

## FINANCIAL INFORMATION

*You should read this section in conjunction with our audited financial information as at and for the three years ended 30 June 2011, 2012 and 2013, including the notes thereto, as set forth in the Accountants' report set out in Appendix I to this document. We have prepared the audited combined financial information on the basis set out in the Accountants' report set out in Appendix I to this document and in accordance with HKFRSs.*

*This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this document, particularly in "Risk factors".*

### OVERVIEW

Our Group is principally engaged in the organisation and management of trade exhibitions as well as the provision of Exhibition Related Services for other exhibition organisers or project managers.

The following table sets out the trade exhibitions we have participated during the Track Record Period:

*During the financial year ended 30 June 2011:*

Name of exhibition	Place held	Theme of exhibition	Date	Role of our Group	Revenue contribution HK\$'000
Household Expo	Moscow, Russia	Housewares trade exhibition	14-17 September 2010	agent	466
Mega Show Part I New Wing	Hong Kong	Gifts, housewares, premiums and toys trade exhibition	20-23 October 2010	project manager	132,221
Mega Show Part I Old Wing	Hong Kong	Gifts, housewares, premiums and toys trade exhibition	20-23 October 2010	on-site manager and booth manager	5,185
Mega Show Part II	Hong Kong	Gifts, home decorations, office and stationery trade exhibition	27-29 October 2010	on-site manager and booth manager	4,223
中國四川新春 年貨購物節 (China Sichuan New Year's Shopping Festival*)	Chengdu, PRC	Foods, fashion and accessories consumer exhibition	15-30 January 2011	agent	521
London Asia Expo	London, UK	Gifts, premiums, housewares and toys trade exhibition	24-26 January 2011	on-site manager and booth manager	800
中國進出口商品交易會 ("China Import and Export Fair")	Guangzhou, PRC	Consumer goods, food, housewares, textile and garment trade exhibition	30 April-4 May 2011	agent	103

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Name of exhibition	Place held	Theme of exhibition	Date	Role of our Group	Revenue contribution HK\$'000
Hong Kong International Buddhist Fair	Hong Kong	Exhibition of Buddhism related articles and seminars consumer exhibition	8-10 May 2011	organiser	1,990
中國福建商品交易會 ("Commodities Fair Fujian China")	Fuzhou, PRC	Consumer products consumer exhibition	18-22 May 2011	agent	2,123
<i>During the financial year ended 30 June 2012:</i>					
Mega Show Part I New Wing	Hong Kong	Gifts, housewares, premiums and toys trade exhibition	20-23 October 2011	project manager	128,480
Mega Show Part I Old Wing	Hong Kong	Gifts, housewares, premiums and toys trade exhibition	20-23 October 2011	sub-manager	10,519
Mega Show Part II	Hong Kong	Gifts, home decorations, office and stationery trade exhibition	27-29 October 2011	sub-manager	7,032
中國進出口商品交易會 ("China Import and Export Fair")	Guangzhou, PRC	Consumer goods, food, housewares, textile and garment trade exhibition	31 October- 4 November 2011	agent	34
中國四川新春 年貨購物節 (China Sichuan New Year's Shopping Festival*)	Chengdu, PRC	Foods, fashion and accessories consumer exhibition	5-12 January 2012	agent	1,190
Singapore Asia Expo	Singapore	Gifts and premium, fashion accessories, housewares, toys and games, foodware, building material, sports and outdoor items trade exhibition	23-25 November 2011	organiser ( <i>Note</i> )	14,413
Berlin Expo	Berlin, Germany	Apparel and textiles trade exhibition	21-23 February 2012	project manager	4,908

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*During the financial year ended 30 June 2013:*

Name of exhibition	Place held	Theme of exhibition	Date	Role of our Group	Revenue contribution <i>HK\$'000</i>
Vegas Expo	Las Vegas, Nevada, US	Gifts and premium, housewares, festive & seasonal, toys, games and stationery trade exhibition	13-15 August 2012	organiser	8,192
Mega Show Part I	Hong Kong	Gifts, housewares, premiums and toys trade exhibition	20-23 October 2012	project manager	180,333
Mega Show Part II	Hong Kong	Gifts, home decorations, office and stationery trade exhibition	27-29 October 2012	project manager	14,727
Singapore Asia Expo	Singapore	Gifts and premium, fashion accessories, housewares, toys and games, foodware, building material, sports and outdoor items trade exhibition	14-16 November 2012	organiser ( <i>Note</i> )	10,673
Berlin Expo	Berlin, Germany	Apparel and textiles trade exhibition	19-21 February 2013	organiser	6,603

*Note:* We are one of the organisers with 福建蒼源國際展覽有限公司 (Fujian Huiyuan International Exhibition Co. Ltd.\*), an Independent Third Party.

