solution, entertainment advisory, event planning and other ad hoc consultancy for more than 100 of clubs, lounges, bars, restaurants and pubs during the Reporting Year, the revenue was approximately HK$152.22 million (2018: approximately HK$6.10 million).

The increase in the number of stores with different business solution services are set out as follows:

	As at 30 June	
	2019	2018
Cultural and entertainment stores	**125 Stores**	37 Stores
Total	**125 Stores**	37 Stores

Financing

Apart from the core money lending business, to further expand our financing services to our customers and enhance the Group's income source, between July and November 2018, the Group has acquired a finance leasing services company and a credit factoring company respectively that conducting leasing and credit factoring business in the PRC. These acquisitions were the strategic step of the Group to introduce a new financing services to our existing customers, especially those customers in investment and renovation of new entertainment stores. The Group believes the finance leasing business and credit factoring business, are in collaboration with the contracting services and entertainment equipment advisory and solution services we deliver, and will help to build a comprehensive services platform to our customers from bars, restaurants, pubs and clubs.

Money Lending

The revenue in money lending has increased by approximately HK$3.09 million or approximately 275.89%, from approximately HK$1.12 million for the Previous Year to approximately HK$4.21 million for the Reporting Year, as a result of 3 loans lent out to independent third parties with the period ranged from 3 months to 7 months.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Finance Leasing

The revenue in finance lease has increased by approximately HK$14.27 million from nil for the Previous Year to approximately HK$14.27 million for the Reporting Year, as a result of a significantly increase in the number of equipment lessees to 57 stores from nil for the Previous Year.

The increase in the number of lessees from various cities in the PRC, including Shanghai, Beijing, Hefei, Yixing, Kunshan, Hangzhou, Nanjing and Suzhou etc. are set out as follows:

	As at 30 June	
	2019	2018
Number of lessees	**57**	–

Credit Factoring

Our credit factoring business is a finance service which allows customers to free up cash tied up in unpaid invoices. The finance period given to customers ranges from 6 months to 12 months and the finance service allows business owners to release up to 80% invoice value at an annual interest rate of 15% and above.

The revenue in credit factoring business has increased by approximately HK$13.22 million from nil for the Previous Year to approximately HK$13.22 million for the Reporting Year, as a result of the increase of 8 new credit factoring customers during the Reporting Year.

The increase in the number of credit factoring customers with the factoring loan amount from various business sectors are set out as follows:

	For the year ended 30 June			
	Number of customers		**Loan Granted**	
	2019	2018	**2019**	2018
			HK$'000	*HK$'000*
Wine & liquor trading company	**1**	–	**270,760**	–
Artist agency company	**1**	–	**35,507**	–
Construction and renovation company	**5**	–	**86,536**	–
Grocery company	**1**	–	**10,752**	–
Total	**8**	–	**403,555**	–

During the Reporting Year, the Group has secured several major credit factoring contracts and granted factoring loans of approximately HK$270.76 million in aggregate to a PRC leading wine & liquor trading customer, such factoring loans represented approximately 67.09% of the Group's total loan amount granted. The customer is one of the leading and sizable wine & liquor trading company with high volume of customers that covering more than 100 cities in China. As at 30 June 2019, these loans to customer generated interest income of approximately HK$8.19 million and management fee income of approximately HK$1.91 million, representing approximately 31.85% of the Group's total financing income.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

ECONOMIC OUTLOOK

The global economic growth has lost some steam since mid-2018, and has been decelerating in 2019 as envisaged. The expected moderation in growth momentum in many of Hong Kong's key trading partners would dampen Hong Kong's exports. Moreover, if the US-China trade tensions are to drag on or deteriorate, the impacts on Hong Kong's external trade would become even more significant. On the political front, recent large-scale protests against a proposed bill allowing extradition to China morphed into a broader pro-democracy uprising, the uncertainty and unrest are poised to hurt the overall business and consumer sentiment.

Hong Kong Market

In the first and second quarters of 2019, Hong Kong's economic growth has slowed down to just 0.6% as compared to the seven-year high of 4.61% in the first quarter of 2018. On the flip side, a tight labor market and likely interest rate cuts from the Federal Reserve should support domestic demand, but the downshifts in retail sales and trade growth signal that the economic environment will remain challenging. Overall, Hong Kong's growth outlook remains subdued amid the ongoing trade tensions between China and the US, and the growing social unrest.

The PRC Market

The PRC's economy advanced 6.4% year-on-year in the March quarter of 2019, the same pace as in the previous quarter but slightly above market expectations of a 6.3% expansion. Industrial output growth accelerated markedly and consumer demand strengthened amid the government's pro-growth policies, which helped stabilize the sentiments rattled by the trade dispute with the US.

BUSINESS PROSPECTS OF THE GROUP

Exhibition and Exhibition Related Services

Facing the challenges ahead including increased competition, increased costs, growing social unrest and limited exhibition market potential in Hong Kong, the overall exhibition performance is weakened during the Reporting Year. Looking ahead, the Group will continue from time to time to seek new exhibition business partners and investment opportunities to expand the exhibition business in the PRC that could enhance corporate development and strengthen the income base of the Group.

In the future, the Group will continue to diversify our income stream and enhance our earning profile through exploring investment opportunities in the PRC, which help capitalise on any growth opportunities and thereon to enhance our shareholder's value.

Cultural and Entertainment Comprehensive Services Platform

With the synergic advantages and customer base of the NOD Union following the Group's completion of the acquisition of Cheer Sino Group in 2018, the Group is able to extend its business operations through the comprehensive services platform, which can be divided into three main categories of "Entertainment Operations Management Solutions and Consulting Services", "Comprehensive Entertainment Supply Chain Services" and "Product Promotion and Marketing Planning Services".

To date, the Group's comprehensive services platform provided the following services:

1. **Brand management and related services** – providing bar brand management and related services under the name of "PHEBE", "MT", "U.CLUB" and "DrOscar";

2. **Promotion and consulting services** – providing systematic entertainment solution and advisory services, such as entertainment management consulting, event planning, construction and preparation consulting and other ad hoc consultancy services;

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

3. **Contracting services and entertainment equipment solution** – providing and supplying of customized and thematic entertainment equipment and software materials integration services to customers, which are able to achieve good stage and visual effect, such as thematic equipment of bar lighting, audio and audio system and stage machinery etc.;

4. **Financing** – providing finance lease and credit factoring services to entertainment stores and members;

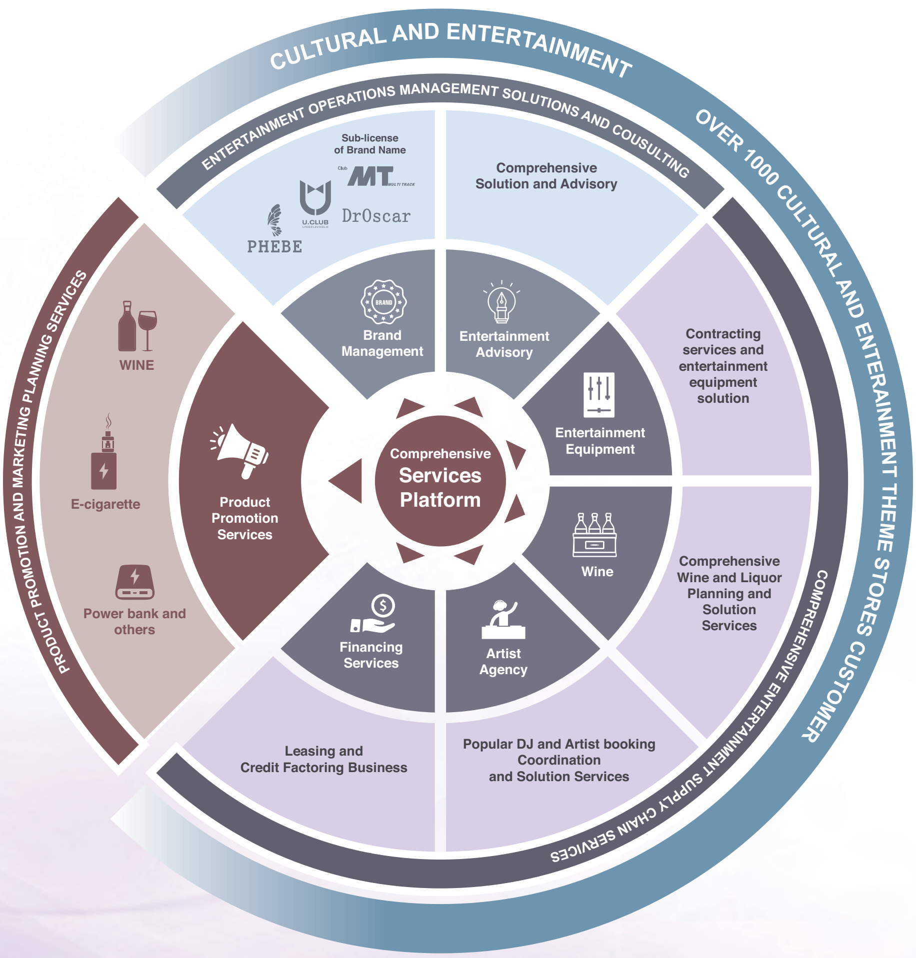
5. **Wine & liquor brand planning and solution services** – supplying of wine and liquor, providing comprehensive wine and liquor brand planning services to entertainment stores and members;

6. **Artist agency** – providing booking coordination services of international popular disc jockey and artist agency service to bars, club and lounges;

7. **Products promotion services** – including wine, liquor, e-cigarettes, power bank and other product promoting services for suppliers.

The Group has embarked comprehensive wine & liquor brand planning and solution services, booking coordination of artist agency services to entertainment stores and members during the Reporting Year. Overall, these services took a good start in the Reporting Year, we are not only to build a sustainable relationship with our customers but also to bring about the synergy from these services to supplement the growth of our comprehensive services platform.

The diagram below sets forth our entertainment comprehensive services platform structure that consists of several business segments:



MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

The Group believes that such comprehensive services platform has afforded us synergic, effective and greater satisfaction from our customers. The Group will continue to review the business operation from time to time and adjust accordingly to meet the Group's current and future business strategy.

FUTURE PLANS AND PROSPECTS

Increasingly, more cultural and entertainment store customers are relying on network information on new products and services, and it is vital to expand our presence to develop and upgrade our network software in the comprehensive services platform, which is included but not limited to an one-stop entertainment software as a service application (transliterated as "**SAAS**"), namely 大智若娛 (transliterated as "**Great Wisdom Entertainment online system services**"). The network software services enable store customers to obtain the products and services information and details from the network services system, which can also decrease their cost of inventory management and boost their brand awareness.

The Group devoted to build a more complete industry and intends to provide music and performance solution services, stores style design, and construction solutions to our existing music theme stores customers. To further enhance the quality of services, the Group is planning to import artificial intelligence ("**AI**"), virtual reality technology ("**VR**") and 3D technology into the comprehensive services platform to cultural and entertainment stores customers in the near future.

We also aim to step in the advertising field of cultural and entertainment industry, to provide advertising and promotion solution services to store members, which would enhance the income of store members, as well the income source of the Group. In conclusion, the Group devotes to continue the increase of the number of entertainment store members, service types of platform and its frequency of services and thus to become a competitive comprehensive services platform.

SIGNIFICANT INVESTMENTS

A net loss of approximately HK$30.01 million (2018: net loss of approximately HK$23.97 million) was recognised for the Group's financial assets at fair value through profit or loss during the Reporting Year. Such net loss comprised of (i) the loss on fair value change of profit guarantee of approximately HK$15.62 million (2018: approximately HK$24.76 million) and (ii) the loss on fair value change of early redemption right of approximately HK$14.39 million (2018: Nil). Details can be referred to Note 9 of this report.

On 5 July 2018, an indirect wholly-owned subsidiary of the Company completed the acquisition of 100% equity interest in CIS Industrial Co., Limited and its subsidiary (collectively referred to as the "**CIS Industrial Group**") at a consideration of HK$0.33 million, which was satisfied by cash. CIS Industrial Group is conducting finance leasing business in the PRC.

On 5 November 2018, a direct wholly-owned subsidiary of the Company completed the acquisition of 100% equity interest in Hananhal Investment Holding Co., Ltd and its subsidiary (collectively referred to as the "**Hananhal Group**") at a consideration of HK$0.10 million, which was satisfied by cash. Hananhal Group is conducting credit factoring business in the PRC.

On 30 November 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement to acquire 51% equity interest in 上海米伽合貿展覽有限公司 (transliterated as Shanghai Mijia Hemao Expo Co., Ltd. or "**Shanghai Mijia**") (formerly known as 上海伽貿展覽有限公司, transliterated as Shanghai Jiamao Expo Co., Ltd.) (the "**Shanghai Mijia Acquisition**"), at a consideration of approximately RMB45.65 million equivalent to approximately HK$51.43 million. The vendors are individuals and independent third parties not connected with the Company and its connected persons as at the date of entering into the sale and purchase agreement. The Shanghai Mijia Acquisition was completed on 26 February 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Pursuant to the terms of the sale and purchase agreement in relation to the acquisition of Shanghai Mijia, the vendors agreed to sell 51% equity interest of Shanghai Mijia at a consideration of RMB45.65 million equivalent to approximately HK$51.43 million in cash, of which RMB34.24 million equivalent to approximately HK$38.57 million was settled upon the fulfilment of all condition precedents in the sales and purchase agreement, and the remaining RMB11.41 million equivalent to approximately HK$12.86 million will be settled upon the fulfilment of a profit guarantee. The vendors undertook that the net profit of Shanghai Mijia in the audited financial statements for each of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 shall not be less than RMB9.29 million, RMB11.91 million and RMB13.16 million respectively. If there is a shortfall on the profit of Shanghai Mijia in each of the above periods, there will be a cash compensation or deduction of consideration of the shortfall from the vendors to the Group.

The fair value of the above profit guarantee was based on a valuation conducted by an independent firm of professional valuer after assessing the possibility of meeting the guarantee profit and certain assumptions of market conditions. Shall the chance become higher on meeting the above profit guarantee, the possibility of requiring the vendors to compensate and thus the fair value of the profit guarantee becomes lower. During the Reporting Year, the Group recognised a loss on fair value change of the profit guarantee of approximately HK$15.62 million (2018: approximately HK$24.76 million).

	As at 30 June	
	2019	2018
	HK$'000	HK$'000
Financial assets at fair value through profit or loss		
– Guaranteed profit	**10,634**	16,785
– Unlisted investment fund	**30,000**	–
– Early redemption right from corporate bonds	**16,230**	–
	56,864	16,785

Financial assets at fair value through profit or loss in terms of market value as at 30 June 2019

An exhaustive list of stocks in terms of market value as at 30 June 2019

Name of unlisted investment	**Brief description of the business**	**Number of units held as at 30 June 2019**	**Investment cost as at 30 June 2019** HK$'000	**Market value as at 30 June 2019** HK$'000	**Percentage to total assets value of the Group as at 30 June 2019**
Lan Kwai Fong Fund SP	Class A Shares and Class B Shares participating in Lan Kwai Fong Fund SP registered with the United States Internal Revenue Service. It uses rational leverage through structured instruments and invests in fixed-income varieties safe high-yield fund	–	30,000	30,000	2.56%

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in the section headed "Significant Investments" above and in the Note 34 to the consolidated financial statements of the Group, there were no other material acquisitions or disposals of subsidiaries or associates of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

As at 30 June 2019, the Group's total current assets and current liabilities, were approximately HK$797.25 million (30 June 2018: approximately HK$302.91 million) and approximately HK$185.03 million (30 June 2018: approximately HK$114.15 million) respectively, while the current ratio was about 4.31 times (30 June 2018: about 2.65 times).

As at 30 June 2019, the Group maintained cash and cash equivalents of approximately HK$212.95 million (30 June 2018: approximately HK$171.18 million). The cash and cash equivalents of the Group as at 30 June 2019 was mainly denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**").

As at 30 June 2019 and 30 June 2018, the Group did not pledge any of its assets and had no material contingent liabilities. The Group did not have any charges on its assets as at 30 June 2019 and 30 June 2018.

Capital Commitments

As at 30 June 2019, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of approximately HK$21.16 million (30 June 2018: Nil).

Capital Structure

As at 30 June 2019, the total equity of the Group was approximately HK$544.48 million (2018: approximately HK$389.87 million). The increase was mainly attributable to the combined effect of (i) the increase in share capital and share premium of approximately HK$0.02 million and approximately HK$15.32 million, respectively from the exercise of the conversion rights attached to the third convertible bonds with principal amount of approximately HK$8.00 million in relation to the acquisition of the entire share capital of Fortune Selection Limited and its subsidiaries (the "**Fortune Selection Group**") on 7 April 2017; and (ii) the profit for the year ended 30 June 2019 of approximately HK$107.32 million.

As at 30 June 2019, the Company's issued share capital was approximately HK$2.93 million (2018: approximately HK$2.91 million) with 1,462,900,000 (2018: 1,454,200,000) ordinary shares of HK$0.002 each in issue. The increase in the issued number of shares was primarily due to the issuance of 8,700,000 ordinary shares for the exercise of the conversion rights attached to the third convertible bonds with the principal amount of approximately HK$8.00 million in relation to the acquisition of the entire share capital of Fortune Selection Group on 7 April 2017.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Borrowings

In the foreseeable future, the Group expects to fund its capital expenditures, working capital and other capital requirements from the internal resources and other financing means which the Company may from time to time consider appropriate. As at 30 June 2019, the Group's borrowing, being the amount of the borrowing was approximately HK$324.53 million (30 June 2018: approximately HK$2.59 million).

	As at 30 June	
	2019	2018
	HK$'000	HK$'000
Borrowings		
Over 2 years and within 5 years	**324,525**	2,594
Total	**324,525**	2,594

The Group manages its capital to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through maintaining the equity and debt in a balanced position. As at 30 June 2019, the borrowing of HK$324.53 million were unsecured and fixed interest rate bearing debt securities.

The gearing ratio is the ratio of total debt divided by total assets. As at 30 June 2019, the gearing ratio was 29.63% (30 June 2018: 0.40%).

SUBSEQUENT EVENTS

On 18 July 2019, an indirect wholly-owned subsidiary of the Company has entered into a one-year electronic cigarette ("**E-cigarette**") promotion services and consignment sales agreement with several independent third-party suppliers respectively with the total contract amount of RMB50 million. Pursuant to which, the responsibilities of the Company include provision of the E-cigarette sales channels at the designated entertainment stores (except for Hong Kong, Macau and Taiwan) to suppliers; arrangement of E-cigarette events at designated entertainment stores; provision of E-cigarette consignment services; and promotion and coordination services of E-cigarette. The suppliers shall ensure the quality of E-cigarette products are strictly abided by Product Quality Law of the PRC and the E-cigarette product will not infringe any legal rights of any third party, including trademarks, patents, etc.

The Company believes that the E-cigarette promotion services could enhance the Group's income source and improve its financial performance.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group will continue to explore investment opportunities in the PRC to enhance its income source, which may or may not include any assets and/or business acquisitions or disposals by the Group. Any such plans will be subject to the review and approval by the board of directors of the Company and compliance with the applicable requirements under the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") where appropriate. The Group may also implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable investment opportunities arise.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, there were no other equity fund raising activities of the Company during the last 12 months prior to the date of this report:

Date of announcements	Fund raising activity	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
11 June 2018, 6 August 2018	Placing of bonds	HK$4.5 million	(i) Development of existing exhibition and related business, brand management, financing business, entertainment promotion and consultancy business; (ii) Investment activities when such suitable investment opportunities arise; and (iii) General working capital of the Group	Used as Intended
16 October 2018, 5 November 2018, 8 November 2018	Placing of bonds	HK$294.0 million	(i) Development of existing equipment contracting services, entertainment equipment solution services, finance lease and commercial factoring business; and (ii) Investment activities when such suitable investment opportunities arise, with any remaining balance to be used as general working capital of the Group	Used as Intended

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group manages or operates its business in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("**US$**") and RMB. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group and has not employed any financial instruments for hedging purpose.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group had a total of 184 full-time employees in Hong Kong and the PRC (2018: 75 full-time employees). The remuneration payable to its employees included salaries, discretionary bonus and commissions. Remuneration packages were generally structured according to market situations and individual performance. Apart from the mandatory provident fund and statutory retirement benefits, the Group also provided medical benefits and trainings to its employees. The Company has also adopted a share option scheme as incentive to eligible employees.

Furthermore, the remuneration committee of the Board will review and give recommendations to the Board as to the compensation package of the Directors and senior management of the Group with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Group.

CORPORATE GOVERNANCE REPORT

The board (the "**Board**") of directors (the "**Director(s)**") of NOVA Group Holdings Limited (formerly known as Mega Expo Holdings Limited) (the "**Company**") (together with its subsidiaries, the "**Group**") is pleased to present the corporate governance report for the year ended 30 June 2019 (the "**Reporting Year**"). This report describes how the Group has applied its corporate governance practices to its daily activities.

CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and adopted all code provisions, where applicable, as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG code. During the Reporting Year, the Company has applied the principles and complied with all applicable code provisions as set out in the CG Code except for the following deviation:

- Under code provision A.7.1, an agenda and accompanying board papers should be sent, in full, to the Directors at least three days before the intended date of a Board or Board committee meeting. For practical reasons, an agenda and accompanying board papers may not be sent in full three days in advance of the meeting concerned, especially in case of meetings held on an ad hoc basis. The Company will endeavour to send the agenda and accompanying board papers in full to the Board and Board committees three days in advance to the extent practicable.

Except for the above deviation from the CG Code, the Board is of the view that the Company has complied with the CG Code for the Reporting Year. The Company reviews its corporate governance practices regularly to ensure compliance with the CG code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. In response to the specific enquiry made by the Company, each of the Directors confirmed that he had complied with the Model Code during the Reporting Year.

CONSTITUTIONAL DOCUMENTS

Subsequent to the adoption of the memorandum and articles of association of the Company (the "**M&A**") upon listing of the shares of the Company on the Stock Exchange pursuant to the shareholders resolution of the Company passed on 18 October 2013, no amendment to the M&A has been made.

BOARD OF DIRECTORS

Board Composition

As at 30 June 2019, the Board comprised two executive Directors and four independent non-executive Directors. The composition of the Board and its changes during the Reporting Year and up to date of this annual report are as follows:

Executive Directors

Mr. Deng Zhonglin *(Chairman)*
Mr. Xu Feng *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Choi Hung Fai
Mr. Tsang Wing Ki
Dr. Wong Kong Tin, *JP*
Mr. Qiu Peiyuan (Appointed on 11 October 2018)

CORPORATE GOVERNANCE REPORT
(Continued)

The biographical details, relationships among them and the terms of appointment of the Directors (including the independent non-executive Directors) as at 30 June 2019 are set out in the section headed "Biographical Details of Directors" of this annual report.

The Board believes that it has a balanced composition of executive Directors and independent non-executive Directors and there is a strong independent element in the Board, which can effectively exercise independent judgment. As at 30 June 2019, the Company had four independent non-executive Directors who provide the Group with adequate check and balance. Each of them is considered to be independent and has complied with the provisions set out in Rule 3.13 of the Listing Rules. Their functions are not limited to a restricted scope and they have contributed to the Group with diversified industry expertise, and advised on the Group's management and proceedings.

One of the independent non-executive Directors, namely Mr. Tsang Wing Ki, has appropriate professional accounting qualifications and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Responsibilities of the Board and Delegation

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies, the approval of business plans and the evaluation of their performance, the oversight and review of the management and corporate governance function. It is also responsible for promoting the success of the Group's businesses by directing and supervising the Group's affairs. The Board delegates day-to-day operations of the Group to executive Directors and senior management of the Group while reserving certain key matters for its approval. The Board committees for specific functions are also set up to ensure efficient Board operations. The respective functions and responsibilities reserved to the Board and those delegated to Board committees have been clearly set out in their respective terms of reference. Decisions of the Board are communicated to the management through executive Directors who have attended the Board meetings.

Corporate Governance Functions and Duties

The Board is responsible for performing the corporate governance functions with the following duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations on any changes and updating;

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

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

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

(e) to review the Company's compliance with the CG Code and disclosure in this report.

During the Reporting Year, the corporate governance duties performed by the Board were summarised as follows:

(a) reviewed the Company's corporate governance policies and practices;

(b) reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

(c) reviewed the Company's compliance with the CG Code and disclosure in this report;

(d) reviewed the training and continuous professional development of the Directors and senior management of the Company; and

(e) reviewed the code of conduct and compliance manual applicable to employees of the Company and the Directors.

CORPORATE GOVERNANCE REPORT
(Continued)

Chairman and Chief Executive Officer

The roles of the chairman (the "**Chairman**") and the chief executive officer (the "**CEO**") of the Company are separate and are exercised by different individuals. Mr. Deng Zhonglin, an executive Director and the Chairman is responsible for the leadership of the Board to ensure that it works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner.

Mr. Xu Feng, the CEO, heads the management for implementing the strategies and policies adopted by the Board and focuses on the day-to-day operations of the Group.

Appointments, Re-election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years. After the expiry of the current term, the executive Directors may continue to be appointed by the Company subject to terms and conditions to be agreed thereafter. All non-executive Directors have been appointed for an initial term of one year, renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term appointment. All remuneration paid to executive Directors are covered by respective service contracts and all remuneration paid to non-executive Directors are covered by respective letters of appointment.