The following table sets out the revenue contributed by each of the roles our Group had taken up in trade exhibitions we have participated in during the Track Record Period:

	Year ended 30 June		
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Organiser	1,990	14,413	25,468
Project manager	132,221	133,388	195,060
Sub-manager	–	17,551	–
On-site manager and booth manager	10,208	–	–
Agent	3,213	1,224	–

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### BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the Cayman Islands on 21 August 2012. In preparation of the [••], we underwent the Reorganisation, as detailed in the section headed "Reorganisation" in this document. As a result of the Reorganisation, our Company became a holding company of the subsidiaries comprising our Group.

The financial information includes the combined statements of comprehensive income, combined statements of changes in equity, combined statements of cash flows and combined statements of financial position of the companies now comprising our Group. The financial information has been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever is a shorter period. The combined statements of financial position of our Group as at 30 June 2011, 2012 and 2013 have been prepared to present the assets and liabilities of our Group as at the respective dates as if the current group structure had been in existence at those dates.

Transactions, balances and unrealised gain or losses on transactions between companies within our Group are eliminated on combination.

### FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations have been and will continue to be affected by a number of factors, including the following:

**The Mega Shows accounted for over 85% of our revenue for each of the financial year during the Track Record Period and if we could not continue our Mega Shows for any reasons, our financial results would be adversely affected**

Since our Group's principal source of revenue and cash inflow had during the Track Record Period been, and will for the foreseeable future continue to be, derived from the Mega Shows, our Group's continued ability to act as organiser of the Mega Shows and the success of the Mega Shows is essential to our Group's working capital, profitability and business operations in the foreseeable future. For each of the three years ended 30 June 2013, revenue derived from the Mega Shows accounted for approximately 95.9%, 87.6% and 88.4% respectively of our Group's revenue. Should our Group fail to convene the Mega Shows in accordance with its scheduled period and venue or be forced to cancel the Mega Shows for reasons entirely beyond the control of our Group or fail to convene the Mega Shows for whatever reasons in the foreseeable future, the financial results of operations and business of our Group may be adversely and materially affected.

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### **We experience seasonal fluctuation in our revenue and cash flow due to seasonality of business**

We experience seasonal fluctuations in our revenue and cash flow due to seasonality of our business. Our revenue in October of each financial year is usually higher as a majority of our revenue was generated from the Mega Shows. Over the Track Record Period, due to our revenue recognition policy to recognise revenue from each exhibition only after completion of the exhibition, revenue derived from the Mega Shows, which was recognised in October each year, represented approximately 95.9%, 87.6% and 88.4%, respectively, of our revenue in each year. Due to the seasonality of our revenue, our results of operations in any period of a year may not be indicative of the results that may be achieved for the year. Further, as we generally receive non-refundable deposits for the sale of booths from our exhibitors at their submission of application and the remaining balance at approximately six months before the exhibition is held, our cash flow from operations is relatively uneven throughout a financial year. As a result, our financial results may vary as we would record substantial revenue in the first half of a financial year. Due to the seasonality of our business, our Group may record loss in certain months/period during the year.

### **We rely on major venue provider which we do not enter into long term agreements with**

During the Track Record Period, our Group provided project management and Exhibition Related Services to the Mega Shows which took place at HKCEC. For 2013, our Group will become the licensee for the venue at HKCEC and HKCEC Management will become one of our largest suppliers. As an organiser, we will also enter into various licence agreements with the respective venue providers of Singapore Asia Expo, Berlin Expo and Vegas Expo. It is our Directors' understanding that it is not the common practice for venue providers to enter into long term agreements for the occupancy of venue in the same time slot for more than one year and venue providers also will not guarantee the availability of the relevant venue. There is nothing to prevent competitors from booking our preferred venues and dates considered by our Group to be most attractive for our exhibitions. Therefore, there is no assurance that the owners of the venues will continue to grant the licence to the occupancy of venues to our Group in the future. Should our Group fail to maintain our business relationship with our venue providers and be unable to secure alternative venue providers who offer comparable venues, the operations and business of our Group may be adversely affected.