Pursuant to the M&A, any Director newly appointed by the Board shall hold office until the following general meeting of the Company and shall then be eligible for re-election. Also, pursuant to the M&A, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including the non-executive Director and independent non-executive Directors) shall be subject to retirement by rotation at least once every three years.

Every newly appointed Director will be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

Board Meetings

During the Reporting Year, the Board met regularly to review the financial and operating performance of the Company and to discuss future strategy. The Directors may participate either in person or through electronic means of communications.

For the Reporting Year, the Company has adopted the practice of holding Board meetings regularly for at least four times a year in approximately quarterly intervals. At the Board meetings, the Board reviewed significant matters including the Company's annual consolidated financial statements and interim consolidated financial information, proposals for dividends (if any), annual and interim reports, approved material capital expenditure and other corporate actions of the Group.

In order to ensure that the Board procedures, and all applicable rules and regulations are followed, all Directors are able to access the company secretary of the Company (the "**Company Secretary**") for advice from time to time. Moreover, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances at the Company's expense. All Directors were given an opportunity to include matters in the agenda of meetings for discussion.

CORPORATE GOVERNANCE REPORT
(Continued)

To ensure a competent Board operation, all Directors gave sufficient time and attention to the affairs of the Group. During the Reporting Year, 6 Board meetings (excluding delegated committees' meetings) were held and the attendance records of each Director is set out as follows:

Name of Director	Number of attendance Board meetings Attendance/ Held	General meetings Attendance/ Held
Executive Directors		
Mr. Deng Zhonglin *(Chairman)*	6/6	2/2
Mr. Xu Feng *(Chief Executive Officer)*	5/6	2/2
Independent Non-executive Directors		
Mr. Choi Hung Fai	4/6	2/2
Mr. Tsang Wing Ki	6/6	2/2
Dr. Wong Kong Tin, *JP*	6/6	2/2
Mr. Qiu Peiyuan (Appointed on 11 October 2018)	1/3	1/2

The minutes of Board meetings and meetings of Board committees are kept by the Company Secretary or other duly authorised person. All minutes are open for inspection by any Director on reasonable notice. Such minutes are recorded in sufficient detail of the matters considered and decisions reached. The drafts and final versions of the minutes of Board meetings are sent to all Directors for their comments and records.

Directors' Induction and Continuous Professional Development

Each newly appointed Director will receive induction on the first occasion of his/her appointment to ensure a proper understanding of the Company's operations and business and awareness of the Director's responsibilities.

The details of the continuous professional development participated by the Directors during the Reporting Year are as follow:

Name of Director	Reading materials	Attending courses, seminars or conferences
Executive Directors		
Mr. Deng Zhonglin *(Chairman)*	✓	✓
Mr. Xu Feng *(Chief Executive Officer)*	✓	✓
Independent Non-executive Directors		
Mr. Choi Hung Fai	✓	✓
Mr. Tsang Wing Ki	✓	✓
Dr. Wong Kong Tin, *JP*	✓	✓
Mr. Qiu Peiyuan (Appointed on 11 October 2018)	✓	✓

CORPORATE GOVERNANCE REPORT
(Continued)

To ensure their contributions to the Board remain informed and relevant, all the Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the Reporting Year, all the Directors were provided with regular updates and presentations on the changes and developments of the Group's business and the latest developments in laws, rules and regulations relating to director's duties and responsibilities.

Board Diversity Policy

The Board has adopted a board diversity policy on 18 October 2013 and discussed all measurable objectives set for implementing the policy.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and a diversity of perspectives appropriate to the requirements of the Company's business.

All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

BOARD COMMITTEES

Audit Committee

The Company has established the audit committee of the Board (the "**Audit Committee**") with specific written terms of reference that have included the duties set out in the CG Code provision C.3.3 with appropriate modification when necessary.

The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, to review the financial information and material advice in respect of financial reporting and to oversee the financial reporting system, risk management and internal control systems of the Company.

During the Reporting Year, the Audit Committee has reviewed the consolidated financial statements for the year ended 30 June 2018 and consolidated financial statements for the six months ended 31 December 2018, including the Group's adopted accounting principles and practices, internal control and risk management systems and financial reporting matters (in conjunction with the external auditor for the annual results). The Audit Committee has reviewed the remuneration of the auditor for the year ended 30 June 2018 and has recommended the Board to re-appoint HLM CPA Limited as the auditor of the Company for the year ended 30 June 2019. The Audit Committee has also monitored the effectiveness of the external audit and its independence. The Audit Committee has endorsed the accounting treatments adopted by the Company and, to the best of its ability assured itself that the disclosures of the financial information in this annual report comply with the applicable accounting standards and Appendix 16 to the Listing Rules.

During the Reporting Year, the Audit Committee comprised three Independent non-executive Directors, namely Mr. Tsang Wing Ki (the chairman of the Audit Committee), Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*. The Company has complied with Rule 3.21 of the Listing Rules. The Audit Committee is chaired by Mr. Tsang Wing Ki with appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT
(Continued)

During the Reporting Year ended 30 June 2019, 2 committee meetings were held pursuant to its terms of reference and the attendance records of each member as to such meeting is set out as follows:

Audit Committee	**Number of meetings Attendance/ Held**
Independent Non-executive Directors	
Mr. Tsang Wing Ki *(Chairman)*	2/2
Mr. Choi Hung Fai	2/2
Dr. Wong Kong Tin, *JP*	2/2

Remuneration Committee

The Company has set up the Remuneration Committee of the Board (the "**Remuneration Committee**") with specific terms of reference stating clearly its authority and duties with appropriate modification when necessary.

The primary duties of the Remuneration Committee include to make recommendations to the Board on the Company's policy and structure of all Directors' and senior management's remuneration, to review and approve the management's remuneration proposal with reference to the Company's corporate goals and objectives, to determine the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments comprising any compensation payable for loss or termination of their office or appointment and to make recommendations to the Board on the remuneration of non-executive Directors.

During the Reporting Year, the Remuneration Committee comprised three members, namely Dr. Wong Kong Tin, *JP* (the chairman of the Remuneration Committee), Mr. Tsang Wing Ki and Mr. Deng Zhonglin. The Company has complied with Rule 3.25 of the Listing Rules.

During the Reporting Year, 1 committee meeting was held for (1) reviewing the remuneration policy and structure for the Directors and senior management and (2) proposing remuneration recommendations to the Board on newly appointed Directors. The attendance records of each member as to such meeting is set out as follows:

Remuneration Committee	**Number of meetings Attendance/ Held**
Independent Non-executive Directors	
Dr. Wong Kong Tin, *JP (Chairman)*	1/1
Mr. Tsang Wing Ki	1/1
Executive Director	
Mr. Deng Zhonglin	1/1

Details of the Directors' emoluments, retirement benefits and remuneration payable to members of senior management are disclosed in Note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT
(Continued)

Nomination Committee

The Company has set up the nomination committee of the Board (the "**Nomination Committee**") with specific terms of reference stating clearly its authority and duties with appropriate modification when necessary.

The primary duties of the Nomination Committee include to review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board, to identify, screen and recommend to the Board appropriate individuals to serve as Directors, to assess the independence of the independent non-executive Directors, to make recommendations to the Board on the appointment or re-appointment of Directors, and to review the Board diversity policy and to monitor its implementation from time to time.

During the Reporting Year, the Nomination Committee comprised three members, namely Mr. Deng Zhonglin (the chairman of the Nomination Committee), Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*. The Company has complied with code provision A.5.1 of the CG Code.

During the Reporting Year, 1 committee meeting was held for (1) reviewing the structure, size and composition of the Board, (2) reviewing the independence of the independent non-executive Directors, and (3) making recommendations to the Board on the appointment of Directors. The attendance records of each member as to such meeting is set out as follows:

Nomination Committee	**Number of meetings Attendance/ Held**
Executive Directors	
Mr. Deng Zhonglin *(Chairman)*	1/1
Independent Non-executive Directors	
Mr. Choi Hung Fai	1/1
Dr. Wong Kong Tin, *JP*	1/1

COMPANY SECRETARY

On 27 August 2018, Mr. Tung Tat Chiu Michael ("**Mr. Tung**") was appointed as the Company Secretary to replace Mr. Lau Wing Chuen after his resignation as the Company Secretary on the same day. Mr. Lau was a full time employee of the Company during his tenure of office and has relevant academic or professional qualifications and adequate working experience to discharge the duties of the Company Secretary. Mr. Tung is an external service provider engaged by us as our Company Secretary and Mr. Deng Zhonglin, our Chairman, will be the key contact person with whom Mr. Tung can contact. Mr. Tung has confirmed to the Company that he has attended no less than 15 hours of relevant professional training during the Reporting Year.

FINANCIAL REPORTING AND AUDIT

The Directors acknowledged their responsibility for preparing the financial statements that give a true and fair view in accordance with applicable statutory requirements and accounting standards and the requirements of the Listing Rules. The Group adopted the going concern basis in preparing its financial statements.

A statement by the external auditor of the Company about its reporting responsibilities is set out in the section headed "Independent Auditor's Report" in this annual report.

CORPORATE GOVERNANCE REPORT
(Continued)

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for establishing and maintaining a sound system of risk management and internal control within the Group and reviewing their effectiveness. However, such system was designed to manage various risks of the Group within certain acceptable risk level, rather than to completely eliminate the risk of failure to achieve the business objectives of the Group, and can only provide reasonable but not absolute assurance against material misstatement or loss.

During the Reporting Year, the Board through the Audit Committee, conducted an annual review of both the design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, with a view to ensuring that the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

The Board has engaged an external professional service firm to assist in identifying and assessing the risks of the Group through a series of interviews annually; to independently perform internal control review and assess the effectiveness of the Group's risk management and internal control system for the Reporting Year. The findings and areas for improvement were reported to the Audit Committee and the management. The Audit Committee are of the view that there is no material internal control defect noted. All recommendations are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

The Company does not have an internal audit function and the Board is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for the internal control of the Group and for reviewing its effectiveness.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company is aware of the relevant obligations under the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) ("**SFO**") and the Listing Rules. In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures, which include the access of information being restricted to a limited number of employees on a need-to-know basis, to ensure that proper safeguards exist to prevent possible mishandling of inside information within the Group.

Arrangements are in place to facilitate the employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

AUDITOR'S REMUNERATION

During the Reporting Year, the Group's external auditor provided the following services to the Group:

	HK$'000
Audit services	2,800
Non-audit services	300
Total	3,100

CORPORATE GOVERNANCE REPORT
(Continued)

CHANGE IN AUDITOR IN PRECEDING 3 YEARS

As disclosed in the announcements of the Company dated 31 March 2017 and 12 April 2017, HLB Hodgson Impey Cheng Limited ("**HLB**") has resigned as auditors of the Group with effect from 31 March 2017 and HLM CPA Limited has been appointed as the new auditors of the Group with effect from 12 April 2017 to fill the causal vacancy following the resignation of HLB.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

General Meetings with Shareholders

The Company communicates with its shareholders through its annual report, interim report and statutory and voluntary announcements. The Directors, the Company Secretary or appropriate members of the senior management, where appropriate, also respond to inquiries from shareholders and investors on a timely basis. The Company's annual general meeting provides a useful platform for direct communication between the Board and shareholders.

Resolutions put to vote at the general meetings of the Company are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

Shareholders' Rights to Convene Extraordinary General Meetings and to Put Forward Proposals at General Meetings

In accordance with the M&A, extraordinary general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There is no provision in the M&A setting out procedures for shareholders to put forward a resolution at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

As regards proposing a person for election as a Director by shareholders, please refer to the procedures available on the website of the Company.

Investor Relations

The Company endeavours to disclose all material information about the Group to all interested parties as widely and timely as possible. It has disclosed all necessary information to the shareholders in compliance with the Listing Rules. When announcements are made through the Stock Exchange, the same information will be made available on the Company's website. During the Reporting Year, the Company has issued announcements which can be viewed on the Company's website.

Shareholders and investors may at any time send their enquiries and concerns to the Board in writing to the Company Secretary at the Company's office in Hong Kong. Shareholders may also raise their enquiries in general meetings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

ABOUT THIS REPORT

Introduction of this Report

The Group is pleased to release our second Environmental, Social and Governance Report (hereinafter this "Report" or "ESG report"). Through this report, we wish to respond to different issues regarding Environmental, Social and Governance (hereinafter "ESG") which major stakeholders concerned in a comprehensive and transparent manner, and disclose the Group's vision, strategies and practices in the process of sustainable development objectively to enhance stakeholders' understanding and confidence in the Group so as to continuously improve our ESG performance.

Basis of Preparation

This Report is prepared in strict compliance with the Environmental, Social and Governance Reporting Guide (hereinafter the "ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange. We have followed the materiality, quantitative, balance and consistency principles in the ESG Guide and complied with the "comply or explain" provision in our disclosure with an aim to fully present the Group's policies, strategies and relevant materiality in ESG areas.

Scope of reporting

The reporting period of this Report ranged from 1 July 2018 to 30 June 2019 (hereinafter the "Reporting Period"), with appropriate forward and backward extensions for certain contents in order to better reflect the ESG performance of the Group. The contents disclosed in this Report (including policy documents, statements and data, etc.) mainly covered major business segments of the Group: "Organisation of exhibitions, events planning and related services", "Brand management and related services", "Promotion and consulting services", "Contracting services and entertainment equipment solution" and "Financing".

COMMUNICATION WITH STAKEHOLDERS AND ANALYSIS OF MATERIALITY ISSUES

The Group strived to conduct its business in a transparent, equitable, legal and socially responsible manner, and continued to care about the impact of its daily operation may bring to the environment, customers and community, making an effort to safeguard the interests of all stakeholders and strike a balance between environmental, social and economic development.

We believe that the foundation of sustainable development for a company lies in the trust and participation of stakeholders. The Group attached great emphasis on the management of relationship with stakeholders, continuous improvement of our communication system and maintaining active communication with internal and external stakeholders such as government/regulatory bodies, shareholders, suppliers, staff, customers and the public to obtain a thorough understanding of their expectations and suggestions. In order to balance our business requirement, social demand and environmental impact, we keep monitoring the risks and opportunities arising from our daily course of operation, and promote a corporate management culture with high transparency to ensure our sustainable development strategies are being communicated to significant stakeholders such as employees, customers, suppliers and the community.

Set out below are the expectations and concerns of respective significant stakeholders and our corresponding communication channels during the Reporting Period.

Stakeholders	Expectations and concerns	Communication channels
Government and regulatory authorities	• In compliance with laws and regulations • Legal operation • In compliance with the Listing Rules	• Information disclosure • Communication with regulatory authorities • Tax returns

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

Stakeholders	Expectations and concerns	Communication channels
Shareholders	• Profit return • Business development • ESG governance • Corporate image	• Group announcements • General meetings • Site inspection • Timely reporting
Suppliers	• Legal operation and quality standards of suppliers • Fair and reasonable treatment of business partners • Service quality and customers' satisfaction	• Meeting with supplier • Online survey • Review and evaluation • Tendering and bidding activities
Employee	• Employee compensation and benefits • Employee health and safety • Legal and lawful recruitment • Employee training and development • Working environment	• Staff representative meetings • Group activities • Letter communication • Recommendation box
Customers	• Quality of product and service • Customer information security • Legal operation • Health and safety protection	• Satisfaction survey • Sales feedback
Community	• Community environment • Charity and public benefit activities • Community contribution • Legal operation	• Community communication • Press release/announcements

The Group has internally identified and analysed the following materiality issues and strictly complied with the Group's policy and the requirement of relevant laws and regulations to administer during its daily operation and management, with key highlights disclosed in sections below.

- Implement environmental protection measures against potential pollution
- Employment development and benefit
- Health and safety
- Raw material supply and procurement
- Quality of product and service
- Protection of confidential information
- Strict prevention against corruption and bribery

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

MANAGEMENT EXCELLENCE

ESG Governance

The Group's daily management, including effective implementation of the overall strategies and initiatives adopted by the Board on operational, financial, environmental and social issues and obligations, has been delegated to our Chief Executive Officer.

An environmental, social and governance officer has been nominated to manage the Group's ESG issues pursuant to the ESG guidelines and other relevant laws and regulations of the regions in which we operate and regularly report to our Chief Executive Officer. His/her responsibilities include: to timely review, monitor and report on ESG issues and collect and collate key performance indicators ("KPIs") on ESG-related issues.

Our Chief Executive Officer conducts regular review on any material ESG related change and makes recommendations on improvement measures and solutions. The Group will continue to provide sufficient resources to monitor the implementation of ESG strategies and policies on an ongoing basis, and strictly comply with all relevant laws, rules and regulations when carrying out business, while at the same time observe the ESG guidelines, so as to achieve sustainable development among the environment, society, employees and the Group itself.

Legal Operation

A good reputation is an important intangible asset of an enterprise and the foundation for its existence. To this end, in the course of our daily operation, we attach great importance to business ethics, and strictly abide by relevant laws and regulations such as the Company Ordinance of Hong Kong, the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》).

In terms of protection of intellectual property, the Group requires its subsidiaries to purchase legitimate software and multimedia resources to ensure the use of licensed multimedia and software resources. If any piracy, theft, falsification, illegal possession, counterfeiting or other forms of infringement of intellectual property are found upon investigation, the Group will immediately rectify such behaviour and take disciplinary actions, and serious cases will be handed over to relevant authorities for their handling in accordance with the law; if such behaviour constitutes an offence, those who committed such offence shall be held responsible in accordance with the law

The Group has pledged that the use of false promotional messages is prohibited. When disseminating public information such as advertisements and recruitment materials, we strictly comply with the requirements under the laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Law for Promoting Private Education of the People's Republic of China (《中華人民共和國民辦教育促進法》) by filing them with approval authorities for their review and approval.

As required by the laws and regulations such as the Personal Data (Privacy) Ordinance of Hong Kong and the Tort Law of the People's Republic of China (《中華人民共和國侵權責任法》), we ensure that the confidentiality of material non-public information such as business secrets and customer information are strictly maintained. The Group has formulated relevant regulations with detailed provisions on the scope of confidential issues and confidentiality level categorisation, the requirements for confidential issues and the handling and accountability for unauthorised disclosure and leakage. The Group has signed non-disclosure agreements with all employees and cooperating suppliers to ensure that they are aware of and undertakes to comply with the Group's confidentiality requirements. In the event of any leakage of the private information of our customers or the Group, the Group will promptly take remedial measures and disciplinary actions against the persons held responsible depending on the severity of the incident.

During the Reporting Period, no complaints or legal proceedings regarding infringement of intellectual property, advertising, labelling and privacy issues were received by or brought against the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

Professional Ethics

The Group believes that cultivating and ensuring employees' professional ethics is the crucial cornerstone for a company's long-term development. The Group resolutely resists illegal acts such as bribery, extortion, fraud and money laundering, and any behaviours which may be detrimental to the Group and its stakeholders are prohibited. We strictly abide by the national and regional laws and regulations regarding anti-corruption, including the Prevention of Bribery Ordinance of Hong Kong, the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Criminal Procedure Law of the People's Republic of China (《中華和人民共和國刑事訴訟法》) and Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). We explicitly prohibit illegal acts such as bribery, extortion, fraud and money laundering and regulate the professional behaviours and ethics of all employees in the Group, showing zero tolerance for violation of such provisions.

During the Reporting Period, we were not aware of any illegal cases of bribery, extortion, fraud or money laundering threatened against the Group or its employees.

Supplier Management

The stable operation of the Group relies on the cooperation of a wide range of suppliers and service providers. To protect the Company's vital interests, the Group always selects legitimate suppliers with outstanding quality, relevant qualifications and excellent service capabilities on the basis of transparency and fairness. The performance of suppliers in discharging their environmental and social responsibilities is also one of the evaluation criteria for our suppliers. In the process of selecting suppliers, factors such as candidates' sustainable development and management strategies, labour standards, moral standards and environmental management systems are included in the scoring system for close examination. The Group also encourages suppliers to actively assume their corporate social responsibilities by observing the regulatory requirements and business ethics in respect of business operation, marketing campaigns, social occasions and environmental obligations.

We evaluate our existing suppliers on a regular basis and remove those found to be in serious non-compliance or whose quality fails to meet the requirements, thereby reducing the risks associated with the supply chain. New suppliers will also be introduced according to our selection criteria to maintain the Group's sustainable development and achieve our ultimate goal of a win-win situation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

ELITE TEAMS

Employment Management

The Group believes that excellent talents are the impetus for sustainable development of an enterprise. In terms of employment, the Group strictly complies with relevant laws and regulations, such as the Employment Ordinance, the Employees' Compensation Ordinance, and the Mandatory Provident Fund Schemes Ordinance of Hong Kong, the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Implementing Regulations of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), etc., continuously improves the human resources management system, and implements normalized and standardized management in respect of salary and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, and anti-discrimination, so as to effectively protect the interests of employees.

The Group pursues the principle of equal and fair employment, focusing on the ability of employees to ensure that employees are not treated differently due to factors such as gender, age, nationality, race, religion, family and health conditions, and eliminate any form of discrimination.

During the Reporting Period, the Group had not experienced any complaints or litigations regarding the violation of laws relating to recruitment, compensation, dismissal, promotion, performance assessment, working hours, holidays, equal opportunities, diversity, anti-discrimination and other aspects of employment.

During the Reporting Period, the Group had an aggregate of 184 employees. The details are as follows:

Existing Employees		
Gender	**Number**	**Percentage**
Male	97	52.7%
Female	87	47.3%
Age	**Number**	**Percentage**
Under 30	80	43.5%
30–40	75	40.8%
41–50	19	10.3%
51 or above	10	5.4%
Position	**Number**	**Percentage**
Senior management	19	10.3%
Middle management	45	24.5%
General employees	120	65.2%

Employee Turnover		
Gender	**Number**	**Percentage**
Male	26	26.8%
Female	20	23.0%
Age	**Number**	**Percentage**
Under 30	18	22.5%
30–40	22	29.3%
41–50	4	21.1%
51 or above	2	20.0%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

Lawful Labour

The Group prohibits the use of child labour or forced labour. In accordance with the Employment Ordinance of Hong Kong, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Law of the PRC on the Protection of Minors and the Regulations on the Implementation of the Employment Contract (《中華人民共和國未成年人保護法和勞動合同實施條例》), the Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition against the Use of Child Labour (《禁止使用童工規定》), we have clearly stipulated in the labour contracts that the Group and its employees have equal legal status and that no party shall impose its/his/her will on the other party. The Group strictly implements relevant procedures in the recruitment process and screens out all job applicants under the age of 15, and their identification certificates are carefully examined in the interviews to ensure that all employees have reached the legal age of employment.

During the Reporting Period, the Group had not experienced any kind of child labour or forced labour related complaints.

Health and Safety

Employees' health and safety are the guarantee of steady operation for an enterprise. The Group continues to improve the health and safety related system construction and daily management to protect employees' physical and mental health. The Group strictly complies with the Occupational Safety and Health Ordinance, the Fire Safety (Commercial Premises) Ordinance of Hong Kong and the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the Law on Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》), and the Administrative Measures for Occupational Health Inspection (《職業性健康檢查管理辦法》) and other relevant laws and regulations, committed to creating a sanitary, safe and comfortable office environment for employees.

In order to further improve the level of occupational health management and reduce the safety risks of the Group's exhibition and bar business, we have developed a series of emergency preparation and response procedures, regularly organized safety drills, and equipped business premises with sufficient labour protection supplies and firefighting equipment (such as fire extinguishers and fire hoses), so as to comprehensively reduce occupational safety risks.

In order to maintain a hygienic office environment, we regularly hire professional cleaning companies to disinfect telephones, keyboards, computers and other office supplies; clean glass windows, walls, carpets as well as debugs. We also carry out regular inspections of the hygienic conditions of the items in our office environment and promptly clean or replace those that do not meet hygienic standards.

Training and Development

Having an outstanding team gives the Group the momentum to develop stably. The Group strives to establish a comprehensive training system, encouraging our employees to fulfill their potential; it also actively combines internal and external resources to provide our employees with an ideal learning and exchange platform with a view to enhancing the capability and overall quality of our team and laying a solid foundation for the Company's sustainable development. To enhance the professional ability of our employees and facilitate their career development, the Group arranges a variety of training sessions and organizes talks held by relevant institutions annually in accordance with the professional requirements of our employees.

We attach great importance to training management work. We monitor training processes and undertake assessment upon conclusion of training programmes, whereby we also take into account trainees' subsequent job performances to carry out appraisals as to their overall learning results, ensuring that our trainings are effective. Meanwhile, the results of the training assessment will be recorded in the employees' files as references for potential shift of positions, adjustment of ranks, assessment of performance and other personnel activities.

During the Reporting Period, the average training hours of the Group's employees are 6 hours per trainee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT") (Continued)

Employee Care

The Group establishes a comprehensive remuneration and benefits protection system in accordance with the law and provides competitive remuneration and benefits package according to employees' work performance, experience, work location and industry benchmarks. Employees' remuneration package includes basic salary, post salary and comprehensive subsidies, as well as bonuses determined by their business performance and individual performance, serving as an effective motivation to employees. We regularly adjust salaries with reference to industry salary levels and price changes to ensure that employees are provided with competitive remuneration. This is an important factor in consolidating and stabilizing our team.

Subject to the Employment Ordinance and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), we also provide a wide range of benefits to employees, including labour insurance, Mandatory Provident Fund, medical and life insurance, telecommunication subsidy, lunch allowance, overtime subsidy, travel allowance, professional training, heatstroke prevention subsidy and labour protection allowance. In addition, we implement standardized management regarding employees' holiday and resting time, and offer paid leaves, which include annual, sick, maternity, wedding, compassionate and exam leaves, providing further protection of employees' legal rights.

To ensure that our employees work in a pleasant and comfortable environment, we attach great importance to our employees' voices, and have established a number of channels, such as feedback boxes for collecting employees' comments, in order to enhance communication with them, understand their thoughts and suggestions, and continue to perfect our employee management system. The Group also encourages employees to respect, coordinate and support each other during work and create a fair and diverse working environment free from discrimination so as to manifest our corporate values and fulfill social responsibilities.

Furthermore, we arrange various kinds of recreational activities, dinners and parties for our employees from time to time. On major traditional holidays, such as the Dragon Boat Festival and the Mid-Autumn Festival, the Company buy rice dumplings and mooncakes for employees as benefits, which not only unites our team, but also encourages employees to achieve a balance between life and work.

ENVIRONMENTAL OPERATIONS

Environmental Protection

The Group strictly controls generation and emission of air pollutants, waste discharges and others in adherence to the Air Pollution Control Ordinance of Hong Kong, the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Pollution (《中華人民共和國污染防治法》), the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the PRC on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染防治法》) and the Law of the PRC on Conserving Energy (《中華人民共和國節約能源法》) and other related laws and regulations, to ensure that the Group does not violate any laws or regulations related to environment in the course of our operation and management.

As a responsible corporate citizen, we consistently carry out the environmental sustainability development strategy across our operations, perfect our environment management system and promote green development. We continuously gather and monitor data and information relating to major environment issues which are material to the Group. As the Group is principally engaged in the exhibition management business, management services and other business activities which are all conducted in office, our daily operations do not have any material effect on the environment, except for greenhouse gas emissions indirectly generated from the use of externally purchased electricity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

Energy Saving and Reducing Emission

The Group has consistently adhered to its environmental policies on sustainable development and strived for conservation and saving in resources such as energies, water and paper. We proactively raised our staff's environmental awareness and implemented relevant measures in energy saving and reducing emission in daily operation so as to established a low-carbon office.

Electricity is the principal energy consumed in our daily operation within the offices and galleries. The Group regularly monitors the power consumption in our Hong Kong and China offices, and keeps reminding our staff to turn off lightings, air-conditioners, computers and other equipment when they are not in use. Other similar measures taken include:

- Application of energy-efficient appliances (for instance, LED lights, freezer);
- To reasonably shorten the daily supply of air-conditioning;
- To keep the temperature higher/lower during summer and winter as to support 'Energy Saving Charter on Indoor Temperature'; and
- To check power consumption regularly.

In the meantime, the Group also uses consumables, such as paper and ink cartridges, in our daily office operation, as well as a limited amount of water for office activities. To promote green practices and reduce ecological footprint, we have taken the following measures for offices that are going green:

- Posting water efficiency labels to remind employees not to overuse water resources;
- Using digital format to send and save documents;
- Promoting double-sided printing;
- Reusing paper products, such as envelopes and kraft envelopes;
- Placing paper recycling trays next to the printers to collect paper that are excessively printed or wrongly printed; and
- Using recyclable paper.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

ENVIRONMENTAL PERFORMANCE

During the Reporting Period, the Group's environmental performance in terms of resource consumption and emissions is as follows:

Resource Consumption Indicator	Value	Unit
Electricity consumption[2]	198,733.99	kWh
Electricity consumption per capita	1,080.07	kWh/person[4]
Water consumption[3]	21,260	tonne
Water consumption per capita	115.54	tonne/person
Office paper consumption	618	kg
Paper consumption per capita	3.36	kg/person

Greenhouse Gas Emissions Indicator	Value	Unit
Motor vehicle emissions (scope 1)[5]	33.62	tonne
Electricity consumption emissions (scope 2)[6]	141,169.49	tonne
Total greenhouse gas emissions	141,203.11	tonne
Total greenhouse gas emission intensity	767.41	tonne/person

Vehicle Air Pollutant Emissions Indicator[7]	Value	Unit
Carbon monoxide (CO) emissions	32.60	kg
Nitrogen oxide (NO_X) emissions	3.64	kg
Sulfur oxide (SO_X) emissions	0.19	kg
Suspended particulate matter ($PM_{2.5}$) emissions	0.09	kg

Solid Waste Generation		
Hazardous Waste Indicator	**Value**	**Unit**
Waste cartridge generation	164	piece
Waste cartridge generation intensity	0.89	piece/person

Non-hazardous Waste Indicator	Value	Unit
Waste paper generation	436	kg
Waste paper generation intensity	2.37	kg/person

1 The scope of the Group's business operation does not involve any packaging material;

2 The statistics of electricity consumption only cover offices of the "Organisation of exhibitions, events planning and related services", "Promotion and consulting services" and "Financing" segments;

3 The statistics of water consumption only cover offices of the "Promotion and consulting services" segment; the Group's water supply is sourced from the municipal water network, and it has not experienced any difficulty in securing water supply;

4 The Group has a total of 184 employees;

5 The Group has two vehicles in Hong Kong. The greenhouse gas (scope 1) emissions data is calculated with reference to the Average Carbon Dioxide Emission Factors of Regional Grids in the PRC for the Years 2011 and 2012 (《2011年和2012年中國區域電網平均二氧化碳排放子》) issued by the National Development and Reform Commission of the PRC and the Reporting Guidance on Environmental KPIs issued by the Stock Exchange;

6 The greenhouse gas (scope 2) emissions data is calculated with reference to the Reporting Guidance on Environmental KPIs issued by the Stock Exchange;

7 The vehicle air pollutant emissions data is calculated with reference to the Reporting Guidance on Environmental KPIs issued by the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

Caring for Community

Adhering to the belief that "fragrance lingers in the hand that gives roses", the Group encourages employees to actively participate in charitable activities and provide voluntary services (such as youth mentoring programmes) to support sustainable development of the community and society. During the Reporting Period, the Group actively participated in the donation activities of Po Leung Kuk and donated HK$0.2 million.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

Awards Received

In consideration of our long-term contribution to the community, and in recognition of the Group's outstanding achievements and results in aspects of growth, innovation, leadership, customer services, investment, financing and corporate strategies, geographical coverage, we were awarded "China New Economy Award Excellence In Growth" (沙利文中國新經濟卓越增長獎) by Frost & Sullivan, an international renowned growth consultancy firm.

As a leading cultural and entertainment comprehensive services platform in the PRC, the Group was honored as "Outstanding Comprehensive Services Platform" by the Music, Dance and Entertainment Industries in the PRC for its complete product chain and excellent systematic operation solutions which are scarce in China's entertainment industry.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

(Continued)

CONTENT INDEX FOR THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

A. Environmental			
Items		**Descriptions**	**Reference Section(s)**
Aspect A1: Emissions			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection
KPIs	A1.1	The types of emissions and respective emissions data	Environmental Performance
	A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Environmental Performance
	A1.3	Total hazardous waste produced and, where appropriate, intensity	Environmental Performance
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity	Environmental Performance
	A1.5	Description of measures to mitigate emissions and results achieved	Energy Saving and Emission Reduction
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Energy Saving and Emission Reduction
Aspect A2: Use of Resources			
General Disclosure		Policies on the efficient use of resources	Environmental Protection Energy Saving and Emission Reduction
KPIs	A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Performance
	A2.2	Water consumption in total and intensity	Environmental Performance
	A2.3	Description of energy use efficiency initiatives and results achieved	Energy Saving and Emission Reduction
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Energy Saving and Emission Reduction Environmental Performance
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	The Group does not involve the use of packaging materials due to the nature of business
Aspect A3: The Environment and Natural Resources			
General Disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources	Environmental Protection Energy Saving and Emission Reduction
KPIs	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Energy Saving and Emission Reduction

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT") (Continued)

A. Social			
Items		**Descriptions**	**Reference Section**
Aspect B1: Employment			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employment Management
Recommended Disclosures	B1.1	Total workforce by gender, employment type, age group and geographical region	Employment Management
	B1.2	Employee turnover rate by gender, age group and geographical region	Employment Management
Aspect B2: Health and Safety			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health and Safety
Recommended Disclosures	B2.1	Number and rate of work-related fatalities	/
	B2.2	Lost days due to work injury	/
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety
Aspect B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Training and Development
Recommended Disclosures	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	/
	B3.2	The average training hours completed per employee by gender and employee category	Training and Development
Aspect B4: Labour Standards			
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Lawful Labour
Recommended Disclosures	B4.1	Description of measures to review employment practices to avoid child and forced labour	Lawful Labour
	B4.2	Description of steps taken to eliminate such practices when discovered	Lawful Labour

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")
(Continued)

<table>
<tr><th colspan="4">A. Social</th></tr>
<tr><th colspan="2">Items</th><th>Descriptions</th><th>Reference Section</th></tr>
<tr><td colspan="4">Aspect B5: Supply Chain Management</td></tr>
<tr><td colspan="2">General Disclosure</td><td>Policies on managing environmental and social risks of the supply chain</td><td>Supply Chain Management</td></tr>
<tr><td rowspan="2">Recommended Disclosures</td><td>B5.1</td><td>Number of suppliers by geographical region</td><td>/</td></tr>
<tr><td>B5.2</td><td>Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored</td><td>Supply Chain Management</td></tr>
<tr><td colspan="4">Aspect B6: Product Responsibility</td></tr>
<tr><td colspan="2">General Disclosure</td><td>Information on:

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress</td><td>Compliant Operation</td></tr>
<tr><td rowspan="5">Recommended Disclosures</td><td>B6.1</td><td>Percentage of total products sold or shipped subject to recalls for safety and health reasons</td><td>/</td></tr>
<tr><td>B6.2</td><td>Number of products and service related complaints received and how they are dealt with</td><td>/</td></tr>
<tr><td>B6.3</td><td>Description of practices relating to observing and protecting intellectual property rights</td><td>Compliant Operation</td></tr>
<tr><td>B6.4</td><td>Description of quality assurance process and recall procedures</td><td>/</td></tr>
<tr><td>B6.5</td><td>Description of consumer data protection and privacy policies, how they are implemented and monitored</td><td>Compliant Operation</td></tr>
<tr><td colspan="4">Aspect B7: Anti-corruption</td></tr>
<tr><td colspan="2">General Disclosure</td><td>Information on:

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to bribery, extortion, fraud and money laundering</td><td>Professional Ethics</td></tr>
<tr><td rowspan="2">Recommended Disclosures</td><td>B7.1</td><td>Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases</td><td>Professional Ethics</td></tr>
<tr><td>B7.2</td><td>Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored</td><td>/</td></tr>
<tr><td colspan="4">Aspect B8: Community Investment</td></tr>
<tr><td colspan="2">General Disclosure</td><td>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests</td><td>Caring for Community</td></tr>
<tr><td rowspan="2">Recommended Disclosures</td><td>B8.1</td><td>Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)</td><td>Caring for Community</td></tr>
<tr><td>B8.2</td><td>Resources contributed (e.g. money or time) to the focus area</td><td>/</td></tr>
</table>

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Director(s)**") of NOVA Group Holdings Limited (formerly known as Mega Expo Holdings Limited) (the "**Company**") (together with its subsidiaries, the "**Group**") presents its report and the audited financial statements for the year ended 30 June 2019 (the "**Reporting Year**").

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company in an extraordinary general meeting held on 10 May 2019, the English name of the Company has been changed from "Mega Expo Holdings Limited" to "NOVA Group Holdings Limited" and a dual foreign name in Chinese of the Company "諾發集團控股有限公司" has been adopted.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in Note 19 to the consolidated financial statements of the Group.

BUSINESS REVIEW

A discussion and analysis of the Group's performance during the Reporting Year and the financial key performance indicators affecting its results and financial position are set out in the section headed "Management Discussion and Analysis" ("**MD&A**") of this annual report.

The information about a fair review of, and an indication of likely future development in, the Group's business is set out in the MD&A of this annual report.

Save as disclosed in the MD&A of this annual report under the sections headed "Significant Investments" and "Subsequent Events", there are no important events affecting the Group that have occurred since the end of the Reporting Year.

Principal Risks and Uncertainties

The followings are the major risks and uncertainties currently faced or anticipated by the Group.

Operation Risk

The Group's business and profitability growth during the Reporting Year is affected by the increase in competition in the industry and the volatility and uncertainty of the macro-economic conditions in Hong Kong. The Group is expected to continue to be affected by the above factors.

Financial Risk

The details of financial risk management objectives and practices of the Group is set out in Note 5 to the consolidated financial statements of the Group. There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could turn out to be material in the future.

Environmental Policies and Performance

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its impact on the environment by reducing its electricity consumption and encouraging recycle of office supplies and double-sided printing. For further details, please refer to the Environmental, Social and Governance Report set out on pages 29 to 42 of this annual report.

Compliance with the Relevant Laws and Regulations

To the best knowledge of the Board and the management, the Group complied with the relevant laws and regulations that have a significant impact on the Group's business and operation during the Reporting Year.

DIRECTORS' REPORT
(Continued)

Key Relationships with Employees, Customers and Suppliers

The Group's management policies, working environment, career prospects and employees' benefits have contributed to building a good employee relations and employee retention of the Group. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme. The management regularly reviews its employee's remuneration packages to ensure they are up to prevailing market standard. The Group has established long-term business relationships with its major suppliers and customers. The Group will endeavour to maintain its established relationship with these existing suppliers and customers.

RESULTS

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 65 to 66.

DIVIDEND

The Directors proposed to declare a final dividend of HK5.0 cents per share in cash, approximately HK$73.15 million in aggregate, for the year ended 30 June 2019 (2018: HK1.0 cent), which is expected to be paid on 10 January 2020 to shareholders whose names appear on the register of members of the Company as at 16 December 2019, subject to shareholders' approval in the forthcoming annual general meeting of the Company expected to be held on 6 December 2019. The proposed final dividend will be paid in HK$ and there is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

DIVIDEND POLICY

The Company has adopted a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with applicable laws and the relevant provisions of the memorandum and articles of association of the Company (the "**M&A**"). In deciding whether to declare any dividend, the Board will take into account a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 168 of this annual report.

BORROWINGS

The total borrowings of the Group (including debentures) as at 30 June 2019 amounted to approximately HK$324.53 million (30 June 2018: approximately HK$2.59 million). Details of borrowings are set out in Note 31 to the consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Year are set out in Note 15 to the consolidated financial statements of the Group.

DIRECTORS' REPORT
(Continued)

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Year are set out in Note 33 to the consolidated financial statements of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the M&A or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Reporting Year are set out in Note 42 to the consolidated financial statements and in the consolidated statement of changes in equity of the Group, respectively.

DISTRIBUTABLE RESERVES

Details of the Company's distributable reserves as at 30 June 2019 are set out in Note 42 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

Charitable donations made by the Group during the Reporting Year amounted to HK$0.20 million (2018: Nil).

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors throughout the Reporting Year and as at the date of approval of this report of the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, the revenue generated from the Group's five largest customers accounted for about 21.80% (2018: 40.28%) of the Group's total revenue and the revenue from the largest customer included therein accounted for about 6.03% (2018: 13.38%) of the Group's total revenue.

During the Reporting Year, the fees paid to the Group's five largest suppliers accounted for about 33.55% (2018: 40.70%) of the Group's total direct operating cost and the supplies from the largest supplier included therein accounted for about 8.23% (2018: 11.69%) of the Group's total direct operating cost.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers for the Reporting Year.

DIRECTORS' REPORT
(Continued)

DIRECTORS

The Directors who held office during the Reporting Year and up to the date of this report were:

Executive Directors
Mr. Deng Zhonglin *(Chairman)*
Mr. Xu Feng *(Chief Executive Officer)*

Independent Non-executive Directors
Mr. Choi Hung Fai
Mr. Tsang Wing Ki
Dr. Wong Kong Tin, *JP*
Mr. Qiu Peiyuan (Appointed on 11 October 2018)

In accordance with Article 105(A) of the M&A, at each annual general meeting (the "**AGM**") of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest but not less than one-third, shall retire from office by rotation. Mr. Deng Zhonglin and Mr. Tsang Wing Ki will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

INDEPENDENCE CONFIRMATIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 3.13 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company has received an annual confirmation from each independent non-executive Director confirming his independence. The Company has assessed the independence of the independent non-executive Directors and considers that for the Reporting Year, all of them to be independent based on the independence criteria in accordance with the requirements in the Listing Rules, their non-involvement in the daily operation and management of the Company, and the absence of any relationships which will interfere with the exercise of their independent judgments.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for those disclosed in the section headed "Share Option Scheme" in this Directors' report in this annual report, at no time during the Reporting Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, 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 to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for the re-election at the forthcoming AGM has or is proposed to have a service contract with the Company not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The Directors' emoluments are determined by the Board after considering the recommendations from the Remuneration Committee with reference to Directors' duties, responsibilities, individual performance and the results of the Group and the emoluments are subject to the shareholders' approval at the AGM.

Particulars of the Directors' emoluments for the Reporting Year are set out in Note 12 to the consolidated financial statements of the Group.

DIRECTORS' REPORT
(Continued)

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the Reporting Year, the Board is not aware of any business or interests of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in Note 38 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules which is required to be disclosed.

MANAGEMENT CONTRACT

Other than the service contracts of the Directors, the Company did not enter into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the Reporting Year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives or rewards to selected participants for their contributions to the Group. The Share Option Scheme was adopted by the Company on 18 October 2013 ("**Adoption Date**").

Summary of Terms

(i) Purpose and participants

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Eligible participants of the Share Option Scheme include the following classes of participants:

(a) any employee (whether full-time or part-time including any executive Directors but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive Directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

DIRECTORS' REPORT
(Continued)

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the growth of the Group, and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his/her/its contribution to the development and growth of the Group.

(ii) Total number of Shares available for issue

The maximum number of shares (the "**Shares**") of the Company which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital (the "**Issued Share Capital**") of the Company from time to time. The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group as may from time to time be adopted by the Company as permitted under the Listing Rules initially must not, in aggregate, exceed 10% of the Issued Share Capital as at the time dealings in the Shares first commence on the Main Board of the Stock Exchange (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the shareholders). After the refreshment of the limit of the Share Option Scheme with the approval of the shareholders on 10 May 2019, the maximum number of Shares which may be issued upon the exercise of the refreshed limit of 146,290,000 options (being 10% of the Issued Share Capital on 10 May 2019) together with all outstanding options as at the date of this annual report carrying the right to subscribe for 100,000,000 Shares is 246,290,000 Shares, representing approximately 16.84% of the total number of Shares in issue as at the date of this annual report. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting.

(iii) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the Issued Share Capital for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

(iv) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

(v) Minimum period for which an option must be held before being exercised

Unless otherwise determined by the Directors and stated in the offer of the grant of options to an eligible participant, there is no minimum period required under Share Option Scheme for the holding of an option before it can be exercised.

DIRECTORS' REPORT
(Continued)

(vi) **Amount payable on acceptance of the option and the period within which payments must be paid**

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon receipt by the Company of the payment of a nominal consideration of HK$1 and signed acceptance of offer by the eligible participant.

(vii) **Basis of determining the exercise price**

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

(viii) Subject to any earlier termination in accordance with its rules, the Share Option Scheme shall remain in force for a period of 10 years commencing on 18 October 2013.

On 1 June 2018 (the "**Date of Grant**"), the Company granted an aggregate of 100,000,000 share options under the Share Option Scheme, at an exercise price of HK$1.89 per share. The exercise price was the higher of (i) the closing price of HK$1.85 per Share on the Date of Grant; (ii) the average closing price of HK$1.89 per Share for the five business days immediately preceding the Date of Grant. The closing price per Share immediately before the Date of Grant was HK$1.87. The share options granted to each grantee shall vest conditional upon the fulfilment of certain performance targets relating to the Group in accordance with the following schedule:

Vesting Date	Percentage of the share options vested/ to be vested on the Vesting Date
1 June 2018	0%
31 December 2018	25%
30 June 2019	25% (i.e. up to 50% in total)
31 December 2019	25% (i.e. up to 75% in total)
30 June 2020	25% (i.e. up to 100% in total)

Details of the share options granted under the Share Option Scheme as at 30 June 2019 are as follows:

Category of participants	Date of grant	Exercise price per share (HK$)	Exercise period	Options outstanding as at 1 July 2018	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Options outstanding as at 30 June 2019
Executive Directors								
Mr. Deng Zhonglin	1 June 2018	1.89	31 December 2018 to 31 May 2028	12,000,000	–	–	–	12,000,000
Mr. Xu Feng	1 June 2018	1.89	31 December 2018 to 31 May 2028	9,680,000	–	–	–	9,680,000
				21,680,000	–	–	–	21,680,000
Employees	1 June 2018	1.89	31 December 2018 to 31 May 2028	78,320,000	–	–	–	78,320,000
Total				100,000,000	–	–	–	100,000,000

DIRECTORS' REPORT
(Continued)

The share options, once vested, shall be exercisable within a period of ten years from the Date of Grant. Except for the Directors listed in the table above, none of the grantees under the Share Option Scheme is a connected person of the Group.

The weighted average fair value for each granted share option for the year ended 30 June 2018 was HK$0.79, which was determined by using the Binomial Option Pricing Model. The significant inputs into the model included share price of HK$1.85 at the Date of Grant, exercise price of HK$1.89, volatility of 33.02%, dividend yield of 0.0%, an expected share option life of 10 years and an annual risk-free interest rate of 2.21%. The expected volatility is determined by calculating the historical volatility of the share price of listed companies with similar business as the Group. The expected dividend yield is determined with reference to historical dividend and share price of the Company. The amortisation of share options of approximately HK$57.40 million (2018: approximately HK$6.20 million) was recognised as staff costs in the consolidated statement of profit or loss and other comprehensive income.

EQUITY-LINKED AGREEMENTS

Convertible Bonds and Convertible Notes

The Company issued a tranch of zero coupon convertible bonds at a par value of HK$8.00 million on 29 March 2019. The bonds shall mature on 7 April 2020 at its nominal value of HK$8.00 million or can be converted into shares at the holder's option on or before the maturity date at the conversion price of HK$0.92 per share. The maximum number of shares to be issued is 8,700,000 shares and all of them were issued on 2 May 2019. The issuance of the convertible bonds of HK$8.00 million was used to satisfy the partial consideration for the acquisition of Fortune Selection Limited and its subsidiaries.

The Company issued a tranch of zero coupon convertible notes at a par value of HK$34.00 million, which shall mature on 7 March 2022 at its nominal value of HK$34.00 million or can be converted into shares at the holder's option on or before the maturity date at the conversion price of HK$1.83 per share. The maximum number of shares to be issued is 18,579,234 shares. The issuance of the convertible notes of HK$34.00 million was used to satisfy the partial consideration for the acquisition of Cheer Sino Investment Holdings Limited and its subsidiaries.

DIRECTORS' REPORT
(Continued)

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

As at 30 June 2019, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules, were as follows:

Interest in underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of underlying shares *(Note 1)*	Approximate percentage of interest in the Company
Mr. Deng Zhonglin	Beneficial owner	12,000,000 (L) *(Note 2)*	0.82%
Mr. Xu Feng	Beneficial owner	9,680,000 (L) *(Note 3)*	0.66%

Notes:

1. "L" denotes long position and "S" denotes short position.

2. These 12,000,000 underlying shares represent the 12,000,000 shares which may be allotted and issued to Mr. Deng Zhonglin upon full exercise of the share options granted to him on 1 June 2018 under the Share Option Scheme.

3. These 9,680,000 underlying shares represent the 9,680,000 shares which may be allotted and issued to Mr. Xu Feng upon full exercise of the share options granted to him on 1 June 2018 under the Share Option Scheme.

DIRECTORS' REPORT
(Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS SHARES AND UNDERLYING SHARES

As at 30 June 2019, to the best of the knowledge and belief of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interests or short positions in the shares and 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:

Name of shareholder	Capacity/Nature of interest	Number of shares/ underlying shares *(Note 1)*	Approximate percentage of interest in the Company
Mr. Chen Chao	Beneficial owner	164,235,000 (L)	11.23%
Mr. Lee Wilson	Interest in a controlled Corporation *(Note 2)*	87,025,000 (L)	5.95%
Noahs Global Group Holding Limited	Beneficial owner *(Note 2)*	87,025,000 (L)	5.95%

Note:

1. "L" denotes the corporation/person's long position (as defined under Part XV of the SFO) in the shares.

2. Mr. Lee Wilson holds 100% of the issued share capital in Noahs Global Group Holding Limited ("**Noahs Global**") and Noahs Global directly holds approximately 5.95% of the total number of issued shares of the Company. Therefore, Mr. Lee Wilson is taken to be interested in the number of shares of the Company held by Noahs Global pursuant to Part XV of the SFO.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the shares of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Details of the Audit Committee, the Remuneration Committee and the Nomination Committee are set out in section headed "Corporate Governance Report" of this annual report.

DIRECTORS' REPORT
(Continued)

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Tsang Wing Ki (chairman), Mr. Choi Hung Fai and Dr. Wong Kong Tin, *JP*. The Audit Committee has reviewed, with management and the independent auditor of the Company, the annual results and the consolidated financial statements of the Group for the year ended 30 June 2019.

AUDITOR

The consolidated financial statements have been audited by HLM CPA Limited who will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment at a fee to be agreed by the Board.