### **There may be selling price fluctuation to exhibitors and cost fluctuations of our suppliers which we may not be able to pass on to our exhibitors**

The price for booths for exhibitions depends largely on prevailing market standard and may not be increased substantially. If we increase the booth price for exhibitions organised or managed by us substantially, exhibitors may decide not to participate in the exhibitions organised or managed by us which may decrease our revenue for the year. However, there may be costs fluctuations of our suppliers, such as our venue providers, booth contractors and also advertisers, as these industries could have a substantial fluctuation in their supply costs, which we would need to bear, while we may not be able to increase booth prices substantially to mirror the increase of our costs, as this may deter exhibitors to participate in the exhibitions organised or managed by us. Therefore, we may not be able to pass on our increased costs to our exhibitors, and which may have a material and adverse effect on our financial conditions and business operations.

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The following sensitivity analyses illustrate impact of hypothetical fluctuations in average booth selling price of Mega Shows, exhibition co-operation expenses, advertising and promotion expenses and booth construction costs of all exhibitions on our profit for the periods of our Group indicated with all other factors assumed unchanged:

<b>Hypothetical fluctuations in average booth selling price of Mega Shows, exhibition co-operation expenses, advertising and promotion expenses and booth construction costs</b>	-10%	-5%	+5%	+10%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Change in revenue due to change in average booth selling price of Mega Shows</b>				
For the year ended 30 June 2011	(12,309)	(6,152)	6,162	12,319
For the year ended 30 June 2012	(12,172)	(6,088)	6,080	12,164
For the year ended 30 June 2013	(18,513)	(9,261)	9,242	18,493
<b>Change in exhibition co-operation expenses of all exhibitions</b>				
For the year ended 30 June 2011	(3,511)	(1,756)	1,756	3,511
For the year ended 30 June 2012	(3,706)	(1,853)	1,853	3,706
For the year ended 30 June 2013	(5,837)	(2,918)	2,918	5,837
<b>Change in advertising and promotion expenses of all exhibitions</b>				
For the year ended 30 June 2011	(909)	(454)	454	909
For the year ended 30 June 2012	(1,165)	(582)	582	1,165
For the year ended 30 June 2013	(1,023)	(511)	511	1,023
<b>Change in booth construction costs of all exhibitions</b>				
For the year ended 30 June 2011	(2,180)	(1,090)	1,090	2,180
For the year ended 30 June 2012	(2,382)	(1,191)	1,191	2,382
For the year ended 30 June 2013	(2,558)	(1,279)	1,279	2,558
<b>Change in profit for the year of our Group</b>				
For the year ended 30 June 2011	(4,744)	(2,370)	2,378	4,752
For the year ended 30 June 2012	(3,970)	(1,987)	1,980	3,963
For the year ended 30 June 2013	(6,876)	(3,442)	3,428	6,861

### **Intensive preparatory works and advance cash payment required for organising exhibitions**

In preparation for an exhibition, our Group has to carry out preparatory works in cooperation with the exhibitors, venue providers, service providers and other participants in the exhibition industry. More importantly, significant payments have to be made by our Group for booking a suitable venue as exhibition venue providers typically require a cash deposit which ranges from 10% to 50% of the total rental in advance for each booking, and for marketing and promotional activities including advertising through various channels and designing and printing of various promotional materials. For each of the three years ended 30 June 2013, the aggregate expenses of exhibition rentals and advertising and

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promotion expenses amounted to approximately HK\$10.6 million, HK\$15.6 million and HK\$13.2 million respectively. Exhibition rentals will further increase as our Group will take up the role as organiser of the Mega Shows to be held in October 2013. Since our Group accepts deposits for booth rental from some exhibitors only after we have performed part of the aforesaid preparatory work and have incurred relevant expenses, upon which the exhibitors are generally required to pay a 50% non-refundable deposit to our Group upon submission of the application form and the remaining balance at approximately six months before the date of the exhibitions, there is a cashflow mismatch and our Group has to make advance cash payments before receiving any deposits from such exhibitors.