On behalf of the Board

Deng Zhonglin
Chairman

Hong Kong, 27 September 2019

BIOGRAPHICAL DETAILS OF DIRECTORS

BOARD OF DIRECTORS

Executive Directors

Mr. Deng Zhonglin ("**Mr. Deng**"), aged 45, was appointed as an executive director of the Company on 14 October 2016 and is currently the chairman of the Board. Mr. Deng has over 19 years of experience in corporate management and strategic planning. He is familiar with the exhibition industry and the operation of advertising business. Mr. Deng graduated from Shenzhen University in 1995. From 1999 to 2003, he served as an assistant to the general manager of 上海萬舟航運有限公司 (transliterated as Shanghai Wanzhou Shipping Co., Limited). From 2004 to 2009, he was the managing director of 永安商船海運有限公司 (transliterated as Ever Maru Shipping Co., Limited). From 2010 to 2017, he served as the general manager of 上海覽眾廣告傳播有限公司 (transliterated as Shanghai Public Advertising Communications Co., Limited) which was mainly engaged in advertising, display and exhibition services as well as conference services.

Mr. Xu Feng ("**Mr. Xu**"), aged 43, was appointed as an executive director and the chief executive officer of the Company on 21 June 2018. Mr. Xu is currently an executive director of 諾笛（上海）企業管理諮詢有限公司 (transliterated as NOD (Shanghai) Management Communication Co., Ltd ("**NOD**")), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. He is an executive president of 上海市酒吧行業協會 (transliterated as Shanghai Bar (Professional) Association).

Mr. Xu is a seasoned professional executive in brand management and business development and a well-known artist in the entertainment industry in the PRC. Mr. Xu was a member of a well-known boy band, being 中國力量 (transliterated as China Power) and therefore developed a well-established network among both the entertainment industry and artist agencies in the PRC. Mr. Xu was proficient in management operations, professional planning, team building and development of entertainment brands etc. Prior to joining NOD, Mr. Xu was the vice general manager of 搜浩捌捌（北京）企業管理有限公司 (transliterated as Souhao Baba (Beijing) Corporate Management Co., Ltd) between 2008 and 2014. During the period, he was also invited to be the speaker for the summit of national real estate developer and many regional summits of the entertainment industry to share his insights of the entertainment industry and management philosophies. He also attended interviews with several entertainment and fashion magazines and shared his professional working experience in the entertainment industry and management philosophies.

BIOGRAPHICAL DETAILS OF DIRECTORS

(Continued)

Independent Non-executive Directors

Mr. Choi Hung Fai ("**Mr. Choi**"), aged 34, was appointed as an independent non-executive director of the Company on 17 July 2015. Mr. Choi is a member of each of the Audit Committee and the Nomination Committee. Mr. Choi has over 10 years of experience in securities trading, fundraising activities, corporate finance and project investments. Mr. Choi possesses knowledge in financial analysis, corporate finance, corporate valuation and corporate governance. Mr. Choi graduated with a bachelor's degree in business administration from the Chinese University of Hong Kong, and obtained a master of finance degree in corporate finance from the University of New South Wales in Australia.

Mr. Choi is currently the founder and managing director of Draco Capital Limited and a responsible officer for Type 6 (advising on corporate finance) regulated activity of Draco Capital Limited under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Mr. Choi is principally responsible for advising on corporate finance activities, pre-initial public offerings, merger & acquisitions, fundraising activities and corporate restructurings for private and public companies in the PRC, Malaysia and Hong Kong.

Mr. Tsang Wing Ki ("**Mr. Tsang**"), aged 57, was appointed as an independent non-executive director of the Company on 9 March 2017. Mr. Tsang is the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Tsang has over 24 years of experience in finance, accounting and auditing. Mr. Tsang obtained a professional diploma in accountancy from Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1987 and a master of professional accounting from the Hong Kong Polytechnic University in November 2000. Mr. Tsang is a fellow member of the Hong Kong Institute of Certified Public Accountants (FCPA) and a fellow member of the Chartered Association of Certified Accountants (FCCA).

Mr. Tsang was a chief financial officer of Xin Dau Ji Membership Management Limited from July 2015 to September 2019. He was an independent non-executive director of VBG International Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8365) from May 2017 to December 2017. He was an independent non-executive director of ICube Technology Holdings Limited (currently known as Central Wealth Group Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 139) from November 2014 to July 2016. He was an independent non-executive director of Unity Investments Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 913) from September 2004 to October 2014. He was an executive director from August 2008 to December 2011 of Noble Jewelry Holdings Limited (currently known as Zhong Fa Zhan Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 475).

Dr. Wong Kong Tin, *JP* ("**Dr. Wong**"), aged 52, was appointed as an independent non-executive director of the Company on 13 December 2017. Dr. Wong is the chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee. He has over 26 years of practical experience in the legal fields of cross-border investment in Greater China, financing, corporate acquisition, merger, listing, real estate project development, e-commerce, brand management, corporate governance, arbitration mediation, and media and public administration.

Dr. Wong holds an LLB and LLM from Peking University, postgraduate diploma in English and Hong Kong Law from The Manchester Metropolitan University in the United Kingdom, and LLD in constitutional and administrative law from Renmin University of China. He is also an associate of each of Chartered Institute of Arbitrators and Hong Kong Institute of Arbitrators, a Hong Kong registered financial planner, a fellow of the Hong Kong Institute of Directors, an accredited general mediator of the Hong Kong Mediation Accreditation Association Limited, a founding member of The Hong Kong Independent Non-Executive Director Association, and an associate of The Hong Kong Association of Financial Advisors Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS
(Continued)

Dr. Wong's current community services include: the chairman of the Hong Kong Liquor Licensing Board, the vice chairman of the Association of Hong Kong Professionals, a member of the Solicitors Disciplinary Tribunal Panel, a member of the Panel of Adjudicators of the Obscene Articles Tribunal, a member of each of the Finance Committee and Management Committee of Hong Kong News-Expo and an executive committee member of the Basic Law Institute Limited. He was also an observer of Independent Police Complaints Council from September 2007 to August 2015, a member of the panel to the Appeal Board (Hotel and Guesthouse Accommodation), a member of the panel to the Appeal Board (Bedspace Apartments) and a member of the panel to the Appeal Board (Clubs (Safety of Premises)) from April 2012 to April 2018.

Dr. Wong currently serves as the vice chairman of the Greater China Legal Affairs Committee, the vice chairman of the Public Policy Committee, a member of the Standing Committee of External Affairs and a member of the Community Relations Committee of the Law Society of Hong Kong.

Dr. Wong is also a member of the tenth to twelfth Shanghai Committee of the Chinese People's Political Consultative Conference, a member of the Chinese Association of Hong Kong and Macau Studies, a member of the Hong Kong Basic Law and Macau Basic Law Research Association, a member of Expert Committee of the China (Guangdong) Free Trade Zone in Hengqing New Area.

Dr. Wong also serves as an arbitrator of Arbitration Commission in Shenzhen, Shanghai, Guangzhou, Zhuhai, Huizhou, Liuzhou, Zhengzhou, Hohhot, Haikou, Chengde, Nanchang, Nanning, Taiyuan, Shenyang and Guiyang.

From June 2010 to July 2014, Dr. Wong served as an independent non-executive director of Great Wall Technology Company Limited (original stock code: 74) which was privatised and automatically delisted from The Stock Exchange of Hong Kong Limited in July 2014.

Mr. Qiu Peiyuan ("**Mr. Qiu**"), aged 54, was appointed as an independent non-executive director of the Company on 11 October 2018. Mr. Qiu graduated from the Biology Department, Nankai University with a bachelor of science degree in biology in 1986, from the Faculty of Science, The University of Hong Kong with a master's degree in bioscience in 1998, and from the Business School of the University of Western Ontario, Canada with a master's degree in business administration in 2003. Following his graduation, Mr. Qiu joined the Bank of Nova Scotia as a senior analyst. Mr. Qiu joined the T. Rowe Price Group in 2008 as vice president, Asia. Mr. Qiu joined Huabao Trust Co., Ltd. in 2011 as general manager of the international business department. Mr. Qiu joined Ping An Trust Co., Ltd. in 2015 as president of overseas investment department and senior managing director, responsible for establishing overseas investment department and determining its overseas investment strategies and plans. Mr. Qiu has obtained chartered financial analyst (CFA), Canadian certificated financial planner (CFP), Canadian fund company partner, director and senior management, and Canadian securities qualifications. He has been a non-executive director of China Health Group Limited (stock code: 673) since 4 June 2018.

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE MEMBERS OF NOVA GROUP HOLDINGS LIMITED
(FORMERLY KNOWN AS MEGA EXPO HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Nova Group Holdings Limited and its subsidiaries ("**the Group**") set out on pages 65 to 167, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Acquisition of a subsidiary

The Group acquired 51% equity interests in Shanghai Mijia Hemao Expo Co., Ltd. (literal translation of the Chinese name of 上海米伽合貿展覽有限公司) (formerly known as Shanghai Jiamao Expo Co., Ltd. (literal translation of the Chinese name of "上海伽貿展覽有限公司")) ("**Shanghai Mijia Hemao**") during the year ended 30 June 2019.

Pursuant to the terms in the sales and purchase agreement (the "**SPA**") for the acquisition of Shanghai Mijia Hemao, it came to our attention that the 5-year exhibition holding right agreement and year 2019 exhibition sales contracts would be transferred to the Group. We were unable to obtain sufficient documentations to review whether these agreement/contracts would be recognised as any identifiable assets including intangible assets at the completion date of the acquisition and as at 30 June 2019.

The Group recorded goodwill, financial assets at fair value through profit or loss – profit guarantee and contingent consideration payable of approximately HK$41,001,000, HK$9,289,000 and HK$10,590,000 respectively as at 30 June 2019.

INDEPENDENT AUDITOR'S REPORT

(Continued)

BASIS FOR QUALIFIED OPINION *(Continued)*

1. Acquisition of a subsidiary *(Continued)*

In the preparation of the consolidated financial statements, management of the Group has performed an impairment assessment on the cash generating unit ("**CGU**") to which the goodwill belongs and prepared the forecast of Shanghai Mijia Hemao's performance to evaluate the fair value of profit guarantee and contingent consideration payable. However, we were not provided with sufficient appropriate audit evidence relating to the accuracy and relevance of the data used in estimating the recoverable amount of the CGU and the forecast of Shanghai Mijia Hemao's performance.

Due to the limitations on our scope of work, we were unable to determine i) whether the recoverable amount of the CGU was appropriately estimated and whether recognition of impairment losses is necessary on the assets included in the CGU including the goodwill as at 30 June 2019; and ii) whether the intangible assets, financial assets at fair value through profit or loss – profit guarantee and contingent consideration payable were appropriately stated as at the date of completion and as at 30 June 2019.

Any impairment loss recognition found to be necessary would reduce the carrying amount of goodwill, and may also impact the carrying amounts of other assets in the CGU including the intangible assets, if any, and the corresponding deferred tax liabilities as at 30 June 2019. Any possible adjustments to intangible assets, financial assets at fair value through profit or loss – profit guarantee and contingent consideration payable found to be necessary would have an effect on the fair value of the purchase consideration for Shanghai Mijia Hemao and as at 30 June 2019. The net assets of the Group as at 30 June 2019 and the net profit of the Group for the year ended 30 June 2019 would also be affected.

2. Investment in an unlisted private fund

During the year ended 30 June 2019, the Group has signed a subscription agreement to invest in Class B share interest in an unlisted private fund for a consideration of HK$30,000,000 (the "**Private Fund**").

The directors of the Company performed a valuation assessment on the Private Fund as at 30 June 2019 with reference to the fund statement provided by the fund manager, which the value of Class B shareholding is approximately HK$30,985,000 and source data provided by the management of the investees. The directors of the Company considered the fair value of the Group's investment in the Private Fund as at 30 June 2019 amounted to HK$30,000,000.

We were unable to obtain sufficient appropriate audit evidence to establish the reasonableness of the basis and assumptions, and whether the source data was complete and accurate in carrying out the valuation of the Private Fund. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net assets as at 30 June 2019 and the consolidated statement of profit or loss and other comprehensive income for the year then ended and the related note disclosures to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

BASIS FOR QUALIFIED OPINION *(Continued)*

3. Factoring business and possible relationship with a customer

During the year ended 30 June 2019, the Group had commenced credit factoring business and granted factoring loans to Customer A of approximately RMB234,500,000, equivalent to approximately HK$270,760,000 in aggregate, which represented approximately 67.0% of the Group's total loan amount granted under the credit factoring business segment during the year. These loans to Customer A generated interest income of approximately RMB7,128,000, equivalent to approximately HK$8,190,000 and management fee income of approximately RMB1,661,000, equivalent to approximately HK$1,908,000 for the year ended 30 June 2019, which represented approximately 31.9% of the Group's total financing income. Both amounts were included in "Revenue – Financing income" in the consolidated statement of profit or loss and other comprehensive income. As at 30 June 2019, the Group had an outstanding factoring receivable balance from Customer A of approximately RMB162,998,000, equivalent to approximately HK$185,271,000, which represented approximately 60.2% of the Group's total factoring receivables. The amount was included in "Factoring receivables" in the consolidated statement of financial position.

The percentage of the outstanding balance of Customer A against total factoring receivables and total assets of the Group amounted to approximately 60.2% and 15.7% respectively. We had not been provided with sufficient information and documentations on the background of Customer A regarding the credit risk assessments and bases and supporting documentation for the results of the credit reviews on Customer A.

Management had represented that the Customer A was an independent third party of the Group. During the course of our audit, it came to our attention that Individual A, who is the legal representative, one of the shareholders and directors of Customer A, was the former legal representative of Nod (Shanghai) Management Communication Co., Ltd. (literal translation of the Chinese name of 諾笛（上海）企業管理諮詢有限公司) from December 2014 to May 2016, an indirect wholly-owned subsidiary which the Group completed the acquisition in March 2018.

We were unable to obtain satisfactory explanations and adequate evidence to ascertain (i) the reasonableness of concentrated loan granted to Customer A and the internal evaluation and risk assessment of granting factoring loan to Customer A; and (ii) the relationship, if any, between the Group and Individual A, and between the Group and Customer A, accordingly. Consequently, we were unable to determine whether these parties were related parties and whether adequate disclosures of the related party balances and transactions have been provided in the consolidated financial statements for the year ended 30 June 2019.

INDEPENDENT AUDITOR'S REPORT

(Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
As set out in Note 17 to the consolidated financial statements, the Group recorded a balance of goodwill amounting to approximately HK$332,417,000, including an amount of approximately HK$41,001,000 generated from the acquisition of Shanghai Mijia Hemao. The management had made an assessment of the recoverable amount of cash-generating units ("**CGUs**") allocated to the goodwill with reference to valuations performed by an independent professional valuer and concluded that no impairment loss on goodwill is required. The recoverable amount of the CGUs was determined by the value in use calculation which used cash flow projections based on financial forecasts covering a three-year period, with reference to discount rate, market conditions and other relevant factors. We identified the impairment of goodwill as a key audit matter due to the quantum of the carrying value of goodwill and the risk relating to the key assumptions and assertions used by the management to support their assessment and judgement in determining the recoverable amount of the CGUs.	Our audit procedures in relation to management's impairment assessment of goodwill included: – evaluating the objectivity, independence and competency of the valuer; – discussing with and challenging the valuer on the valuation methodologies, assumptions and key estimates used in the valuation; – assessing the sensitivity of the forecasts to change in assumptions, specifically the discount rate used in the model, to assess the appropriateness of the carrying amount of the intangible assets and goodwill; – checking the mathematical accuracy of the valuation; – obtaining an understanding of management's process of assessing the recoverable amount of CGUs and their value in use; and – challenging the cashflow forecasts used in the model against historical performance. We considered that the judgment and assumptions made by management in its impairment assessment for goodwill were supportable by the available evidences and information.

INDEPENDENT AUDITOR'S REPORT
(Continued)

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on contracts with customers	
The Group has multiple revenue sources including exhibitions and events planning services, contracting services and entertainment equipment solution, brand management services, and promotion and consulting services. Since sales or services contracts include many different terms, there is a risk of incorrect timing of revenue recognition due to fraud or misstatements. In addition, the Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 July 2018 using the modified retrospective approach, which required judgements and estimates being made in the impacted areas. Due to this the revenue recognition was determined to be a key audit matter and a significant risk of material misstatement as required by auditing standards. The Group's disclosures of revenue recognition are detailed in Note 7 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: – evaluating the revenue recognition principles applied by the Group towards applicable accounting standards; – evaluating the revenue recognition of different sources of revenue in the relation to the terms of the sales agreements; – testing the timing of the revenue recognition; – evaluating the appropriateness of the notes related to Group's revenue; – performing background check on selected customers; – recalculating the balances of trade receivables and receipts in advance and reconciling the results to the Group's financial records; and – evaluating the journals entries posted to revenue accounts, on a specific risk-based sample basis, and comparing details of these journals entries with relevant underlying documentations, which included sales or services contracts. We considered that the revenue of the Group was supportable by the available evidences and information.
Valuation of early redemption right of corporate bonds	
As set out in Notes 5(c) and 24 to the consolidated financial statements, the fair value of the early redemption right of corporate bonds recorded HK$16,230,000 as at 30 June 2019. In determining the fair value of the early redemption right of corporate bonds, management engaged the valuer to perform the valuation of the early redemption right of corporate bonds. In estimating the value of the early redemption right of corporate bonds, key inputs used by the valuer and agreed by management include the discount rate. We identified the valuation of early redemption right of corporate bonds as a key audit matter due to the complexity and significant management judgement involved on estimating the fair value.	Our procedures in relation to evaluating the appropriateness of valuation of the early redemption right of corporate bonds included: – evaluating the valuer's competence, capabilities and objectivity; – assessing the appropriateness of the valuation methodology, and the reasonableness on the key inputs used by the valuer and agreed by management, including the discount rate; – assessing the sensitivity analysis performed by valuer in relation to the fluctuation on the discount rate; and – checking the mathematical accuracy of the valuation. We considered that the assessments made by management in fair value of early redemption of corporate bonds were supportable by the available evidences and information.

INDEPENDENT AUDITOR'S REPORT
(Continued)

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the "Basis for Qualified Opinion" section above, we were not provided with sufficient appropriate evidence about fair value of unlisted private fund; fair value of intangible assets acquired at the date of acquisition of Shanghai Mijia Hemao; fair value of financial assets and liabilities at fair value through profit or loss at the date of acquisition of Shanghai Mijia Hemao; impairment assessment of goodwill of Shanghai Mijia Hemao as at 30 June 2019; fair value of financial assets and liabilities at fair value through profit or loss as at 30 June 2019 and related party disclosures of the factoring business customer. Accordingly we are unable to conclude whether or not the other information is materially misstated with respect to these matters. Except for these matters, we have nothing to report in this regard.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

(Continued)

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

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

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

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

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

– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

HLM CPA Limited
Certified Public Accountants

Ho Pak Tat
Practising Certificate Number: P05215

Hong Kong, 27 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**576,120**	254,051
Cost of sales		**(192,810)**	(137,787)
Gross profit		**383,310**	116,264
Other income	8	**16,574**	1,814
Other gains and losses	9	**1,244**	28,619
Net loss on financial assets at fair value through profit or loss	9	**(30,009)**	(23,974)
Net (loss)/gain on change in fair value of contingent consideration payables		**(23,255)**	43,433
Selling expenses		**(19,068)**	(12,570)
Administrative expenses		**(110,301)**	(40,209)
Operating profit		**218,495**	113,377
Finance costs	10	**(22,665)**	(237)
Profit before tax	9	**195,830**	113,140
Taxation	11	**(88,514)**	(22,435)
Profit for the year		**107,316**	90,705
Other comprehensive income/(expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(12,328)**	(3,907)
Release of exchange reserve upon deregistration of a subsidiary		**–**	169
Total comprehensive income for the year		**94,988**	86,967

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Continued)

For the year ended 30 June 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		**107,514**	90,706
Non-controlling interests		**(198)**	(1)
		107,316	90,705
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**95,195**	86,968
Non-controlling interests		**(207)**	(1)
		94,988	86,967
Earnings per share attributable to owners of the Company:	*14*		
Basic (HK cents)		**7.39**	6.49
Diluted (HK cents)		**7.20**	6.49

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Non-current assets			
Property, plant and equipment	*15*	**4,738**	5,980
Intangible assets	*16*	**14,252**	22,511
Goodwill	*17*	**332,417**	290,982
Financial assets at fair value through profit or loss	*24*	**7,977**	13,430
Interest in an associate	*18*	**–**	12
Prepayment and deposits	*23*	**16,062**	1,703
Deferred tax assets	*20*	**1,465**	5,525
		376,911	340,143
Current assets			
Inventories		**2,159**	3,400
Trade receivables	*21*	**171,327**	109,793
Factoring receivables	*22*	**307,557**	–
Prepayments, deposits and other receivables	*23*	**52,275**	14,954
Financial assets at fair value through profit or loss	*24*	**48,887**	3,355
Income tax receivables		**2,089**	231
Cash and cash equivalents	*25*	**212,951**	171,175
		797,245	302,908
Current liabilities			
Trade payables	*26*	**26,445**	9,604
Receipts in advance	*27*	**2,528**	2,810
Contract liabilities	*28*	**13,210**	–
Accruals, deposits received and other payables	*29*	**33,129**	43,909
Contingent consideration payables	*30*	**83,061**	45,979
Income tax payables		**26,655**	11,845
		185,028	114,147
Net current assets		**612,217**	188,761
Total assets less current liabilities		**989,128**	528,904

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Contract liabilities	28	**9,496**	–
Contingent consideration payables	30	**87,280**	136,442
Corporate bonds	31	**324,525**	2,594
Convertible bonds/convertible note	32	**23,345**	–
		444,646	139,036
NET ASSETS		**544,482**	389,868
Capital and reserves			
Share capital	33	**2,926**	2,908
Reserves		**545,724**	391,285
Equity attributable to owners of the Company		**548,650**	394,193
Non-controlling interests		**(4,168)**	(4,325)
TOTAL EQUITY		**544,482**	389,868

The consolidated financial statements on pages 65 to 167 were approved and authorised for issue by the Board of Directors on 27 September 2019 and are signed on its behalf by:

Deng Zhonglin *Chairman*	**Xu Feng** *Director*

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Convertible bonds reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000 *(Note a)*	Other reserve HK$'000 *(Note b)*	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2017	2,702	196,806	–	–	(155)	(107)	(52,892)	146,354	(4,324)	142,030
Profit for the year	–	–	–	–	–	–	90,706	90,706	(1)	90,705
Other comprehensive expenses for the year, net of tax	–	–	–	–	(3,738)	–	–	(3,738)	–	(3,738)
Total comprehensive income/(expense) for the year	–	–	–	–	(3,738)	–	90,706	86,968	(1)	86,967
Placing of shares	137	100,190	–	–	–	–	–	100,327	–	100,327
Recognition of equity-settled share-based payments	–	–	–	6,202	–	–	–	6,202	–	6,202
Issue of convertible bonds	–	–	29,369	–	–	–	–	29,369	–	29,369
Conversion of convertible bonds	69	54,265	(29,369)	–	–	–	–	24,965	–	24,965
Release upon disposal of a subsidiary	–	–	–	–	–	8	–	8	–	8
At 30 June 2018	2,908	351,261	–	6,202	(3,893)	(99)	37,814	394,193	(4,325)	389,868
Adjustments on adoption of HKFRS 15	**–**	**–**	**–**	**–**	**99**	**–**	**(6,781)**	**(6,682)**	**–**	**(6,682)**
At 1 July 2018 (restated)	**2,908**	**351,261**	**–**	**6,202**	**(3,794)**	**(99)**	**31,033**	**387,511**	**(4,325)**	**383,186**
Profit for year	**–**	**–**	**–**	**–**	**–**	**–**	**107,514**	**107,514**	**(198)**	**107,316**
Other comprehensive expenses for the year, net of tax	**–**	**–**	**–**	**–**	**(12,319)**	**–**	**–**	**(12,319)**	**(9)**	**(12,328)**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**(12,319)**	**–**	**107,514**	**95,195**	**(207)**	**94,988**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**57,404**	**–**	**–**	**–**	**57,404**	**–**	**57,404**
Issue of convertible bond/ convertible note	**–**	**–**	**16,352**	**–**	**–**	**–**	**–**	**16,352**	**–**	**16,352**
Conversion of convertible bond	**18**	**15,317**	**(8,605)**	**–**	**–**	**–**	**–**	**6,730**	**–**	**6,730**
Arising from acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**364**	**364**
Dividend paid *(Note 13)*	**–**	**–**	**–**	**–**	**–**	**–**	**(14,542)**	**(14,542)**	**–**	**(14,542)**
At 30 June 2019	**2,926**	**366,578**	**7,747**	**63,606**	**(16,113)**	**(99)**	**124,005**	**548,650**	**(4,168)**	**544,482**

The accompanying notes form an integral part of these consolidated financial statements.

Notes:

(a) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than Hong Kong dollars which are dealt with in accordance with the accounting policies as set out in Note 3 to the consolidated financial statements.

(b) Other reserve

Other reserve represented the difference between the Group's share of nominal value of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon completion of reorganisation on 3 October 2013.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**195,830**	113,140
Adjustments for:			
Depreciation of property, plant and equipment	15	**3,157**	3,325
Amortisation of intangible assets	16	**7,314**	7,388
Gain on disposal of property, plant and equipment	9	**–**	(10)
Gain on disposal of intangible asset	9	**(15)**	–
Write off of property, plant and equipment	9	**19**	13
Net loss on financial assets at fair value through profit or loss	9	**30,009**	23,974
Dividend income	9	**–**	(160)
Financing income		**(31,698)**	–
Interest income	9	**(738)**	(1,886)
Interest expenses	10	**22,665**	237
Net loss/(gain) on change in fair value of contingent consideration payables	30	**23,255**	(43,433)
Net gain on disposal of subsidiaries	9	**–**	(14,180)
Loss on deregistration of a subsidiary	9	**–**	169
Equity-settled share-based payment expenses	9	**57,404**	6,202
Reversal of impairment loss on other receivable	9	**–**	(11,500)
Wavier of amount due from an associate	9	**21**	–
Operating cash flows before movement in working capital		**307,223**	83,279
Increase in amounts due from an associate		**(9)**	(4)
Decrease/(increase) in inventories		**1,113**	(3,451)
Increase in trade receivables		**(66,522)**	(94,403)
Increase in factoring receivables		**(310,879)**	–
(Increase)/decrease in prepayments, deposits and other receivables		**(52,071)**	23,505
Increase in trade payables		**17,411**	4,106
Increase/(decrease) in receipts in advance		**2,555**	(25,503)
Decrease in contract liabilities		**(10,224)**	–
Increase in accruals, deposits received and other payables		**12,589**	8,601
Cash used in operations		**(98,814)**	(3,870)
Tax paid		**(70,327)**	(15,267)
Financing interest received		**30,398**	–
Net cash used in operating activities		**(138,743)**	(19,137)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Dividend income		–	160
Interest received		738	1,886
Payment for acquisition of subsidiaries		(39,460)	(17,521)
Purchase of property, plant and equipment		(1,966)	(106)
Proceeds from disposal of property, plant and equipment		167	499
Proceeds from disposal of intangible asset		115	–
Acquisition of listed equity securities		–	(19,200)
Acquisition of unlisted investment fund		(30,000)	–
Proceed from disposal of listed equity securities		–	20,145
Acquisition of unlisted fund		–	(10,082)
Proceed from disposal of unlisted fund		–	9,923
Proceeds from disposal of subsidiaries		–	51,722
Net cash (used in)/generated from investing activities		(70,406)	37,426
FINANCING ACTIVITIES			
Dividends paid to owners of the Company		(14,542)	–
Interest paid		(29,415)	(3)
Net proceeds from placing of shares		–	100,327
Net proceeds from issue of corporate bonds		298,510	2,580
Net cash generated from financing activities		254,553	102,904
NET INCREASE IN CASH AND CASH EQUIVALENTS		45,404	121,193
Cash and cash equivalents at the beginning of the year		171,175	54,583
Effect of foreign currency exchange rate changes		(3,628)	(4,601)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*25*	212,951	171,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands and is listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal place of business of the Company in Hong Kong is Suites 911–912, Level 9, One Pacific Place, 88 Queensway, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 19.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate. All values are rounded to the nearest thousand, unless otherwise stated.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

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 retained earnings (or other components of equity, as appropriate) 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 the 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 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Organisation of exhibitions, events planning and related services income;
- Contracting services and entertainment equipment solution income;
- Brand management and related services income; and
- Promotion and consulting services income.

Information about the Group's accounting policies and the performance obligations resulting from application of HKFRS 15 are disclosed in Notes 3 and 7 respectively.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of transition to HKFRS 15 on retained earnings at 1 July 2018.

	At 1 July 2018 HK$'000
Revenue recognised over time	(7,580)
Cost of sales	41
Tax effect	758
Total impact	(6,781)
Adjustment to retained earnings	(6,781)
Adjustment to non-controlling interest	–
	(6,781)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

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

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

	Carrying amounts previously reported at 30 June 2018 HK$'000	**Reclassification** HK$'000	**Remeasurement** HK$'000	**Carrying amounts under HKFRS 15 at 1 July 2018** HK$'000
Non-current asset				
Deferred tax assets	5,525	–	747	6,272
Current asset				
Prepayments, deposits and other receivables	14,954	–	489	15,443
Current liabilities				
Contract liabilities *(Note a)*	–	26,309	4,098	30,407
Receipts in advance	2,810	(2,810)	–	–
Accruals, deposits received and other payables	43,909	(23,499)	–	20,410
Non-current liability				
Contract liabilities *(Note a)*	–	–	3,820	3,820
Capital and reserves				
Reserves	391,285	–	(6,682)	384,603

Note:

(a) Receipts in advance from the organisation of exhibitions, events planning and related services of approximately HK$2,810,000 are recognised as contract liabilities.

Deferred revenue of the membership income from 諾笛聯盟平台 (transliterated as the "**NOD Union**") in promotion and consulting services of approximately HK$23,499,000 which has not yet recognised as revenue are recognised as contract liabilities.

The Group's contracts with customers for brand management and related services allows customer access as it exists at any given time. Taking into account the contract terms, the legal and regulatory environment in the PRC, the contracts provide the Group enforceable right to payment for performance completed to date and hence should be recognised over time upon application of HKFRS 15. Approximately HK$747,000, HK$489,000, HK$99,000 and HK$6,781,000 have been adjusted from deferred tax assets, other receivables, exchange reserve and opening retained earnings respectively with corresponding adjustment of approximately HK$7,918,000 to contract liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

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

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 30 June 2019 and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported HK$'000	**Adjustments** HK$'000	**Amounts without application of HKFRS 15** HK$'000
Non-current asset			
Deferred tax assets	1,465	(1,465)	–
Current asset			
Prepayments, deposits and other receivables	52,275	(958)	51,317
Current liabilities			
Contract liabilities *(Note a)*	13,210	(13,210)	–
Receipts in advance	2,528	5,024	7,552
Accruals, deposits received and other payables	33,129	1,398	34,527
Non-current liability			
Contract liabilities *(Note a)*	9,496	(9,496)	–
Capital and reserves			
Reserves	545,724	6,682	552,406

Note:

(a) As at 30 June 2019, advances from customers of approximately HK$22,706,000 in respect of organisation of exhibitions, events planning and related services, contracting services and entertainment equipment solution, brand management and related services and the membership income from NOD Union in promotion and consulting services was classified as contract liabilities and the amount shall remain as it is and included in receipts in advance and deferred revenue without application of HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

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

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

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Revenue	576,120	(7,562)	568,558
Cost of sales	(192,810)	41	(192,769)
Gross profit	383,310	(7,521)	375,789
Profit before tax	195,830	(7,521)	188,309
Income tax expenses	(88,514)	756	(87,758)
Profit for the year	107,316	(6,765)	100,551
Total comprehensive income for the year	94,988	(6,695)	88,293

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating activities			
Profit before tax	195,830	(7,521)	188,309
Operating cash flows before movements in working capital	307,223	(7,521)	299,702
Increase in prepayment, deposits and other receivables	(52,071)	497	(51,574)
Decrease in contract liabilities	(10,224)	10,224	–
Increase in receipts in advance	2,555	2,354	4,909
Increase/(decrease) in accruals, deposits received and other payables	12,589	(20,754)	(8,165)

2.2 HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments" 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 under ECL model) 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 the carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.2 HKFRS 9 "Financial Instruments" and the related amendments *(Continued)*

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

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of HKFRS 9

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

	HKAS 39		HKFRS 9	
	Measurement category	**Carrying amount** HK$'000	**Measurement category**	**Carrying amount** HK$'000
Profit guarantees	Fair value through profit or loss (Designated)	16,785	Fair value through profit or loss (Mandatorily)	16,785
Trade receivables	Loans and receivables	109,793	Amortised cost	109,793
Deposits and other receivables	Loans and receivables	5,262	Amortised cost	5,262
Cash and cash equivalents	Loans and receivables	171,175	Amortised cost	171,175
Total financial assets		303,015		303,015

The directors of the Company considered that there is no material impact on the classification of the financial assets and financial liabilities as at 1 July 2018 resulting from the application of HKFRS 9.

Financial assets/financial liabilities at FVTPL

There was no impact on the amounts recognised in relation to the financial assets/liabilities from the application of HKFRS 9.

Impairment under ECL model

The Group applies HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and factoring receivables. The balances are assessed individually.

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12 months expected credit loss ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

The directors of the Company considered that the measurement of ECL has no material impact on the Group's retained earnings at 1 July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

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

The following new and amendments to HKFRSs have been issued but are not yet effective and have not been early adopted by the Group in preparing these consolidated financial statements:

HKFRS 3 (amendments)	Definition of a Business[4]
HKFRS 9 (amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (2011) (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HKAS 1 and HKAS 8 (amendments)	Definition of Material[2]
HKAS 19 (amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (amendments)	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
HKFRSs (amendments)	Annual Improvement to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

4 Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective date to be determined.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 16 "Leases"

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modification.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

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

New and amendments to HKFRSs issued but not yet effective *(Continued)*

HKFRS 16 "Leases" *(Continued)*

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

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2019, the Group has operating lease commitments of approximately HK$23,612,000 (2018: approximately HK$34,716,000) as disclosed in Note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$5,325,000 (2018: approximately HK$4,097,000) as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

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

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

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

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

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

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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

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

Property, plant and equipment

Property, plant and equipment held for use in production or supply of goods or services, or for administrative purpose are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful life, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the lease terms
Computer equipment	25%–33%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting periods, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

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

Trademarks and brands	37–116 months

Both the period and method of amortisation are reviewed annually.

Impairment of tangible and intangible assets other than goodwill

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill *(Continued)*

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial sales of financial assets are recognised and derecognised on a trade data basis. Regular way purchases or sales are purchases or sales of financials assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 July 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net loss on financial assets at fair value through profit or loss" line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, factoring receivables and bank balances). 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, 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 experiences, 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 a lifetime ECL for trade receivables and factoring receivables under simplified approach. The ECL on these receivables are assessed individually.

For all other financial 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.

(i) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2) (Continued)

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 240 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2) (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is 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 where the corresponding adjustment is recognised through an impairment allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 July 2018)

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("**FVTPL**"), and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 July 2018) (Continued)

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is designated as at FTVPL.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments:Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "net loss on financial assets at fair value through profit or loss" in the consolidated statement of profit or loss. Fair value is determined in the manner described in Note 5(c) to the consolidated financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits, other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 July 2018)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 July 2018) (Continued)

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

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

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Equity instrument

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL, of which the interest expenses is included in net gains or losses.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liabilities is contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the consolidated income statement, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated income statement. The net fair value gain or loss recognised in the consolidated income statement does not include any interest charged on these financial liabilities.

Convertible bonds/convertible notes

The component parts of compound instruments (convertible bonds/convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is subsequently recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible bonds/convertible notes (Continued)

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

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

Financial liabilities at amortised cost

Other financial liabilities (including trade payables, accruals, deposits received and other payables and corporate bonds) are subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand, cash at bank and other financial institutions which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

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 or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

When control is transferred over time, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of 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.

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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) *(Continued)*

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

Output method

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 goods or services transferred to the customer to data relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

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 services before that good or services 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 the specified goods or services to be provided by the other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 July 2018)

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

(i) Organisation of exhibitions, events planning and related services income

Participation fee income

Participation fee income is derived from allowing the exhibitors to participate in relevant exhibitions and the provision of decoration facilities for the exhibition booths, and is recognised when the decoration facilities are provided and when the exhibitions are held.

Additional facilities income

Additional facilities income is recognised when the services are rendered.

Other ancillary service income

Other ancillary service income is recognised when the services are rendered.

(ii) Management fee income

Management fee income is recognised when the services are rendered.

(iii) Contracting services and installation of equipment

Revenue from the sales of entertainment equipment are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered, installation is completed and the title has passed to the customers.

(iv) Promotion and consultancy services income

Promotion and consultancy services income is recognised when the services are rendered.

(v) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(vi) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment are established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(i) Retirement benefits cost

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held by separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As stipulated by the rules and regulations of the People's Republic of China (the "**PRC**"), the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post retirement benefits beyond the annual contribution.

The costs of employee retirement benefits are recognised as expenses in profit or loss in the period in which they are incurred.

(ii) Equity-settled share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basic over the periods in which the Group recognised as expense the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

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

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

Current and deferred tax for the year

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(1) has control or joint control of the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or a parent of the Group.

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

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

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

(3) both entities are joint ventures of the same third party.

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(6) the entity is controlled or jointly-controlled by a person identified in (i).

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases, Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker ("**CODM**") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Income taxes

The Group is subject to income taxes in various tax authorities. Significant judgement is required in determining the provision for income taxes and the timing of payment of the related tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

Depreciation and amortisation

Property, plant and equipment and intangible assets (see Notes 15 and 16 to the consolidated financial statements respectively) are depreciated and amortised on a straight-line basis over their estimated useful lives. The Group annually reviews the useful life of an asset and its residual value, if any. The useful life is based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated which is the higher of the value-in-use or fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment of property, plant and equipment

Determining whether an item of property, plant and equipment is impaired requires an estimate of the recoverable amount of the relevant cash-generating unit to which the asset belongs, which is the higher of the value in use or fair value less costs to disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from cash-generating unit and suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise.

Impairment of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. The management is satisfied that no impairment loss is required to recognise during the period.

Deferred tax assets

As at 30 June 2019, a deferred tax asset of approximately HK$1,465,000 (30 June 2018: approximately HK$5,250,000) in relation to the timing differences on revenue recognition has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK$12,397,000 (2018: approximately HK$26,535,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxation profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Allowance for inventories

At the end of the reporting period, the Group reviews its inventories and considers to make allowance for obsolete and slow-moving inventory items identified that are no longer marketable or suitable for sell. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions.

Provision of ECL

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires significant judgment and estimation, in particular, the assessment of a significant increase in credit risk and credit-impaired financial assets as well as the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. Details of the key assumptions and inputs used are set out in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Fair value measurements of other financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages an independent professional valuer to perform the valuation. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 5(c) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value.

Fair value of profit guarantee

The fair value of profit guarantee for acquisition was determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions, including the discount rates, estimation of post-acquisition performance of the acquired subsidiaries and the probability of meeting each profit target. It is subsequently re-measured to fair value at the end of each reporting periods. Change in assumption used could materially affect the fair value of the balances and as a result affect the Group's financial condition ad results of operation.

Fair value of contingent consideration payable

The fair value of contingent consideration payables were determined by using valuation techniques. The Group's management uses its judgement to select a variety of methods and make assumptions, including the discount rates and estimation of future performance. Change in assumptions used could materially affect the fair value of the balances and as a result affect the Group's financial condition and results of operation. At 30 June 2019, the carrying amount of contingent consideration payable amounted to approximately HK$170,341,000 (2018: approximately HK$182,421,000).

Equity-settled share-based payment

The Group recognises equity-settled share-based payment expenses on options granted. Equity-settled share-based payment expenses is based on the estimated fair value of each option at its grant date, the estimation of which requires the directors of the Company to make assumptions about future volatility of the Group's stock price, future interest rates and the timing with respect to exercise of the options. The effects of a change in one or more of these variables could result in a materially different fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	–	286,230
Financial assets at amortised cost		
– Trade receivables	171,327	–
– Factoring receivables	307,557	–
– Other receivables, deposits (exclude prepayment)	18,574	–
– Cash and cash equivalents	212,951	–
Financial assets at FVTPL	56,864	16,785
	767,273	303,015
Financial liabilities		
Financial liabilities at amortised cost		
– Trade payables	26,445	9,604
– Accruals, deposits received and other payables	33,129	20,410
– Corporate bonds	324,525	2,594
– Convertible bonds/convertible note	23,345	–
Financial liabilities at FVTPL		
– Contingent consideration payables	170,341	182,421
	577,785	215,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, factoring receivables, deposits, other receivables, cash and cash equivalents, financial assets at FVTPL, trade payables, accruals, deposits received and other payables, convertible bonds/convertible note, corporate bonds and contingent consideration payables. The details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties equal to the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In respect of trade receivables, in order to minimise the credit risk, Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by individual customer. Receivables due from customers are due within the settlement period commonly adopted by the relevant market convention, which is usually within 90 days except for contracting services and entertainment equipment solution which settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. Normally, the Group does not hold any collateral or other credit enhancement over its trade receivables balances. Other monitoring procedures are in place to ensure the follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon the application of HKFRS 9 (2018: incurred loss mode) at the end of the reporting period to ensure that adequate impairment losses are made. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In respect of factoring receivables and finance lease receivables from customers, the objective of the Group's measure to manage credit risk is to control the potential exposure to the recoverability problem. The Group manages and analyses the credit risk for each of their new and existing customers before payment terms and conditions are concluded by assessing the credit quality of the customer, taking into account its financial position, past settlement experience and other factors. Factoring receivable and finance lease receivable balances are monitored on an on-going basis, management reviews the recoverable amount of factoring receivables at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced. Interest income are usually billed on monthly basis. Other monitoring procedures are in place to ensure the follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon the application of HKFRS 9 at the end of the reporting period to ensure that adequate impairment losses are made. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 30 June 2019, 4.6% (2018: 1.9%) of the total trade receivables was due from the Group's largest customer in 2019, and 30.1% (2018: 20.8%) was due from the five largest customers in 2019. The Group's concentration of credit risk by geographical location is in the PRC, which accounted for 100% (2018: 94.1%) of the trade receivables as at 30 June 2019. These customers have good historical repayment records and no default in payment.

The Group has significant concentration of credit risk as 60.2% and 88.3% (2018: Nil) of factoring receivables from loan financing business was due from the Group's largest customer and the five largest customers as at 30 June 2019. In order to minimise credit risk, the management reviewed the recoverable amount of each factoring receivable at the end of the reporting period to ensure that adequate impairment losses was recognised for irrecoverable debts. The management closely monitored the subsequent settlement of the individual factoring receivable and assessed impairment, after taking into account the collaterals held by the Group. Also, no past due on factoring receivables as at 30 June 2019. In this regard, the management considered that the Group's credit risk on factoring receivables was significantly reduced.

The Group maintains frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Settlements from the customers are closely monitored on an ongoing basis by management of the Group to ensure any overdue debts are identified and follow-up action is taken to recover the overdue debts. The Group will consider diversifying its customers base as appropriate.

The credit risk on liquid funds is limited because the counterparties are banks and other financial institutions which are reputable in the opinion of management.

Impairment assessment policies

The Group's policy requires the review of individual outstanding amounts regularly depending on individual circumstance or market condition.

Upon adoption of HKFRS 9, the management is responsible in developing and maintaining the processes for measuring ECL, the impairment requirements under HKFRS 9. The Group applies simplified approach to measure ECL on trade receivables and factoring receivables; and general approach to measure ECL on other financial assets classified at amortised cost. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

For such financial assets classified as Stage 1 and 2, the management assesses loss allowances using the risk parameter modelling approach that incorporates key parameters, including probability of default ("**PD**"), loss given default ("**LGD**") and exposure at default ("**EAD**"). For credit-impaired financial assets classified as Stage 3, the management assesses the credit loss allowances by estimating the future cash flows expected to arise from the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Measurement of ECL

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and customer's creditworthiness (e.g. the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

(i) Criteria for judging significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, our Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, credit rating grade, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Quantitative criteria: At the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition.

- Qualitative criteria: Significant adverse change in debtor's operation or financial status.

For loan receivables, the number of days past due and loan-to-collateral value were used to estimate significant increase in credit risk. Other financial assets at amortised cost use number of days past due as determinant of credit risk.

(ii) Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under HKFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Internal rating of the debtor indicating default or near-default;

- Significant financial difficulty of the issuer or the customer;

- The debtor leaves any of the receivables of the Group overdue for more than 90 days;

- It is becoming probable that the customer will enter bankruptcy or other financial restructuring;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Measurement of ECL *(Continued)*

(ii) Definition of credit-impaired financial asset (Continued)

- The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

(iii) Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include PD, LGD and EAD. The Group takes into account the quantitative analysis of historical statistics (such as internal rating grade, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. For loans to margin clients and loans receivable, the Group estimates PD by the internal credit ratings. For other financial assets at amortised cost the PD is adjusted based on the credit rating of comparable companies operating in similar business;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, past default experience and the realisation of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

(iv) Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the respective reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

At 30 June 2019

	Weighted average interest rate	**Carrying amount HK$'000**	**On demand HK$'000**	**Within 1 year HK$'000**	**2–5 years HK$'000**	**Total undiscounted cash flows HK$'000**
Trade payables	**–**	**26,445**	**26,445**	**–**	**–**	**26,445**
Accruals, deposits received and other payables	**–**	**33,129**	**33,129**	**–**	**–**	**33,129**
Contingent consideration payables	**–**	**170,341**	**–**	**83,060**	**87,281**	**170,341**
Convertible note	**10.02%**	**23,345**	**–**	**–**	**34,000**	**34,000**
Corporate bonds	**14.78%**	**324,525**	**–**	**45,618**	**324,652**	**370,270**
		577,785	**59,574**	**128,678**	**445,933**	**634,185**

At 30 June 2018

	Weighted average interest rate	Carrying amount HK$'000	On demand HK$'000	Within 1 year HK$'000	2–5 years HK$'000	Total undiscounted cash flows HK$'000
Trade payables	–	9,604	9,604	–	–	9,604
Accruals, deposits received and other payables	–	20,410	20,410	–	–	20,410
Contingent consideration payables	–	182,421	–	42,004	142,004	184,008
Corporate bond	10.21%	2,594	–	–	3,000	3,000
		215,029	30,014	42,004	145,004	217,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed coupon rate corporate bonds. The Group is also exposed to cash flow interest rate risk relating to the Group's variable-rate bank balances.

The Group's exposure to interest rates on bank balances is considered insignificant and the interest rate on corporate bond is shown in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rate in Hong Kong and the PRC. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. A 50 basis points (2018: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's profit/(loss) before tax for the year would increase/decrease by approximately HK$2,843,000 (2018: increase/decrease by approximately HK$838,000).

Currency risk

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("**RMB**") and US dollars ("**US$**"). Currency risk arises from the foreign currency denomination of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

(c) Fair value measurement of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with net assets value or generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amount of other financial assets and liabilities carried at amortised cost in the consolidated financial statements approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are determined.

Description	Fair value as at 30 June 2019 HK$'000	Fair value as at 30 June 2018 HK$'000	Fair value hierarchy	Valuation technique
Financial assets				
Financial assets at FVTPL:				
Early redemption right from corporate bonds	**16,230**	–	Level 3	Hull-white
Unlisted investment fund	**30,000**	–	Level 3	Net assets value
Profit guarantees	**10,634**	16,785	Level 3	Monte Carlo simulation
Financial liabilities				
Contingent consideration payables	**170,341**	182,421	Level 3	Crank-Nicolson finite – difference or discounted cash flow

There was no transfer between Level 1, 2 and 3 during the year.

Financial assets

Reconciliation of assets measured at fair value based on Level 3:

	Unlisted investment fund HK$'000	Early redemption right HK$'000	Profit guarantees HK$'000	Total HK$'000
At 1 July 2017	–	–	3,540	3,540
Arising from acquisition of subsidiaries	–	–	38,005	38,005
Loss on change in fair value *(Note 9)*	–	–	(24,760)	(24,760)
At 30 June 2018 and 1 July 2018	–	–	16,785	16,785
Arising from acquisition of a subsidiary *(Note 34)*	–	–	9,468	9,468
Issue of corporate bond	–	30,620	–	30,620
Investment in private fund	30,000	–	–	30,000
Loss on change in fair value *(Note 9)*	–	(14,390)	(15,619)	(30,009)
At 30 June 2019	**30,000**	**16,230**	**10,634**	**56,864**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets (Continued)

The valuation techniques and inputs used in Level 3 fair value measurement are as follows:

Description	Valuation technique	Significant unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 30 June 2019 HK$'000	Fair value as at 30 June 2018 HK$'000
Profit guarantee of Sparkle Mass Group *(Note i)*	Monte Carlo simulation	(i) Volatility	39.69% (2018: 30.04%–30.06%)	Increase	**1,345**	40
		(ii) Discount rates	10.32% (2018: 10.23%–10.42%)	Decrease		
Profit guarantee of Fortune Selection Group *(Note i)*	Monte Carlo simulation	(i) Volatility	33.62% (2018: 28.63%–29.14%)	Increase	**–**	330
		(ii) Discount rates	10.32% (2018: 11.15%–11.35%)	Decrease		
Profit guarantee of Cheer Sino Group *(Note i)*	Monte Carlo simulation	(i) Volatility	33.62%–39.44% (2018: 28.63%–29.14%)	Increase	**–**	16,415
		(ii) Discount rates	10.78%–10.89% (2018: 10.78%–11.09%)	Decrease		
Profit guarantee of Shanghai Mijia Hemao *(Note i)*	Monte Carlo simulation	(i) Volatility	39.01% (2018: Nil)	Increase	**9,289**	–
		(ii) Discount rates	12.10%–12.45% (2018: Nil)	Decrease		
Early redemption right from corporate bond *(Note ii)*	Hull-white	(i) Discount rates	10.82% (2018: Nil)	Decrease	**16,230**	–
Unlisted investment fund *(Note iii)*	Net assets value	N/A	N/A	N/A	**30,000**	–

Notes:

(i) The Group appointed an independent professional valuer, Peak Vision Appraisals Limited ("**Peak Vision**"), to determine the fair value of profit guarantees using the Monte Carlo simulation model. The Monte Carlo simulation model considers the probability weighted distribution of the possible outcomes and factors the volatility of these outcomes. The fair value is then determined based on the present value of the expected cash flow that are discounted at appropriate discount rates.