In the event that a proposed exhibition fails to materialise as planned, a suitable venue is not available at the times preferred by our Group, our Group fails to complete its preparatory works on time or our Group does not have sufficient cash to book an exhibition venue, our Group's business and results of operations may be adversely affected.

### CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified below the accounting policies that have been applied consistently throughout the Track Record Period which, we believe, are critical to the preparation of our financial information.

In the application of these accounting policies, our Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates, judgments and associated assumptions are continually evaluated and are based on historical experience and other factors that may have a significant effect on the carrying amounts of assets and liabilities of our Group, are discussed below.

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

Our management team considers the following factors in reviewing the respective combined financial information:

- the selection of critical accounting policies; and
- the judgments and other uncertainties affecting the application of those critical accounting policies.

The selection of critical accounting policies, the judgments and other uncertainties affecting the application of those policies, as well as the sensitivity of reported results to changes in conditions and assumptions, are all factors to be considered when reviewing our audited financial information. Our significant accounting policies are summarised in Note 3 to the Accountants' report set out in Appendix I to this document. We believe the following critical accounting policies and practices involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

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### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably on the following bases:

(i) *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.

(ii) *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.

(iii) *Additional facilities income*

Additional facilities income is recognised when the services are rendered.

(iv) *Sub-contracting income*

Sub-contracting income is recognised when the services are rendered.

(v) *Management fee income*

Management fee income is recognised when the services are rendered.

(vi) *Other ancillary service income*

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

### Income taxes

Our Group is subject to income taxes in numerous tax authorities. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Our Group recognises liabilities for anticipated tax audit issues 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 difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

### Impairment of property, plant and equipment

Our Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. Our Group also performs annual reviews on whether the assumptions made on useful lives continue to be

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valid. Our Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

### Estimated impairment of goodwill

Our Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in Note 3 to the Accountant's report set out in Appendix I to this document. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

### RESULTS OF OPERATIONS

The table below sets forth the selected information of our Group's combined statements of comprehensive income for the Track Record Period indicated:

	2011		Year ended 30 June 2012		2013	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Revenue	147,758	100.0	166,795	100.0	220,633	100.0
Other revenue	1,792	1.2	59	0.0	567	0.3
Other income	209	0.1	96	0.1	98	0.0
Advertising and promotion expenses	(9,089)	(6.2)	(11,645)	(7.0)	(10,229)	(4.6)
Agency commission	(2,421)	(1.6)	(2,519)	(1.5)	(6,331)	(2.9)
Exhibition rentals	(1,470)	(1.0)	(3,935)	(2.4)	(2,982)	(1.4)
Staff costs	(19,126)	(12.9)	(21,831)	(13.1)	(34,817)	(15.8)
Booth construction costs	(21,803)	(14.8)	(23,818)	(14.3)	(25,582)	(11.6)
Exhibition expenses	(9,570)	(6.5)	(13,321)	(8.0)	(8,173)	(3.7)
Exhibition co-operation expenses	(35,114)	(23.8)	(37,064)	(22.2)	(58,369)	(26.5)
Other operating expenses	(19,946)	(13.5)	(21,953)	(13.1)	(40,574)	(18.3)
Profit before tax	31,220	21.0	30,864	18.5	34,241	15.5
Taxation	(5,294)	(3.6)	(5,976)	(3.6)	(8,339)	(3.8)
<b>Profit for the year</b>	<b>25,926</b>	<b>17.4</b>	<b>24,888</b>	<b>14.9</b>	<b>25,902</b>	<b>11.7</b>
Profit/(loss) for the year attributable to:						
Owners of the Company	26,049	17.5	25,056	15.0	26,170	11.8
Non-controlling interests	(123)	(0.1)	(168)	(0.1)	(268)	(0.1)
	<b>25,926</b>	<b>17.4</b>	<b>24,888</b>	<b>14.9</b>	<b>25,902</b>	<b>11.7</b>

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### PRINCIPAL STATEMENTS OF COMPREHENSIVE INCOME COMPONENTS

#### Revenue

##### *Revenue by service segments*

The following table sets out our revenue by service segments and the percentage contribution to our total revenue for the Track Record Period indicated:

	Year ended 30 June					
	2011		2012		2013	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Organisation of exhibitions	124,939	84.6	140,518	84.3	209,753	95.0
Exhibition-related services	22,683	15.3	26,056	15.6	10,775	4.9
Ancillary services	136	0.1	221	0.1	105	0.1
<b>Total</b>	<b>147,758</b>	<b>100.0</b>	<b>166,795</b>	<b>100.0</b>	<b>220,633</b>	<b>100.0</b>

##### *Organisation of exhibitions*

Organisation of exhibitions include the sale of booths directly to exhibitors by us or by sales agents or to exhibition service agents who would resell the booths to exhibitors in exhibitions which we undertake the roles of organiser or project manager. Our revenue from organisation of exhibitions is recognised at the conclusion of the event and the related direct event production costs are deferred and recognised as expenses upon completion of the event.

##### *Exhibition-related services*

Exhibition-related services mean the provision of various Exhibition Related Services, including on-site management services, booth management services, agency services as well as sub-management services to organisers or project managers of exhibitions according to their request. In exchange for our Exhibition-related services, we receive service fees and/or performance bonuses which are determined based on commercial negotiation with the organisers or project managers of the exhibitions. Our revenue from the abovementioned services is recognised when they are rendered.

Performance bonus represents bonus received from the organisers or project managers of the exhibitions upon the satisfactory completion of the exhibitions, which shall be determined at the reasonable discretion of the organisers or project managers and calculated based on an agreed percentage of the total contract price.

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The following table sets out the amount of service fees and performance bonuses received by our Group during the Track Record Period:

	Year ended 30 June					
	2011		2012		2013	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Service fees	22,244	98.1	25,623	98.3	10,775	100.0
Performance bonuses	439	1.9	433	1.7	–	–
Total	<u>22,683</u>	<u>100.0</u>	<u>26,056</u>	<u>100.0</u>	<u>10,775</u>	<u>100.0</u>

### *Other ancillary services*

Other ancillary services mainly comprise income from our provision of travel and accommodation arrangement services to relevant exhibition participants, income from our provision of advertising service for promotion of products and income from our provision of raw space design services to exhibitors.

### *Revenue by geography*

The table below sets forth our revenue by geographical segments, with reference to the locations of our services provided, during the Track Record Period:

	Year ended 30 June					
	2011		2012		2013	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Hong Kong	147,758	100.0	147,474	88.4	195,165	88.5
Singapore	–	–	14,413	8.6	10,673	4.8
Germany	–	–	4,908	3.0	6,603	3.0
The US	–	–	–	–	8,192	3.7
Total	<u>147,758</u>	<u>100.0</u>	<u>166,795</u>	<u>100.0</u>	<u>220,633</u>	<u>100.0</u>

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### *Average selling price*

The following table sets out the average selling price of exhibition space for exhibitions managed/organised by our Group during the Track Record Period:

	Year ended 30 June		
	2011	2012	2013
	HK\$ per sq.m	HK\$ per sq.m	HK\$ per sq.m
Mega Shows ( <i>Note</i> )	3,410	3,567	3,403
Hong Kong International Buddhist Fair	969	–	–
Singapore Asia Expo	–	2,642	3,641
Berlin Expo	–	2,527	2,591
Vegas Expo	–	–	2,533

*Note:* Average selling prices of exhibition space for Mega Shows for the years ended 30 June 2011 and 2012 represent average selling price for Mega Show Part I New Wing as we only acted as project manager for Mega Show Part I New Wing during those periods. Average selling price for the year ended 30 June 2013 represent average selling price of the Mega Shows as we acted as the project manager for the entire exhibition. The average selling prices of exhibition space for Mega Show Part I and Mega Show Part II for the year ended 30 June 2013 were approximately HK\$3,737 per sq.m and HK\$1,612 per sq.m. respectively.

### **Other revenue and other income**

Other revenue and other income mainly comprised one-off government subsidy, exchange gains, interest income, the forfeiture of non-refundable payment and compensation for exhibition loss with other organising partners.

### **Advertising and promotion expenses**

Our advertising and promotion expenses during the Track Record Period comprised mainly the expenses for advertising in media such as newspapers, magazines and the Internet, as well as expenses incurred in promotion billboards, displays, posters, brochures and leaflets.