(ii) The Group appointed Peak Vision to determine the fair value of early redemption right using the Hull-white model. The Hull-white model predicts the evolution of short rates using multi-factors such as prevailing interest rates, mean reversion and volatility of rate changes, etc.

(iii) As at 30 June 2019, the directors of the Company classified the unlisted investment fund as financial assets at FVTPL. In determining the fair value measurement of the investment in unlisted investment fund, directors of the Company based it on the reported net asset value of unlisted investment fund provided by the management of the investees. The management of the investees based on relevant comparable data whether possible to quantify the adjustment from cost in determining the net asset value. The factors to be considered in assessment may require the judgement. The underlying investment held by the investment fund as at 30 June 2019 were valued using transaction prices without adjustment.

The management of the investees based on relevant comparable data whether possible to quantify the adjustment from cost in determining the net asset value. The factors to be considered in assessment may require judgement. The underlying investment held by the investment fund as at 30 June 2019 were valued using transaction prices without adjustment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial liabilities

Reconciliation of liabilities measured at fair value based on Level 3:

	Contingent consideration payables HK$'000
At 1 July 2017	–
Arising from acquisition of subsidiaries	239,512
Reclassified to convertible bonds and convertible bonds reserve upon fulfilment of profit guarantees	(13,658)
Net gain on change in fair value *(Note 9)*	(43,433)
At 30 June 2018 and 1 July 2018	182,421
Arising from acquisition of a subsidiary	10,643
Reclassified to convertible bonds/convertible note and convertible bonds reserve upon fulfilment of profit guarantees	(45,978)
Net loss on change in fair value *(Note 9)*	23,255
At 30 June 2019	**170,341**

The valuation techniques and inputs used in Level 3 fair value measurement are as follows:

Description	Valuation technique	Significant unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 30 June 2019 HK$'000	Fair value as at 30 June 2018 HK$'000
Contingent consideration payable of Fortune Selection Group *(Note i)*	Crank-Nicolson finite – difference	(i) Volatility	62.33% (2018: 39.79%)	Increase	**17,816**	30,442
		(ii) Discount rates	10.89% (2018: 11.35%)	Decrease		
		(iii) Share price as at 30 June 2019	HK$2.06 per share (2018: HK$1.76 per share)	Increase		
Contingent consideration payable of Cheer Sino Group *(Note i)*	Crank-Nicolson finite – difference	(i) Volatility	46.70% (2018: 61.44%-61.77%)	Increase	**141,935**	151,979
		(ii) Discount rates	10.72% (2018: 11.09%)	Decrease		
		(iii) Share price as at 30 June 2019	HK$2.06 per share (2018: HK$1.76 per share)	Increase		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value measurement of financial instruments *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial liabilities (Continued)

Description	Valuation technique	Significant unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 30 June 2019 HK$'000	2018 HK$'000
Contingent consideration payable of Shanghai Mijia Hemao *(Note ii)*	Discounted cash flow	(ii) Discount rates	12.10%–12.37% (2018: Nil)	Decrease	**10,590**	–

Notes:

(i) The Group appointed Peak Vision to determine the fair value of contingent consideration payables using partial differential equations, specifically the Crank-Nicolson finite-difference method (i.e. convertible bonds/notes to be issued upon fulfilment of profit guarantees). The fair value is determined based on a numerical solution of convertible bond pricing by solving the partial difference equation.

(ii) The Group appointed Peak Vision to determine the fair value of contingent consideration payable for contingent deferred payment using the discounted cash flow method. The value is equal to the present value of its expected cash flow.

(d) Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is total debt divided by total assets. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each reporting period are as follows:

	2019 HK$'000	2018 HK$'000
Total debt	**347,870**	2,594
Total assets	**1,174,156**	643,051
Gearing ratio	**29.6%**	0.4%

Note: Total debt comprises of corporate bonds and convertible bonds/convertible note which are disclosed in Note 31 and 32 to the consolidated financial statements, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

6. SEGMENT INFORMATION

Business segment

Information reported to the management of the Group, being the CODM, for the purposes of resource allocation and assessment of segment performances focuses on types of services provided.

The operating and reportable segments are as follows:

Organisation of exhibitions, events planning and related services	Organising trade shows and exhibitions, events planning, provision of additional facilities, sub-contracting, management and ancillary services for trade shows, exhibitions and events
Financing	Provision of personal and corporate loans, money financing, finance leasing and credit factoring for clients in cultural and entertainment industries
Contracting services and entertainment equipment solution	Providing contracting services and entertainment equipment solution, supplying and installation of equipment and facilities used in cultural and entertainment industries
Brand management and related services	Holding the trademarks and provision of management services
Promotion and consulting services	Organising promotion events for leading alcoholic beverage suppliers; provision of consulting and marketing services to NOD Union members; and ad-hoc consultancy services for the clients in cultural and entertainment industries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the year ended 30 June

	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and consulting services		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue												
Segment revenue	**35,398**	105,848	**31,698**	1,123	**198,486**	83,264	**62,652**	48,286	**276,769**	37,741	**605,003**	276,262
Inter-segment revenue	**(1,124)**	–	**–**	–	**–**	–	**(27,759)**	(22,211)	**–**	–	**(28,883)**	(22,211)
Revenue from external customers	**34,274**	105,848	**31,698**	1,123	**198,486**	83,264	**34,893**	26,075	**276,769**	37,741	**576,120**	254,051
Results												
Segment results	**15,735**	40,979	**27,963**	724	**60,383**	16,914	**32,337**	17,249	**229,256**	21,381	**365,674**	97,247
Net loss on financial assets at FVTPL											**(30,009)**	(23,974)
Net (loss)/gain on change in fair value of contingent consideration payables											**(23,255)**	43,433
Unallocated income and other gains and losses											**693**	27,580
Unallocated administrative expenses											**(94,608)**	(30,909)
Finance costs											**(22,665)**	(237)
Profit before tax											**195,830**	113,140
Income tax expenses											**(88,514)**	(22,435)
Profit for the year											**107,316**	90,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

At 30 June

	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and consulting services		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets												
Segment assets	**114,659**	83,671	**449,670**	17,688	**134,789**	112,387	**72,705**	95,729	**301,234**	291,389	**1,073,057**	600,864
Unallocated corporate assets											**101,099**	42,187
											1,174,156	643,051
Liabilities												
Segment liabilities	**28,666**	14,183	**6,021**	140	**29,271**	15,550	**23,355**	4,968	**30,371**	30,916	**117,684**	65,757
Unallocated corporate liabilities											**511,990**	187,426
											629,674	253,183

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets; and
- all liabilities are allocated to reportable segments other than corporate liabilities.

Other segment information

	Organisation of exhibitions, events planning and related services		Financing		Contracting services and entertainment equipment solution		Brand management and related services		Promotion and consulting services		Unallocated		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation of property, plant and equipment	**(56)**	(99)	**(3)**	–	**(13)**	(3)	**(34)**	(38)	**(1,625)**	(331)	**(1,426)**	(2,854)	**(3,157)**	(3,325)
Capital expenditures	**(54)**	(36)	**(18)**	–	**(22)**	(22)	**–**	(1,684)	**(1,609)**	–	**(263)**	(48)	**(1,966)**	(1,790)
Net (loss)/gain on financial assets at FVTPL	**1,126**	(3,500)	**–**	–	**–**	–	**(330)**	(5,894)	**(16,415)**	(15,366)	**(14,390)**	786	**(30,009)**	(23,974)
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**(7,314)**	(7,388)	**–**	–	**–**	–	**(7,314)**	(7,388)

Note: Capital expenditures included additions to property, plant and equipment and intangible assets, and excluded additions by acquisition of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

6. SEGMENT INFORMATION *(Continued)*

Geographical segments

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	Year ended		As at	
	30/06/2019	30/6/2018	**30/06/2019**	30/06/2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**4,207**	27,910	**18,159**	42,018
The PRC	**571,913**	226,141	**347,629**	277,455
	576,120	254,051	**365,788**	319,473

Note: Non-current assets excluded interest in an associate, financial instruments and deferred tax assets.

Information about major customers

None of the customers of the Group for 2019 (2018: one) whose transactions have exceeded 10% of the Group's revenue for the year ended 2019 (2018: approximately HK$33,998,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

7. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 30 June 2019			
	Organisation of exhibitions, events planning and related services HK$'000	Contracting services and entertainment equipment solution HK$'000	Brand management and related services HK$'000	Promotion and consulting services HK$'000
Geographical markets				
The PRC	**34,274**	**198,486**	**34,893**	**276,769**
Hong Kong	**–**	**–**	**–**	**–**
Total	**34,274**	**198,486**	**34,893**	**276,769**
Timing of revenue recognition				
At point of time	**34,274**	**198,486**	**–**	**114,098**
Over time	**–**	**–**	**34,893**	**162,671**
Total	**34,274**	**198,486**	**34,893**	**276,769**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	2019 HK$'000	2018 HK$'000
Organisation of exhibitions, events planning and related services	**34,274**	105,848
Contracting services and entertainment equipment solution	**198,486**	83,264
Brand management and related services	**34,893**	26,075
Promotion and consulting services	**276,769**	37,741
Revenue from contracts with customers	**544,422**	252,928
Financing income	**31,698**	1,123
Total revenue	**576,120**	254,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

7. REVENUE *(Continued)*

(ii) Performance obligations for contracts with customers

Organisation of exhibitions, events planning and related services

The Group provides service in the design, planning, coordination and management of exhibitions and events. Revenue from providing services is recognised when the services are rendered. The normal credit term ranged from 1 month to 3 months.

Contracting services and entertainment equipment solution

The Group sells entertainment equipment and provides entertainment equipment solution to restaurants, bars, lounges and other stores.

For sales of entertainment equipment, revenue is recognised when control of the goods were transferred, being at the point in time when the goods were delivered and accepted by the customers. The normal credit term is 8 months.

For provision of entertainment equipment solution, revenue is recognised when the services are rendered. Payment of the contract price is due immediately at the point in time when the services are rendered.

Brand management and related services

The Group provides brand management services to bars and restaurants. Revenue is recognised when the services are rendered. The normal credit term is 1 month.

Promotion and consulting services

The Group provides promotion and consultancy services to alcoholic beverages suppliers, bars, restaurants, lounges and others. Revenue is recognised when the services are rendered. The normal credit term ranged from 1 to 3 months.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2019 and the expected timing of recognising revenue are as follows:

	Organisation of exhibitions, events planning and related services HK$'000	Contracting services and entertainment equipment solution HK$'000	Brand management and related services HK$'000	Promotion and consulting services HK$'000	Total HK$'000
Within one year	9,165	50,068	27,293	160,346	246,872
More than one year but not more than two years	–	31,633	21,281	152,933	205,847
More than two years	–	10,090	3,725	43,949	57,764
	9,165	91,791	52,299	357,228	510,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

8. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Sponsor for exhibition	**2**	41
Non-refundable trade deposits forfeited	**5,338**	338
Admission income for exhibition	**–**	9
Government grants *(Note)*	**10,084**	1,364
Sundry income	**1,150**	62
	16,574	1,814

Note:

The government grants represent subsidy income received from various government authorities as incentives to certain subsidiaries of the Group in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2019 HK$'000	2018 HK$'000
Staff costs:		
Employee benefit expenses (including directors' emoluments)		
– Salaries, allowance and other benefits	**17,540**	11,882
– Retirement benefit scheme contributions	**2,874**	1,108
– Equity-settled share-based payment expenses *(Note i)*	**57,404**	6,202
	77,818	19,192
Other items:		
Depreciation of property, plant and equipment *(Note 15)*	**3,157**	3,325
Amortisation of intangible assets *(Note 16)*	**7,314**	7,388
Auditor's remuneration		
– Audit services	**2,800**	1,600
– Non-audit services	**300**	866
Net loss/(gain) on change in fair value of contingent consideration payables *(Note 30)*	**23,255**	(43,433)
Cost of inventories recognised in cost of sales	**135,378**	66,563
Operating lease rentals in respect of land and building	**14,991**	8,012
Net loss on financial assets at FVTPL:		
Proceeds on sales	**–**	(30,068)
Cost of sales	**–**	29,282
Net realised gain on financial assets at FVTPL	**–**	(786)
Loss on fair value change of early redemption right *(Note 24)*	**14,390**	–
Net loss on fair value change of profit guarantees *(Note 24)*	**15,619**	24,760
Net loss on financial assets at FVTPL	**30,009**	23,974
Other gains and losses:		
Dividend income	**–**	(160)
Interest income	**(738)**	(1,886)
Exchange gains, net	**(531)**	(1,065)
Reversal of impairment loss on other receivable	**–**	(11,500)
Waiver of amount due from an associate	**21**	–
Gain on disposal of property, plant and equipment	**–**	(10)
Gain on disposal of intangible asset	**(15)**	–
Write off of property, plant and equipment	**19**	13
Net gain on disposal of subsidiaries	**–**	(14,180)
Loss on deregistration of a subsidiary *(Note ii)*	**–**	169
	(1,244)	(28,619)

Notes:

(i) Included in the equity-settled share-based payment expenses of approximately HK$57,404,000 (2018: approximately HK$6,202,000) are the amount of approximately HK$12,445,000 (2018: approximately HK$1,344,000) attributable to the directors and are also included in the directors' emoluments, with the remaining amount of approximately HK$44,959,000 (2018: approximately HK$4,858,000) attributable to the staffs of the Group.

(ii) The amount represents the cumulative exchange differences included in exchange reserve released upon deregistration of a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

10. FINANCE COSTS

	2019 **HK$'000**	2018 HK$'000
Effective interest on convertible bonds *(Note 32)*	**449**	220
Effective interest on corporate bonds *(Note 31)*	**22,216**	14
Interest on a margin securities account	**–**	3
	22,665	237

11. TAXATION

	2019 **HK$'000**	2018 HK$'000
Current tax:		
– Hong Kong Profits Tax	**1,220**	1,206
– PRC Enterprise Income Tax	**82,798**	20,741
	84,018	21,947
Overprovision in prior years:		
– Hong Kong Profits Tax	**(97)**	(79)
– Other than Hong Kong	**(5)**	–
	(102)	(79)
Deferred tax:		
– Current year *(Note 20)*	**4,598**	567
Total	**88,514**	22,435

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, for the year ended 30 June 2019, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Group in the PRC is 25% for the years ended 30 June 2019 and 2018.

Pursuant to the EIT Law and its implementation rules, royalty receivable by non-PRC corporate residents from the PRC enterprises are subject to withholding tax at a rate 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

11. TAXATION *(Continued)*

A reconciliation of the taxation applicable to profit before tax using the statutory rate for the location in which the Group are domiciled to the tax expense at the effective tax rate are as follows:

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**195,830**	113,140
Tax expenses at the Hong Kong Profits Tax rate 16.5%	**32,312**	18,668
Tax effect of expenses not deductible for tax purpose	**31,418**	7,569
Tax effect of income not taxable for tax purpose	**(473)**	(9,795)
Tax effect on temporary differences not recognised	**–**	511
Tax effect of tax losses not recognised	**48**	1,264
Tax effect of utilisation of tax losses previously not recognised	**–**	(195)
Effect of tax reduction	**(20)**	(101)
Effect of tax concession	**(450)**	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	**25,853**	4,593
Overprovision in respect of prior years	**(174)**	(79)
Tax charge for the year	**88,514**	22,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

12. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES EMOLUMENTS

(i) Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The aggregate amounts of emoluments payable to directors and chief executive of the Company during the year are as follows:

	2019 HK$'000	2018 HK$'000
Fee	**894**	715
Other emoluments:		
Salaries, allowance and benefits in kind	**1,080**	1,464
Retirement benefit scheme contributions	**–**	8
Equity-settled share-based payment expenses	**12,445**	1,344
Total	**14,419**	3,531

Directors' and chief executive's emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of directors) Regulation are as follows:

	Fee		Salaries, allowance and benefits in kind		Retirement benefit scheme contributions		Equity-settled share-based payment expenses		Total emoluments	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Executive directors										
Mr. Deng Zhonglin *(Note a)*	**–**	–	**600**	600	**–**	–	**6,888**	744	**7,488**	1,344
Mr. Xu Feng *(Note b)*	**–**	–	**480**	14	**–**	–	**5,557**	600	**6,037**	614
Mr. Au-Yong Shong Samuel *(Note c)*	**–**	–	**–**	198	**–**	8	**–**	–	**–**	206
Ms. Zhang Jun *(Note d)*	**–**	–	**–**	394	**–**	–	**–**	–	**–**	394
Mr. Lu Linyu *(Note e)*	**–**	–	**–**	258	**–**	–	**–**	–	**–**	258
Independent non-executive directors										
Mr. Tsang Wing Ki *(Note f)*	**240**	240	**–**	–	**–**	–	**–**	–	**240**	240
Mr. Choi Hung Fai	**240**	240	**–**	–	**–**	–	**–**	–	**240**	240
Dr. Wong Kong Tin, *JP (Note g)*	**240**	132	**–**	–	**–**	–	**–**	–	**240**	132
Mr. Qiu Peiyuan *(Note h)*	**174**	–	**–**	–	**–**	–	**–**	–	**174**	–
Mr. Yang Bo *(Note i)*	**–**	103	**–**	–	**–**	–	**–**	–	**–**	103
	894	715	**1,080**	1,464	**–**	8	**12,445**	1,344	**14,419**	3,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

12. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES EMOLUMENTS *(Continued)*

(i) Benefits and interests of directors *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Notes:

(a) Mr. Deng Zhonglin was appointed as the executive director, the chief executive officer and the chairman of the Company on 14 October 2016, 9 March 2017 and 12 May 2017 respectively. He resigned as the chief executive officer of the Company on 21 June 2018.

(b) Mr. Xu Feng was appointed as the executive director and chief executive officer of the Company on 21 June 2018.

(c) Mr. Au-Yong Shong Samuel was appointed as the executive director of the Company on 13 December 2017 and resigned on 21 June 2018.

(d) Ms. Zhang Jun was appointed as the executive director of the Company on 14 October 2016 and resigned on 27 April 2018.

(e) Mr. Lu Linyu was appointed as the executive director of the Company on 9 March 2017 and resigned on 6 December 2017.

(f) Mr. Tsang Wing Ki was appointed as the independent non-executive director of the Company on 9 March 2017.

(g) Dr. Wong Kong Tin, *JP* was appointed as the independent non-executive director of the Company on 13 December 2017.

(h) Mr. Qiu Peiyuan was appointed as the independent non-executive director of the Company on 11 October 2018.

(i) Mr. Yang Bo was removed as the independent non-executive director of the Company on 7 December 2017.

(j) During the year ended 30 June 2019, no bonus (2018: no bonus) were paid to the executive directors of the Company. During the years ended 30 June 2019 and 2018, no directors waived or agreed to waive any remuneration. In addition, no emoluments were paid by the Group to the executive directors and independent non-executive directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office.

(k) In prior year, share options were granted to directors in respect of their services to the Group, further details of which are included in the disclosures in Note 36 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current and prior year is included in the above directors' remuneration disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

12. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES EMOLUMENTS *(Continued)*

(i) Benefits and interests of Directors *(Continued)*

(b) Directors' retirement benefits

During the year ended 30 June 2019, the directors did not receive retirement benefits (2018: HK$8,000).

(c) Directors' termination benefits

None of the directors received any termination benefits during the year (2018: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 30 June 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporates and connected entities with such directors

During the year ended 30 June 2019, there was no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2018: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

12. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES EMOLUMENTS *(Continued)*

(ii) Five highest paid employees emoluments

The five highest paid employees of the Group during the year included two (2018: two) directors, details of whose emoluments is set out above. The emoluments of the remaining three (2018: three) individuals are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,669**	2,088
Retirement benefit scheme contributions	**170**	54
Discretionary bonuses	**–**	259
Equity-settled share-based payment expenses	**29,115**	1,344
Total	**30,954**	3,745

The number of the highest paid employees who are not the directors and the chief executive officer of the Company whose emoluments fell within the following bands is as follows:

	2019	2018
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**3**	–
Total	**3**	3

No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during each of the years ended 30 June 2019 and 2018.

During the year and in prior year, share options were granted to non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 36 to the consolidated financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above highest paid employees' emoluments disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

13. DIVIDEND

	2019 HK$'000	2018 HK$'000
Cash dividend proposed:		
Final dividend for the year ended 30 June 2019 of HK5.0 cents per share (2018: HK1.0 cent per share)	**73,145**	14,542

At a meeting held on 27 September 2019, the Board proposed a final dividend of HK5.0 cents (2018: HK1.0 cent) per ordinary share for the year ended 30 June 2019. This proposed final dividend is not reflected as a dividend payable as of 30 June 2019, but will be recorded as a distribution of retained earnings in the year ending 30 June 2020.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
Earnings		
Profit attributable to owners of the Company	**107,514**	90,706

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,455,630,000**	1,397,250,000
Effect of dilutive potential ordinary shares:		
Share options	**37,583,000**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,493,213,000**	1,397,250,000

For the year ended 30 June 2019, the computation of diluted earnings per share assume the exercise of the Company's outstanding share options as the exercise prices of the share options were lower than the average market price of shares. The computation of diluted earnings per share does not assume the conversion of convertible bonds/note since their assumed conversion would result in an increase in earnings per share.

For the year ended 30 June 2018, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of the share options were higher than the average market price of shares, nor the conversion of the convertible bonds since their conversion would result in an increase in earnings per share. The basic and diluted earnings per share were same for the year ended 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 July 2017	2,713	1,722	891	11,734	17,060
Acquisition of subsidiaries	908	2,118	229	–	3,255
Additions	–	69	37	–	106
Disposals	–	(136)	(183)	(999)	(1,318)
Write off	–	(48)	(26)	–	(74)
Disposal of subsidiaries	–	(80)	–	(4,019)	(4,099)
Exchange realignment	(33)	(80)	5	15	(93)
At 30 June 2018 and 1 July 2018	3,588	3,565	953	6,731	14,837
Acquisition of a subsidiary	**–**	**133**	**40**	**–**	**173**
Additions	**1,332**	**442**	**192**	**–**	**1,966**
Disposals	**–**	**–**	**(167)**	**–**	**(167)**
Write off	**(1,181)**	**(1,237)**	**(583)**	**–**	**(3,001)**
Exchange realignment	**(50)**	**(89)**	**(14)**	**–**	**(153)**
At 30 June 2019	**3,689**	**2,814**	**421**	**6,731**	**13,655**
Accumulated depreciation and impairment					
At 1 July 2017	2,140	1,570	753	2,229	6,692
Acquisition of subsidiaries	644	1,424	101	–	2,169
Charge for the year	656	313	76	2,280	3,325
Disposals	–	(125)	(133)	(571)	(829)
Write off	–	(41)	(20)	–	(61)
Disposal of subsidiaries	–	(80)	–	(2,277)	(2,357)
Exchange realignment	(31)	(61)	1	9	(82)
At 30 June 2018 and 1 July 2018	3,409	3,000	778	1,670	8,857
Acquisition of a subsidiary	**–**	**4**	**1**	**–**	**5**
Charge for the year	**1,206**	**510**	**95**	**1,346**	**3,157**
Write off	**(1,163)**	**(1,237)**	**(582)**	**–**	**(2,982)**
Exchange realignment	**(43)**	**(69)**	**(8)**	**–**	**(120)**
At 30 June 2019	**3,409**	**2,208**	**284**	**3,016**	**8,917**
Carrying amounts					
At 30 June 2019	**280**	**606**	**137**	**3,715**	**4,738**
At 30 June 2018	179	565	175	5,061	5,980

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

16. INTANGIBLE ASSETS

	Trademarks and brands HK$'000
Cost	
At 1 July 2017	–
Acquisition of a subsidiary	27,324
Additions	1,684
Exchange realignment	783
At 30 June 2018 and 1 July 2018	29,791
Disposal	**(115)**
Exchange realignment	**(1,219)**
At 30 June 2019	**28,457**
Accumulated amortisation and impairment	
At 1 July 2017	–
Charge for the year	7,388
Exchange alignment	(108)
At 30 June 2018 and 1 July 2018	7,280
Charge for the year	**7,314**
Disposal	**(15)**
Exchange alignment	**(374)**
At 30 June 2019	**14,205**
Carrying amount	
At 30 June 2019	**14,252**
At 30 June 2018	22,511

Note:

At 30 June 2019 and 30 June 2018, the intangible assets represent certain trademarks and brands obtained from a subsidiary acquisition and additions from third parties. These trademarks and brands are amortised on a straight-line basis over their expected lifespan.

The lifespan is in a range of 37–116 months according to the acquisition agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

17. GOODWILL

	2019 HK$'000	2018 HK$'000
Cost and carrying amounts		
At the beginning of the year	**290,982**	35,998
Arising from acquisition of subsidiaries *(Note 34)*	**41,435**	254,984
At the end of the year	**332,417**	290,982

Goodwill acquired in business combinations is allocated to four individual CGUs that is expected to benefit from that business combinations. The carrying amounts of goodwill are allocated according to the business segments as follows:

	2019 HK$'000	2018 HK$'000
Organisation of exhibitions, events planning and related services ("**CGU I**")	**76,999**	35,998
Brand management and related services ("**CGU II**")	**46,004**	46,004
Promotion and consulting services ("**CGU III**")	**208,180**	208,180
Financing ("**CGU IV**")	**1,234**	800
	332,417	290,982

The Group tests goodwill impairment annually or more frequently if there are indications that goodwill might be impaired. During the year ended 30 June 2019, the Group determined that no impairment loss has been identified (2018: Nil).

The recoverable amount of CGU I, II and III have been determined based on value-in-use calculation by Peak Vision. The calculation used cash flow projections based on the financial forecasts approved by the directors of the Company covering a three-year period. The discount rates applied to the cash flow projections are 14.34%–17.10% (2018: 15.46%–17.84%). The growth rate used to extrapolate the cash flows beyond the three-year period is 3.00% (2018: 3.00%).

The recoverable amount of CGU IV has been determined based on value-in-use calculation by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The calculation used cash flow projection based on the financial forecast approved by the directors of the Company covering a five-year period. The discount rate applied to the cash flow projections are 15.88%. The growth rate used to extrapolate the cash flows beyond the five-year period is zero.

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The terminal growth rate used is with reference to the long term average growth rates and expected market development. Management believes that any reasonably possible change in key assumptions would not cause the recoverable amount of CGUs to fall below their carrying amount.

Other assumptions for the value-in-use calculation related to the estimation of cash inflows/outflows which included budgeted revenue and profit margin. Such estimation is based on past performance, existing sales contracts and management expectations for the market development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

18. INTEREST IN AN ASSOCIATE

Details of the Group's interest in an associate are as follows:

	2019 **HK$'000**	2018 HK$'000
Unlisted		
Cost of investment in an associate	**–**	–
Share of result of an associate	**–**	–
	–	–
Amounts due from an associate	**–**	12
Total	**–**	12

Details of the Group's associate at the end of the reporting period are as follows:

Name of the associate	Place of incorporation and business	Particulars of issued share capital	Proportion of ownership interest held by the Group **2019**	2018	Principal activities
Universe Unity Limited	BVI	US$100	**–**	49%	Inactive

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

An associate is accounted for using the equity method in the consolidated financial statements.

	2019 **HK$'000**	2018 HK$'000
Current assets	**–**	–
Current liabilities	**–**	(24)
Revenue	**–**	–
Profit/(Loss) for the year	**24**	(9)
Other comprehensive profit/(loss) for the year	**–**	–
Total comprehensive profit/(loss) for the year	**24**	(9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

18. INTEREST IN AN ASSOCIATE *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2019	2018
	HK$'000	HK$'000
Net liabilities of associate	**–**	(24)
Proportion of ownership interest in an associate by the Group	**–**	49%
Amount due from an associate	**–**	12
Carrying amount of ownership interest in an associate by the Group	**–**	12

Unrecognised share of loss of Universe Unity Limited

	2019	2018
	HK$'000	HK$'000
The unrecognised share of profit/(loss) of Universe Unity Limited	**12**	(4)
Cumulative unrecognised share of loss of Universe Unity Limited	**–**	(12)

On 31 December 2018, the Group acquired the remaining 51% equity interest of Universal Unity Limited at a consideration of HK$8, details of the step acquisition is set out in Note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

19. PARTICULARS OF SUBSIDIARIES

Details of the Company's significant subsidiaries as at 30 June 2019 are set out as follow:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity and voting power attributable to the Group Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activities
Ace Builder Limited	BVI	Ordinary US$1	**100%**	100%	**–**	–	Investment holding
Asia Pacific Top 100 DJ Limited	HK	Ordinary HK$10,000	**–**	–	**100%**	–	Provision of artist agency services
Big Leader Limited	BVI	Ordinary US$1	**100%**	100%	**–**	–	Investment holding
Corporate Charm Holdings Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Dazhi Ruoyu Entertainment Information Technology (Hainan) Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB50,000,000	**–**	–	**100%**	–	Provision of software and technology services
Eastern Pioneer Holdings Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Expand Trade Investments Limited	BVI	Ordinary US$1	**100%**	100%	**–**	–	Investment holding
Faithful Progress Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Provision of bar brand services
Furuida Financial Leasing (Shenzhen) Co., Ltd.* *(Note 2)*	PRC	Registered capital US$10,000,000	**–**	–	**100%**	–	Provision of finance lease services
Great Getter Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Greatest Best Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Hero Sea Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Huge World Corporation Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
i-Lend Finance Limited	Hong Kong	Ordinary HK$10,000	**–**	–	**100%**	100%	Provision of loan and financing
Integral Wealth Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Mega Entertainment & Fair (Hong Kong) Limited	Hong Kong	Ordinary HK$1,000,000	**–**	–	**100%**	100%	Organisation of exhibitions and events
Mega Expo (Hong Kong) Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Organisation of exhibitions and trade shows and providing ancillary services
Nod (Shanghai) Culture Development Ltd. *(Note 1)*	PRC	Registered capital RMB1,180,000	**–**	–	**100%**	100%	Provision of brand identity design services
Nod (Shanghai) Management Communication Co., Ltd.* *(Note 1)*	PRC	Registered capital US$1,500,000	**–**	–	**100%**	100%	Provision of bar and club membership, wine and liquor promotion, event planning and comprehensive consulting services
NOVA (HK) Yachting Limited (formerly known as Oceanic Inc Limited)	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Phebe (Shanghai) Brand Management Limited* *(Note 1)*	PRC	Registered capital RMB1,180,000	**–**	–	**100%**	100%	Provision of brand management and related downstream services
Shanghai Bayu E-commerce Limited Liability Company *(Note 1)*	PRC	Registered capital RMB1,180,000	**–**	–	**100%**	100%	Provision of software and technology services
Shanghai Chongya Business Development Co., Ltd.* *(Note 1)*	PRC	Registered capital RMB10,000,000	**–**	–	**100%**	–	Trading of wine and liquor
Shanghai Dazhi Ruoyu Information Technology Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB15,000,000	**–**	–	**100%**	–	Trading of grocery
Shanghai Lin Yun Enterprise Management Consulting Co., Ltd.* *(Note 2)*	PRC	Registered capital US$100,000	**–**	–	**100%**	100%	Investment holding
Shanghai Lin Yun Exhibition Service Limited Liability Company* *(Note 1)*	PRC	Registered RMB1,000,000	**–**	–	**100%**	100%	Organisation of exhibition and trade shows
Shanghai Mijia Expo Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB10,000,000	**–**	–	**100%**	–	Organisation of exhibition and trade shows
Shanghai Mijia Hemao Expo Co., Ltd.* (formerly known as Shanghai Jiamao Expo Co., Ltd.*) *(Note 2)*	PRC	Registered capital RMB1,000,000	**–**	–	**51%**	–	Organisation of exhibition and trade shows
Shanghai Phebe Food & Beverage Management Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB5,000,000	**–**	–	**100%**	100%	Provision of brand management and related downstream services
Shanghai Shouxin Commercial Factoring Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB100,000,000	**–**	–	**100%**	–	Provision of credit factoring services
Shanghai Shuomeng Culture Development Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB10,000,000	**–**	–	**100%**	100%	Provision of contracting and entertainment equipment solution services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

19. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity and voting power attributable to the Group Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activities
Shenzhen Qianhai Yuanchen Culture Development Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB50,000,000	**–**	–	**100%**	100%	Provision of contracting and entertainment equipment solution services
Sparkle Mass Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Speed Reach Investment Holding Limited	Hong Kong	Ordinary HK$1	**–**	–	**100%**	100%	Investment holding
Splendor Reward Investment Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Super Marine International Limited	BVI	Ordinary US$1	**100%**	100%	**–**	–	Investment holding
Treasure Spy Limited	BVI	Ordinary US$1	**–**	–	**100%**	100%	Investment holding
Yamiao (Shanghai) Cultural Development Co., Ltd.* *(Note 2)*	PRC	Registered capital RMB100,000,000	**–**	–	**100%**	100%	Provision of contracting and entertainment equipment solution services

* The English names of these companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

Notes:

(1) Limited liability company registered in the PRC.

(2) Wholly foreign-owned enterprise registered in the PRC.

The above table lists the subsidiaries of the Group, which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of all the subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive lengths.

The Group had no subsidiaries which have material non-controlling interests for the years ended 30 June 2019 and 2018.

None of the subsidiaries had any debt securities outstanding at 30 June 2019 or at any time during the year.

20. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:

	Deferred revenue HK$'000
At 1 July 2017	–
Acquisition of a subsidiary	6,333
Exchange realignment	(241)
Charge to the consolidated profit or loss for the year *(Note 11)*	(567)
At 30 June 2018	5,525
Adjustment on adoption of HKFRS 15 *(Note 2)*	747
At 1 July 2018	6,272
Exchange realignment	(209)
Charge to the consolidated profit or loss for the year *(Note 11)*	(4,598)
At 30 June 2019	**1,465**

As at 30 June 2019, the Group had unused estimated tax losses under jurisdiction in Hong Kong of approximately HK$12,397,000 (2018: approximately HK$26,535,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

21. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**171,327**	109,793

The Group has a policy of allowing trade customers with credit terms of normally within 90 days except for contracting services and entertainment equipment solution which credit terms is normally 8 months. Settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. The Group does not hold any collateral or other credit enhancement over its trade receivables balances. The ageing analysis of trade receivables based on dates when services are rendered/invoice dates is as follows:

	2019 HK$'000	2018 HK$'000
0–30 days	**83,636**	38,644
31–60 days	**26,852**	19,785
61–90 days	**18,222**	24,144
91–180 days	**30,213**	27,220
181–240 days	**12,404**	–
	171,327	109,793

As at 30 June 2019, the directors of the Company consider the credit risk of trade receivables to be low, therefore the impact of ECL is considered as immaterial. The ageing analysis of the trade receivables which are past due but not yet impaired is as follows:

	2019 HK$'000	2018 HK$'000
0–30 days	**14,315**	356
31–60 days	**4,614**	23
61–90 days	**4,717**	107
91–180 days	**872**	–
	24,518	486

22. FACTORING RECEIVABLES

	2019 HK$'000	2018 HK$'000
Factoring receivables	**306,271**	–
Interest receivables from factoring receivables	**1,286**	–
	307,557	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

22. FACTORING RECEIVABLES *(Continued)*

As of the end of the reporting period, the ageing analysis of factoring receivable, based on the maturity date in contracts, is as follows:

	2019 HK$'000	2018 HK$'000
0–30 days	**37,705**	–
31–90 days	**85,181**	–
91–365 days	**184,671**	–
	307,557	–

Factoring receivables granted to customers are measured at amortised cost and generally for a period of 180 to 365 days with interest rate 15% per annum. Further details on the Group's credit policy are set out in note 5(b) to the consolidated financial statements.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Current assets		
Prepayments	**4,288**	845
Payment in advance	**31,094**	10,550
Deposits	**3,972**	2,518
Other receivables	**12,921**	1,041
	52,275	14,954
Non-current asset		
Prepayment *(Note)*	**14,381**	–
Rental deposits	**1,681**	1,703
	16,062	1,703
Total	**68,337**	16,657

As at 30 June 2019, the directors of the Company consider the credit risk of other receivables to be low, therefore the impact of ECL is considered as immaterial.

Note:

In April 2019, an indirectly wholly-owned subsidiary of the Company entered into a yacht building contract (the "**Contract**") with a ship building company, an independent third party. According to the Contract, the amount of approximately HK$14,381,000 was paid as a first instalment for the yacht building. Details of capital commitment are set out in the Note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Profit guarantees:		
– Sparkle Mass Group	**1,345**	40
– Fortune Selection Group	**–**	330
– Cheer Sino Group	**–**	16,415
– Shanghai Mijia Hemao	**9,289**	–
	10,634	16,785
Early redemption right from corporate bonds	**16,230**	–
Unlisted investment fund	**30,000**	–
	56,864	16,785
Analysed for reporting purposes as:		
Current assets	**48,887**	3,355
Non-current assets	**7,977**	13,430
	56,864	16,785

Details of the profit guarantees are as follows:

Profit guarantees	**Sparkle Mass Group** HK$'000	**Fortune Selection Group** HK$'000	**Cheer Sino Group** HK$'000	**Shanghai Mijia Hemao** HK$'000	**Total** HK$'000
At 1 July 2017	3,540	–	–	–	3,540
Arising from acquisition of subsidiaries	–	6,224	31,781	–	38,005
Loss on change in fair value *(Note 9)*	(3,500)	(5,894)	(15,366)	–	(24,760)
At 30 June 2018 and 1 July 2018	40	330	16,415	–	16,785
Arising from acquisition of a subsidiary *(Note 34)*	–	–	–	9,468	9,468
Gain(loss) on change in fair value *(Note 9)*	1,305	(330)	(16,415)	(179)	(15,619)
At 30 June 2019	**1,345**	**–**	**–**	**9,289**	**10,634**

Early redemption right

	HK$'000
At 30 June 2018 and 1 July 2018	–
Arising from the issue of corporate bonds	30,620
Loss on change in fair value *(Note 9)*	(14,390)
At 30 June 2019	16,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

During the year ended 30 June 2017, the Group acquired 100% equity interest in Sparkle Mass Limited and its subsidiaries (the "**Sparkle Mass Group**").

During the year ended 30 June 2018, the Group acquired 100% equity interest in Fortune Selection Limited and its subsidiaries (the "**Fortune Selection Group**"), Cheer Sino Investment Holdings Limited and its subsidiaries (the "**Cheer Sino Group**").

During the year ended 30 June 2019, the Group acquired 51% equity interest in 上海米伽合貿展覽有限公司 (transliterated as "**Shanghai Mijia Hemao Expo Co., Ltd**") (the "**Shanghai Mijia Hemao**") (formerly known as "上海伽貿展覽有限公司"), details of which are set out in Note 34.

Pursuant to the acquisition agreements, the vendors warranted and guaranteed ("**Profit Guarantees**") to the Group that the net profit for the relevant periods ("**Relevant Periods**") will not be less than the following amounts ("**Guaranteed Profits**"):

Relevant Periods	**Sparkle Mass Group** HK$'000	**Fortune Selection Group** HK$'000
First Relevant Period (1 January 2017 to 31 December 2017)	13,000	10,000
Second Relevant Period (1 January 2018 to 31 December 2018)	14,000	11,000
Third Relevant Period (1 January 2019 to 31 December 2019)	15,000	12,000

Relevant Periods	**Cheer Sino Group** HK$'000
For the year ended 31 December 2018	27,000
For the two years ending 31 December 2019	73,000
For the three years ending 31 December 2020	133,000

Relevant Periods	**Shanghai Mijia Hemao** RMB'000
First Relevant Period (1 January 2019 to 31 December 2019)	9,287
Second Relevant Period (1 January 2020 to 31 December 2020)	11,909
Third Relevant Period (1 January 2021 to 31 December 2021)	13,161

As at 30 June 2019, the aggregate fair value of these Profit Guarantees was approximately HK$10,634,000 (2018: approximately HK$16,785,000), resulting in a loss on change in fair value of approximately HK$15,619,000 (2018: approximately HK$24,760,000).

The fair value of these Profit Guarantees was determined by the directors of the Company with reference to the valuations carried out by Peak Vision at the completion date of acquisition and at year-end dates on 30 June 2019 and 30 June 2018 respectively.

The fair value of early redemption right was determined by the directors of the Company with reference to the valuations carried out by Peak Vision at the date of issue.

The fair value of unlisted investment fund was determined by the directors of the Company by making reference to the fund statement which was provided by the fund manager.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

25. CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents	**212,951**	171,175

At 30 June 2019, the Group's bank balances and cash denominated in RMB amounted to approximately HK$162,888,000 (2018: approximately HK$83,973,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Bank balances carry interest ranging from 0.001% to 0.03% (2018: from 0.001% to 0.03%) per annum.

26. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**26,445**	9,604

The following is an ageing analysis of trade payables presented on the basis of the dates of the invoices:

	2019 HK$'000	2018 HK$'000
0–30 days	**23,952**	9,604
31–60 days	**1,933**	–
61–90 days	**560**	–
	26,445	9,604

The average credit period ranged from 0–30 days.

27. RECEIPTS IN ADVANCE

As at 30 June 2019, approximately HK$2,528,000 was the non-refundable management fees received in advance for granting factoring loans.

As at 30 June 2018, approximately HK$2,810,000 was the deposits received in advance for the sales of entertainment equipment solution and the services fee received in advance for the brand management services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

28. CONTRACT LIABILITIES

	30/6/2019	1/7/2018*
	HK$'000	HK$'000
Organisation of exhibitions, events planning and related services	**2,795**	–
Contracting services and entertainment equipment solution	**2,229**	2,774
Brand management and related services	**16,284**	7,954
Promotion and consulting services	**1,398**	23,499
	22,706	34,227
Analysed for reporting purposes as:		
Current liabilities	**13,210**	30,407
Non-current liabilities	**9,496**	3,820
	22,706	34,227

* The amounts in this column are after the adjustments from the application of HKFRS 15.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Organisation of exhibitions, events planning and related services	Contracting services and entertainment equipment solution	Brand management and related services	Promotion and consulting services
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	–	2,774	5,618	22,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

28. CONTRACT LIABILITIES *(Continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Organisation of exhibitions, events planning and related services

The Group received upfront lump sum payments from certain customers 1 month before the services are rendered. The upfront lump sum payment result in contract liabilities being recognised.

Contracting services and entertainment equipment solution

For sales of entertainment equipment solution, the Group receives 10% of the contract value of deposits from customers when they sign the sales and purchase agreement. The deposits result in contract liabilities being recognised until the control of the goods has been transferred, being the goods been delivered and accepted by the customers.

Brand management and related services

The Group receives upfront lump sum payments from the customers before the commencement of use of license and monthly fee in advances for the brand management services rendered from the certain customers at the beginning of each month. The upfront lump sum and advance payment result in contract liabilities being recognised.

Promotion and consulting services

The Group received upfront lump sum payments from the customers before the commencement of the membership and upfront lump sum payments from the certain customers before the promotion and consulting services rendered. The upfront lump sum payments result in contract liabilities being recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

29. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Accruals	**4,723**	9,792
Deposits received	**6,733**	1,955
Other payables	**21,673**	8,663
Deferred revenue *(Note i)*	**–**	23,499
	33,129	43,909

Note:

(i) Deferred revenue represents the membership income from NOD Union in promotion and consulting services segment which has not yet recognised as revenue for the year ended 2018.

30. CONTINGENT CONSIDERATION PAYABLES

	Fortune Selection Group HK$'000 *(Note a)*	**Cheer Sino Group** HK$'000 *(Note b)*	**Shanghai Mijia Hemao** HK$'000 *(Note c)*	**Total** HK$'000
At 1 July 2017	–	–	–	–
Arising from acquisition of subsidiaries, at fair value	40,974	198,538	–	239,512
Reclassified to convertible bonds and convertible bonds reserve *(Note 32)*				
– liabilities portion	(6,186)	–	–	(6,186)
– equity portion	(7,472)	–	–	(7,472)
Loss/(gain) on change in fair value *(Note 9)*	3,126	(46,559)	–	(43,433)
At 30 June 2018 and 1 July 2018	30,442	151,979	–	182,421
Arising from acquisition of a subsidiary, at fair value	–	–	10,643	10,643
Reclassified to convertible bonds and convertible bonds reserve *(Note 32)*				
– liabilities portion	(6,616)	(23,010)	–	(29,626)
– equity portion	(8,605)	(7,747)	–	(16,352)
Loss/(gain) on change in fair value *(Note 9)*	2,595	20,713	(53)	23,255
At 30 June 2019	**17,816**	**141,935**	**10,590**	**170,341**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

30. CONTINGENT CONSIDERATION PAYABLES *(Continued)*

Analysed for reporting purposes as:

	2019 **HK$'000**	2018 HK$'000
Current liabilities	**83,061**	45,979
Non-current liabilities	**87,280**	136,442
Total	**170,341**	182,421

Notes:

(a) The initial consideration is principal amount of HK$48,024,000 (subject to adjustments) of convertible bonds in accordance with the sale and purchase agreement for the acquisition of Fortune Selection Group. The consideration is valued at a fair value of approximately HK$81,430,000 at the completion date of the acquisition.

The first convertible bond ("**CB I**") with principal amount of HK$24,012,000 was issued to vendor at completion date of acquisition and the second convertible bond ("**CB II**") and the third convertible bond ("**CB III**") with principal amount of HK$8,004,000 each was issued to vendor as Guaranteed Profits for the First Relevant Period and the Second Relevant Period have been met, details of the convertible bonds are set out in Note 32. The fourth convertible bond ("**CB IV**"), with principal amount of HK$8,004,000 each, will be issued upon fulfilment of the agreed Guaranteed Profits in the Third Relevant Periods respectively.

(b) The initial considerations are HK$100,000,000 in cash upon completion and principal amount of HK$168,000,000 (subject to adjustments) of convertible notes in accordance with the sale and purchase agreement for the acquisition of Cheer Sino Group. The consideration is valued to a fair value of approximately HK$298,538,000 at the completion date of the acquisition.

The first convertible note ("**CN I**") with principal amount of HK$34,000,000 was issued to vendor as Guaranteed Profits for the year ending 31 December 2018 has been met, details of the convertible note are set out in Note 32. The remaining convertible notes, including the second convertible note ("**CN II**") and the third convertible note ("**CN III**"), with principal amount of HK$58,000,000 and HK$76,000,000 respectively, will be issued upon fulfilment of the agreed Guaranteed Profits for the two years ending 31 December 2019 and the three years ending 31 December 2020 respectively.

(c) The initial considerations are approximately RMB34,236,000, equivalent to approximately HK$38,576,000 in cash upon completion and principal amount of approximately RMB11,412,000 (subject to adjustments), equivalent to approximately HK$12,858,000, of contingent deferred payment in accordance with the sales and purchase agreement for the acquisition of Shanghai Mijia Hemao. The consideration is valued at a fair value of approximately HK$50,847,000 at the completion date of the acquisition.

Pursuant to the sales and purchase agreement, the vendors guaranteed to the Group the audited net profit after tax of Shanghai Mijia Hemao for three Relevant Periods. If the net profit for Relevant Periods is less than the Guaranteed Profits for the Relevant Periods or there is a net loss in the Relevant Periods, the Group is entitled to deduct the three contingent deferred payments with principal amount of approximately RMB3,652,000, RMB3,652,000 and RMB4,108,000 respectively, an amount equal to the adjustment as defined in the sales and purchase agreement, details of the acquisition is set out in Note 34.

The fair value of the contingent consideration payables were determined by the directors of the Company with reference to the valuations at the respective completion dates and year ended date carried out by Peak Vision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

31. CORPORATE BONDS

The carrying amount of corporate bonds recognised at the end of the reporting period was calculated as follows:

	Unlisted bond ("Bond I") HK$'000 *(Note a)*	Unlisted bond ("Bond II") HK$'000 *(Note b)*	Unlisted bond ("Bond III") HK$'000 *(Note c)*	Unlisted bond ("Bond IV") HK$'000 *(Note d)*	Unlisted bond ("Bond V") HK$'000 *(Note e)*	Total HK$'000
At 1 July 2017	–	–	–	–	–	–
Principal value of the corporate bonds on initial recognition	3,000	–	–	–	–	3,000
Direct transaction costs	(420)	–	–	–	–	(420)
	2,580	–	–	–	–	2,580
Effective interest expenses *(Note 10)*	14	–	–	–	–	14
At 30 June 2018 and 1 July 2018	2,594	–	–	–	–	2,594
Principal value of the corporate bonds on initial recognition	–	1,000	2,000	2,000	–	5,000
Fair value of the corporate bonds on initial recognition	–	–	–	–	330,620	330,620
Direct transaction costs	–	(140)	(210)	(140)	(6,000)	(6,490)
	2,594	860	1,790	1,860	324,620	331,724
Effective interest expenses *(Note 10)*	277	79	140	120	21,600	22,216
Less: interest paid	(187)	(54)	(107)	(94)	(28,973)	(29,415)
At 30 June 2019	**2,684**	**885**	**1,823**	**1,886**	**317,247**	**324,525**

Notes:

(a) In June 2018, the Group issued an unsecured corporate bond with principal amount of HK$3,000,000, carrying interest at the rate of 6.25% per annum payable annually for a term of 4 years, which will be due on 11 June 2022. The effective interest rate is 10.21% per annum. The Company has the right to redeem the outstanding principal amount at agreed time before the optional redemption date, which are 11 June 2019, 11 June 2020 and 11 June 2021 with at least 7 clear business days written notice, but the bondholder has no right to require the Company to redeem the corporate bond. The redemption right is not recognised in the consolidated financial statements since the directors of the Company consider that the probability of exercise of the redemption right is remote. The directors of the Company have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, fair value of the redemption right was not accounted for in the consolidated financial statements as at 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

31. CORPORATE BONDS *(Continued)*

Notes: (Continued)

(b) In August 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK$1,000,000, carrying interest at the rate of 6.25% per annum payable semi-annually for a term of 4 years, which will be due on 16 August 2022. The effective interest rate is 10.46% per annum. The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond. The redemption right is not recognised in the consolidated financial statements since the directors of the Company consider that the probability of exercise of the redemption right is remote. The directors of the Company have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, fair value of the redemption right was not accounted for in the consolidated financial statements as at 30 June 2019.

(c) In August 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK$2,000,000, carrying interest at the rate of 6.25% per annum payable semi-annually for a term of 3 years, which will be due on 23 August 2021. The effective interest rate is 9.13% per annum. The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond. The redemption right is not recognised in the consolidated financial statements since the directors of the Company consider that the probability of exercise of the redemption right is remote. The directors of the Company have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, fair value of the redemption right was not accounted for in the consolidated financial statements as at 30 June 2019.

(d) In September 2018, the Group issued an unsecured corporate bond through a placing agent with principal amount of HK$2,000,000, carrying interest at the rate of 6% per annum payable semi-annually for a term of 2 years, which will be due on 16 September 2020. The effective interest rate is 8.18% per annum. The Company may at any time before the maturity date of the bond, redeem the bond by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond together with payment of interest accrued thereon up to the date of redemption. Subject to the conditions of the bond instrument, the bondholder shall not have the right to request the Company to redeem the bond prior to the maturity date of the bond. The redemption right is not recognised in the consolidated financial statements since the directors of the Company consider that the probability of exercise of the redemption right is remote. The directors of the Company have considered the fair value of the redemption right at initial recognition is insignificant. Accordingly, fair value of the redemption right was not accounted for in the consolidated financial statements as at 30 June 2019.

(e) In November 2018, the Group issued unsecured corporate bonds through a placing agent with principal amount of HK$300,000,000, carrying interest at the rate of 15% per annum payable quarterly for a term of 2 years, which will be due on 7 November 2020. The fair value of the bonds at the date of issue was HK$330,620,000. The effective interest rate is 10.41% per annum.

The Company may at any time before the maturity date of the bonds, redeem the bonds by giving not less than 10 business days' prior written notice at 100% of the principal amount of such bond together with payment of interest accrued thereon up to the date of redemption ("**issuer's early redemption right**"). Subject to the conditions of the bond instrument, the bondholders shall not have the right to request the Company to redeem the bond prior to the maturity date of the bonds. The fair value of the issuer's early redemption right at the date of issue amounted to HK$30,620,000. The embedded derivatives derived from issuer's early redemption right is classified as current asset and carried at fair value. Any changes in fair value will be recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

32. CONVERTIBLE BONDS/CONVERTIBLE NOTE

The carrying amounts of convertible bonds recognised at the end of the reporting period were calculated as follows:

	CB I HK$'000 *(Note a)*	**CB II** HK$'000 *(Note b)*	**CB III** HK$'000 *(Note c)*	**CN I** HK$'000 *(Note d)*	**Total** HK$'000
Equity component					
At 1 July 2017	–	–	–	–	–
Arising from acquisition of a subsidiary	21,897	–	–	–	21,897
Reclassified from contingent consideration payables *(Note 30)*	–	7,472	–	–	7,472
Conversion of convertible bonds	(21,897)	(7,472)	–	–	(29,369)
At 30 June 2018 and 1 July 2018	–	–	–	–	–
Reclassified from contingent consideration payables *(Note 30)*	–	–	8,605	7,747	16,352
Conversion of convertible bond	–	–	(8,605)	–	(8,605)
At 30 June 2019	–	–	–	7,747	7,747
Liability component					
At 1 July 2017	–	–	–	–	–
Arising from acquisition of a subsidiary	18,559	–	–	–	18,559
Reclassified from contingent consideration payables *(Note 30)*	–	6,186	–	–	6,186
Effective interest expenses *(Note 10)*	70	150	–	–	220
Conversion of convertible bonds	(18,629)	(6,336)	–	–	(24,965)
At 30 June 2018 and 1 July 2018	–	–	–	–	–
Reclassified from contingent consideration payables *(Note 30)*	–	–	6,616	23,010	29,626
Effective interest expenses *(Note 10)*	–	–	114	335	449
Conversion of convertible bond	–	–	(6,730)	–	(6,730)
At 30 June 2019	–	–	–	23,345	23,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

32. CONVERTIBLE BONDS/CONVERTIBLE NOTE *(Continued)*

Notes:

(a) CB I has been granted to the vendor upon the completion of the acquisition of Fortune Selection Group.

(b) The Guaranteed Profits for the First Relevant Period of Fortune Selection Group has been fulfilled. CB II has been reclassified from contingent consideration payables on 29 March 2018.

(c) The Guaranteed Profits for the Second Relevant Period of Fortune Selection Group has been fulfilled. CB III has been reclassified from contingent consideration payable on 29 March 2019.

(d) The Guaranteed Profits for the First Relevant Period of Cheer Sino Group has been fulfilled. CN I has been reclassified from contingent consideration payable on 8 May 2019.

The Company issued CB I with zero coupon rate with the principal amount of HK$24,012,000, CB II with zero coupon rate with the principal amount of HK$8,004,000 and CB III with zero coupon rate with the principal amount of HK$8,004,000 on 13 July 2017, 29 March 2018 and 29 March 2019 respectively, for the acquisition of Fortune Selection Group. Under the terms of CB I, CB II and CB III. CB I, CB II and CB III can be converted into ordinary shares of the Company at conversion price of HK$0.92 per share for the period from the date of the issue of convertible bonds to the maturity date of 7 April 2020.

During the year ended 30 June 2018, CB I and CB II with an aggregate principal amount of HK$32,016,000 were fully converted into 34,800,000 new shares of the Company at a conversion price of HK$0.92 per share.

During the year ended 30 June 2019, CB III with the principal amount of HK$8,004,000 were fully converted into 8,700,000 new shares of the Company at a conversion price of HK$0.92 per share.

The Company issued CN I with zero coupon rate with the principal amount of HK$34,000,000 on 8 May 2019 for the acquisition of Cheer Sino Group. Under the terms of CN I, CN I can be converted into ordinary shares of the Company at conversion price of HK$1.83 per share for the period from the date of the issue of convertible note to the maturity date of 7 March 2022.

The convertible bonds contain two components, liability and equity components. The equity component represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group. The liability component of the convertible bonds is carried as a non-current liability on amortised cost basis until extinguished on conversion or redemption. The effective interest rate of the liability component of CB I, CB II, CB III and CN I are 9.66%, 13.16%, 19.41 and 10.02 per annum respectively.

The fair value of the convertible bonds/convertible note at the date of issue was valued by Peak Vision, using the Binomial Model. The inputs into the model are as follows:

	CB I and CB II	CB III	CN I
Risk-free rate (%)	0.95	1.85	2.03
Volatility (%)	68.43	39.79	61.77
Time to maturity (year)	2.74	1.77	3.69
Dividend yield (%)	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

33. SHARE CAPITAL

	Par value HK$	Number of ordinary shares	Nominal value of ordinary shares HK$'000
Authorised:			
At 1 July 2017, 30 June 2018, 1 July 2018 and 30 June 2019	**0.002**	**5,000,000,000**	**10,000**
Issued and fully paid:			
At 1 July 2017	0.002	1,350,800,000	2,702
Conversion of convertible bonds *(Note a)*	0.002	34,800,000	69
Placing of shares *(Note b)*	0.002	68,600,000	137
At 30 June 2018 and 1 July 2018	0.002	1,454,200,000	2,908
Conversion of convertible bond *(Note c)*	0.002	8,700,000	18
At 30 June 2019	**0.002**	**1,462,900,000**	**2,926**

Notes:

(a) On 27 July 2017, convertible bond with principal amount of HK$24,012,000 were converted into 26,100,000 ordinary shares at a conversion price of HK$0.92 per ordinary share. The shares were allotted and issued to the vendor of Fortune Selection Group.

On 6 June 2018, convertible bonds with principal amount of HK$8,004,000 were converted into 8,700,000 ordinary shares at a conversion price of HK$0.92 per ordinary share. The convertible bond was issued to the vendor upon the fulfilment of profit guarantee relating to the acquisition of the entire equity interests of Fortune Selection Group.

(b) On 24 November 2017, the Company and the placing agent entered into a placing agreement, pursuant to which the placing agent agreed to procure not less than six placees to purchase up to 68,600,000 shares at placing price of HK$1.5 per share (the "**Placing**"). The Placing was approved by the shareholders at the extraordinary general meeting of the Company held on 19 January 2018 and a total of 68,600,000 ordinary shares were issued under the specific mandate on 8 March 2018. The premium on the issue of shares, amounting to approximately HK$100,190,000, net of share issue expenses, was credited to the Company's share premium account.

(c) On 2 May 2019, convertible bonds with principal amount of HK$8,004,000 were converted into 8,700,000 shares at a conversion price of HK$0.92 per ordinary share. The convertible bond was issued to the vendor upon the fulfilment of profit guarantee relating to the acquisition of the entire equity interests of Fortune Selection Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

34. ACQUISITION OF SUBSIDIARIES

I. Acquisition of CIS Industrial Co., Limited and its subsidiary ("CIS Industrial Group")

On 25 June 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a vendor, an independent third party, for the acquisition of 100% equity interest of CIS Industrial Group, at a cash consideration of HK$330,000. The acquisition was completed on 5 July 2018. The amount of goodwill arising as a result of the acquisition was approximately HK$334,000.

CIS Industrial Group is conducting finance leasing business in the PRC.

II. Acquisition of Hananhal Investment Holding Co., Limited and its subsidiary ("Hananhal Group")

On 1 November 2018, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with a vendor, an independent third party, for the acquisition of 100% equity interest of Hananhal Group, at a cash consideration of HK$100,000. The acquisition was completed on 5 November 2018. The amount of goodwill arising as a result of the acquisition was approximately HK$100,000.

Hananhal Group is conducting credit factoring business in the PRC.

III. Acquisition of Shanghai Mijia Hemao

On 30 November 2018, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with the vendors, who were independent third parties, for the acquisition of 51% equity interest of Shanghai Mijia Hemao, at a cash consideration of approximately RMB45,648,000, equivalent to approximately HK$51,434,000.

The consideration for the acquisition is satisfied by the following:

	HK$'000
Initial consideration	38,576
Contingent consideration	12,858
Total purchase consideration	51,434

Included in the acquisition of Shanghai Mijia Hemao, there was a Profit Guarantees pursuant to which the vendors guaranteed to the Group the audited net profit after tax of Shanghai Mijia Hemao for the Relevant Periods. If the net profit for Relevant Periods is less than the Guaranteed Profits for the Relevant Periods or there is a net loss in the Relevant Periods, the Group is entitled to deduct from contingent consideration an amount equal to the adjustment as defined in the sale and purchase agreement.

The fair value of the contingent consideration payables and profit guarantees were approximately HK$10,643,000 and HK$9,468,000 respectively at the completion date of acquisition. The amount of goodwill arising as a result of the acquisition was approximately HK$41,001,000.

Shanghai Mijia Hemao is principally engaged in organisation of exhibition and event planning and related services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Non-controlling interests

The non-controlling interest (49%) in Shanghai Mijia Hemao recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Shanghai Mijia Hemao and amounted to approximately HK$364,000.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	CIS Industrial Group HK$'000	Hananhal Group HK$'000	Shanghai Mijia Hemao HK$'000	Total HK$'000
Non-current asset				
Property, plant and equipment	–	–	171	171
	–	–	171	171
Current asset				
Cash and cash equivalents	–	–	1,174	1,174
	–	–	1,174	1,174
Total assets	–	–	1,345	1,345
Current liability				
Other payables	(4)	–	(603)	(607)
Total liability	(4)	–	(603)	(607)
Net (liabilities recognised)/assets acquired	(4)	–	742	738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Goodwill arising on acquisition

	CIS Industrial Group HK$'000	Hananhal Group HK$'000	Shanghai Mijia Hemao HK$'000	Total HK$'000
Consideration paid and payable:				
– Cash paid during the period	330	100	40,204	40,634
– Contingent consideration payables	–	–	10,643	10,643
Total consideration paid and payable	330	100	50,847	51,277
Add: Non-controlling interests	–	–	364	364
Less: Fair value of profit guarantee at acquisition date *(Note 24)*	–	–	(9,468)	(9,468)
Add/(less): Net liabilities recognised/ (assets acquired)	4	–	(742)	(738)
Goodwill arising on acquisition of subsidiaries *(Note 17)*	334	100	41,001	41,435

None of the goodwill arising on acquisition of subsidiaries is expected to be deductible for tax purpose.

Goodwill arose in the acquisitions of CIS Industrial Group, Hananhal Group and Shanghai Mijia Hemao because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

Net cash outflow arising on acquisitions

	CIS Industrial Group HK$'000	Hananhal Group HK$'000	Shanghai Mijia Hemao HK$'000	Total HK$'000
Consideration paid in cash	330	100	40,204	40,634
Less: cash and cash equivalents balances acquired	–	–	(1,174)	(1,174)
Net cash outflow in respect of the acquisition of subsidiaries	330	100	39,030	39,460

Impact of acquisitions on the results of the Group

The amounts of revenue and profit or loss of the acquirees since the acquisition date included in the consolidated statement of profit or loss and other comprehensive income:

	CIS Industrial Group HK$'000	Hananhal Group HK$'000	Shanghai Mijia Hemao HK$'000	Total HK$'000
Revenue	14,275	13,217	–	27,492
Profit/(loss)	7,537	7,036	(404)	14,169

Had the acquisitions been completed on 1 July 2018, the total amount of revenue of the Group for the year ended 30 June 2019 would have been approximately HK$576,120,000 and the profit for the Reporting Period would have been approximately HK$106,916,000. Below are the contributions from each acquiree:

	For the year ended 30 June 2019 HK$'000	CIS Industrial Group HK$'000	Hananhal Group HK$'000	Shanghai Mijia Hemao HK$'000	Total HK$'000
Revenue	576,120	–	–	–	576,120
Profit/(loss)	107,316	32	–	(432)	106,916

The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 July 2018, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

35. STEP ACQUISITION OF UNIVERSE UNITY LIMITED

Universe Unity Limited was a 49% associate of the Group before the step acquisition.

On 31 December 2018, the Group acquired the remaining 51% equity interest of Universe Unity Limited at a consideration of HK$8.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date:

	HK$'000
Consideration:	
– Fair value of the shares held by the Group	–
– Cash consideration	–
Less: Net assets acquired	–
Less: Non-controlling interest initially recognised as at acquisition date	–
	–
Fair value of interest in an associate	–
Less: Interest in an associate	–
	–
Analysis of net cash flows arising from the step acquisition:	
Cash consideration	–
Add: Cash and cash equivalents acquired	–
Net cash inflow from the step acquisition	–

No net profit after tax contributed and revenue generated by Universe Unity Limited since the acquisition date included in the consolidated statement of profit or loss and other comprehensive income.

If the above step acquisition had occurred on 1 July 2018, the consolidated revenue and net profit after tax of the Group for the year ended 2019 remain unchanged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

36. SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme ("**Share Option Scheme**") by a resolution in writing passed by the shareholders on 18 October 2013, for the purpose of attracting, retaining and rewarding eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group.

The eligible persons of the Share Option Scheme include directors of the Company, employees, consultants or advisers, providers of goods or services, customers, holders of securities issued by the member of the Group and any other person who has contributed to the Group ("**Eligible Persons**").

The subscription price of the share options shall be a price determined by the Board of Directors and shall be at least the highest of (i) the closing price of share as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average of the closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; or (iii) the nominal value of the share.

The Eligible Persons shall accept the offer at the date not later than 21 days from the offer date or otherwise be deemed to have declined it. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board of Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Board of Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme. After the refreshment of the limit of the Share Option Scheme with the approval of the shareholders on 10 May 2019, the maximum number of shares which may be issued upon the exercise of the refreshed limit of 146,290,000 options (being 10% of the issued share capital on 10 May 2019) together with all outstanding options as at the date of this annual report carrying the right to subscribe for 100,000,000 Shares is 246,290,000 shares, representing approximately 16.84% of the total number of shares in issue as at the date of this annual report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

36. SHARE OPTION SCHEME *(Continued)*

Details of movements of the share options granted under the Share Option Scheme for the year ended 30 June 2019 are as follows:

Category of participants	Date of grant	Exercise price per share HK$	Exercise period	Outstanding at 1 July 2018 '000	Granted during the year '000	Exercised '000	Cancelled/ Lapsed '000	Outstanding at 30 June 2019 '000
Executive directors								
Deng Zhonglin	1 June 2018	1.89	31 December 2018 to 31 May 2028	12,000	–	–	–	12,000
Xu Feng *(Note a)*	1 June 2018	1.89	31 December 2018 to 31 May 2028	9,680	–	–	–	9,680
				21,680	–	–	–	21,680
Employees	1 June 2018	1.89	31 December 2018 to 31 May 2028	78,320	–	–	–	78,320
				100,000	–	–	–	100,000

Details of movements of the share options granted under the Share Option Scheme for the year ended 30 June 2018 are as follows:

Category of participants	Date of grant	Exercise price per share HK$	Exercise period	Outstanding at 1 July 2017 '000	Granted during the year '000	Exercised '000	Cancelled/ Lapsed '000	Outstanding at 30 June 2018 '000
Executive directors								
Deng Zhonglin	1 June 2018	1.89	31 December 2018 to 31 May 2028	–	12,000	–	–	12,000
Xu Feng *(Note a)*	1 June 2018	1.89	31 December 2018 to 31 May 2028	–	9,680	–	–	9,680
				–	21,680	–	–	21,680
Employees	1 June 2018	1.89	31 December 2018 to 31 May 2028	–	78,320	–	–	78,320
				–	100,000	–	–	100,000

Notes:

(a) Mr. Xu Feng has been appointed as executive director and the chief executive officer of the Company on 21 June 2018.

(b) The vesting of the options is conditional upon the fulfilment of certain performance targets relating to the Group. All the share options granted under the Share Option Scheme are subject to the following vesting period: 25% of the share options are exercisable from 31 December 2018 to 31 May 2028, 25% of the share options are exercisable from 30 June 2019 to 31 May 2028, 25% of the share options are exercisable from 31 December 2019 to 31 May 2028 and 25% of the share options are exercisable from 30 June 2020 to 31 May 2028.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

36. SHARE OPTION SCHEME *(Continued)*

The assessed fair value at grant date of options granted was HK$0.794 per option. The fair value of share options at grant date is assessed by Peak Vision using the Binomial Option Pricing model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The inputs used for the valuation of the options granted included:

	2018
Grant date	1 June 2018
Expiry date	31 May 2028
Dividend yield (%)	–
Spot stock price (HK$ per share)	1.85
Exercise price	1.89
Expected volatility (%)	33.02
Risk-free interest rate (%)	2.21
Expected life of options (year)	10

On 1 June 2018, the Company granted an aggregate of 100,000,000 share options under the Share Option Scheme, at an exercise price of HK$1.89 per share. The share options granted to each grantee shall vest conditional upon the fulfilment of certain performance targets.

The Binomial Option Pricing model requires input of subjective assumptions such as the expected volatility. Change in the subjective input may materially affect the fair value estimates. The expected volatility is determined by calculating the historical volatility of the share price of listed companies with similar business as the Group.

During the year ended 30 June 2019, the Group recognised equity-settled share-based payment expenses of approximately HK$57,404,000 (2018: approximately HK$6,202,000) in relation to share options granted by the Company to the directors of the Company and employees of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

37. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

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

	Interest payable for financing activities HK$'000 *(Note 10)*	**Contingent consideration payables** HK$'000	**Corporate bonds** HK$'000 *(Note 31)*	**Convertible bonds/ convertible note** HK$'000 *(Note 32)*	**Total** HK$'000
At 1 July 2017	–	–	–	–	–
Financing cash (outflows)/inflows	(3)	–	2,580	–	2,577
Other changes:					
Arising from acquisition of subsidiaries	–	239,512	–	18,559	258,071
Reclassified from contingent consideration payables to convertible bonds					
– Liability component	–	(6,186)	–	6,186	–
– Equity component	–	(7,472)	–	–	(7,472)
Loss on change in fair value recognised in profit or loss	–	(43,433)	–	–	(43,433)
Finance costs	3	–	14	220	237
Conversion during the year	–	–	–	(24,965)	(24,965)
At 30 June 2018 and 1 July 2018	–	182,421	2,594	–	185,015
Financing cash inflows	–	–	298,510	–	298,510
Other changes:					
Arising from acquisition of subsidiaries	–	10,643	–	–	10,643
Reclassified from contingent consideration payables to convertible bonds					
– Liability component	–	(29,626)	–	29,626	–
– Equity component	–	(16,352)	–	–	(16,352)
Fair value of early redemption right on initial recognition	–	–	30,620	–	30,620
Profit on change in fair value recognised in profit or loss	–	23,255	–	–	23,255
Finance costs	–	–	22,216	449	22,665
Interest paid	–	–	(29,415)	–	(29,415)
Conversion during the year	–	–	–	(6,730)	(6,730)
At 30 June 2019	**–**	**170,341**	**324,525**	**23,345**	**518,211**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

38. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere to the consolidated financial statements, the Group had entered into the following related party transactions, which in the opinion of the directors of the Company, were carried out in accordance with terms negotiated between the parties and in the ordinary course of business of the Group.

Remuneration for key personnel management, including emoluments paid to the directors of the Company and certain employees of the Group, as disclosed in Note 12 to the consolidated financial statements, are as follows:

Key management personnel

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**2,699**	2,483
Retirement benefits scheme contributions	**8**	26
Equity-settled share-based payment expenses	**12,445**	1,344
Total compensation paid to key management personnel	**15,152**	3,853

39. OPERATING LEASE COMMITMENTS

The Group as lessee

	2019 HK$'000	2018 HK$'000
Minimum lease payments paid under operating leases in respect of land and building during the year	**14,991**	8,012

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

	2019 HK$'000	2018 HK$'000
Within one year	**13,087**	14,460
In the second to fifth year inclusive	**10,525**	20,256
	23,612	34,716

Operating lease payments represent rentals payable by the Group for certain of its properties in Hong Kong and the PRC. Leases are negotiated for lease terms ranging from one to five years.

40. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**21,155**	–

In April 2019, an indirectly wholly-own subsidiary of the Company entered into a Contract in RMB31,020,000 which is equivalent to approximately HK$35,536,000 with a ship building company, an independent third party. According to the Contract, the amount of approximately HK$14,381,000 was paid as a first instalment for the yacht ordered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current asset		
Investments in subsidiaries	**298,640**	298,638
Current assets		
Prepayments and other receivables	**307**	207
Amounts due from subsidiaries	**483,066**	230,511
Amounts due from an associate	**–**	5
Financial assets at fair value through profit or loss	**16,230**	–
Cash and cash equivalents	**11,390**	25,368
	510,993	256,091
Current liabilities		
Accruals	**1,365**	2,075
Amounts due to subsidiaries	**171,859**	169,565
Contingent consideration payables	**79,251**	45,979
	252,475	217,619
Net current assets	**258,518**	38,472
Total assets less current liabilities	**557,158**	337,110
Non-current liabilities		
Convertible bonds/convertible note	**23,345**	–
Contingent consideration payables	**80,500**	136,442
Corporate bonds	**324,525**	2,594
	428,370	139,036
NET ASSETS	**128,788**	198,074
Capital and reserves		
Share capital	**2,926**	2,908
Reserves *(Note 42)*	**125,862**	195,166
TOTAL EQUITY	**128,788**	198,074

The statement of financial position was approved and authorised for issue by the Board of Directors on 27 September 2019 and are signed on its behalf by:

Deng Zhonglin
Chairman

Xu Feng
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 30 June 2019

42. RESERVES OF THE COMPANY

	Share premium HK$'000	Convertible bonds reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2017	196,806	–	–	(170,094)	26,712
Profit and total comprehensive income for the year	–	–	–	7,797	7,797
Placing of shares	102,763	–	–	–	102,763
Transaction costs attributable to placing of shares	(2,573)	–	–	–	(2,573)
Issue of convertible bonds	–	29,369	–	–	29,369
Conversion of convertible bonds	54,265	(29,369)	–	–	24,896
Recognition of equity-settled share-based payments	–	–	6,202	–	6,202
At 30 June 2018 and 1 July 2018	351,261	–	6,202	(162,297)	195,166
Loss and total comprehensive income for the year	–	–	–	(135,230)	(135,230)
Issue of convertible bond/ convertible note	–	16,352	–	–	16,352
Conversion of convertible bond	15,317	(8,605)	–	–	6,712
Recognition of equity-settled share-based payments	–	–	57,404	–	57,404
Dividend paid	–	–	–	(14,542)	(14,542)
At 30 June 2019	**366,578**	**7,747**	**63,606**	**(312,069)**	**125,862**

Note:

Distributable reserves

Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to its shareholder provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

At 30 June 2019, the Company's reserves available for distribution to shareholders amounting to approximately HK$54,509,000 (2018: approximately HK$188,964,000 and calculated in accordance with Companies Law of Cayman Islands and the Articles.

43. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 September 2019.

44. COMPARATIVE FIGURES

Certain comparative figures for the year ended 30 June 2018 have been reclassified to conform to the current year's presentation.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
Revenue	**576,120**	254,051	102,938	160,289	188,314
Profit/(loss) before tax from continuing operations	**195,830**	113,140	(20,243)	(63,457)	50,955
Income tax expenses	**(88,514)**	(22,435)	(5,664)	(4,167)	(5,089)
Profit/(loss) for the year from continuing operations	**107,316**	90,705	(25,907)	(67,624)	45,866
DISCONTINUED OPERATION					
Loss for the year from discontinued operation	**–**	–	(13,410)	(1,087)	–
PROFIT/(LOSS) FOR THE YEAR	**107,316**	90,705	(39,317)	(68,711)	45,866
Attributable to:					
Owners of the Company	**107,514**	90,706	(36,411)	(67,346)	45,919
Non-controlling interests	**(198)**	(1)	(2,906)	(1,365)	(53)
PROFIT/(LOSS) FOR THE YEAR	**107,316**	90,705	(39,317)	(68,711)	45,866

ASSETS AND LIABILITIES

	At 30 June				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,174,156**	643,051	170,326	204,340	275,492
Total liabilities	**(629,674)**	(253,183)	(28,296)	(115,358)	(117,740)
Non-controlling interests	**4,168**	4,325	4,324	1,418	53
Total equity attributable to owners of the Company	**548,650**	394,193	146,354	90,400	157,805