### **Agency commission**

Agency commission represents the amount paid to sales agents in various territories for services mainly including: (i) to identify and recruit exhibitors in their countries for the exhibitions organised or managed by us; (ii) to provide marketing and promotion in respect of the trade exhibitions; and (iii) to provide other coordination services. We collect proceeds of the sale of booths from exhibitors directly and in return pays the agreed commission to sales agents after the exhibitions.

Agency commission paid to our sales agent is calculated with reference to the total number of booths sold to the exhibitors referred by each sales agent based on a pre-determined percentage to the selling price of each booth agreed in the respective agency agreement.

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### Exhibition rentals

Exhibition rentals represent the amounts we paid to venue providers for use of such venues for our exhibitions.

### Staff costs

Staff costs mainly comprise commission to sales staff, wages and salaries paid to all our staff, directors emoluments and retirement benefit scheme contributions.

### Booth construction costs

Booth construction costs represent costs of installation, supply and decoration of booths and ancillary facilities performed and provided by our contractors and subcontractors, which are calculated with reference to the size of booths in square metres or the scope of services provided.

### Exhibition expenses

Exhibition expenses mainly represent expenses incurred at exhibition sites at the time of exhibition including lounge expenses for visitors and accommodation and transportation expenses for staff and agents, souvenirs and promotion expenses.

### Exhibition co-operation expenses

Exhibition co-operation expenses represent the amounts we paid to exhibition organisers or organising partners who engaged us to manage their exhibitions under the terms of a project management agreement or cooperation agreement whereby the appointer is entitled to an agreed percentage of revenue or net income generated from the relevant exhibition. Exhibition co-operation expense is recognised when the associated exhibition revenue and expenses are recognised upon completion of the event.

The table below sets forth a breakdown of our exhibition co-operation expenses for exhibitions managed/organised by our Group during the Track Record Period:

	<b>Year ended 30 June</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mega Show Part I	35,114	34,453	48,274
Mega Show Part II	–	–	4,259
Singapore Asia Expo	–	1,173	5,836
Berlin Expo	–	1,438	–
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Total	35,114	37,064	58,369
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### Other operating expenses

The table below set forth a breakdown of our other operating expenses during the Track Record Period:

	Year ended 30 June					
	2011		2012		2013	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Administrative services	9,000	45.1	9,000	41.0	3,196	7.9
Operating lease rentals	4,631	23.2	5,017	22.9	9,902	24.4
Legal and professional fees	2,629	13.2	3,090	14.1	17,684	43.6
Staff welfare	753	3.8	1,152	5.2	1,335	3.3
Others	2,933	14.7	3,694	16.8	8,457	20.8
Total	<u>19,946</u>	<u>100.0</u>	<u>21,953</u>	<u>100.0</u>	<u>40,574</u>	<u>100.0</u>

Our other operating expenses mainly comprised administrative services charges, operating lease rentals for office, legal and professional fees and staff welfare and other expenses. Others mainly comprised depreciation of fixed assets, impairment loss on goodwill and miscellaneous administrative expenses.

During the Track Record Period, we incurred approximately HK\$12.0 million, HK\$12.0 million and HK\$3.2 million for engaging operations and administrative support services with GIIL Group. For details of the services engaged with GIIL Group, please refer to the section headed "Business – Arrangement with GIIL Group and Pro-Capital Group – Operation and administrative support services" in this document.

### Income tax expenses

Income tax expenses primarily consist of provision for current income tax expenses incurred in Hong Kong. During the years ended 30 June 2012 and 2013, the estimated corporate tax liability incurred in Singapore was approximately HK\$17,000. No provision was recognised as the amount was indemnified by the Controlling Shareholders. No provision has been made for income tax expenses incurred in the PRC and the US as our subsidiaries did not have assessable profits in the PRC and the US during the Track Record Period. Our effective tax rates were approximately 16.9%, 19.3% and 24.4% for the years ended 30 June 2011, 2012 and 2013 respectively.

Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements illustrated as follows:

#### *Cayman Islands and the BVI*

Pursuant to the applicable laws, rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any profits tax in the Cayman Islands and the BVI.

#### *Hong Kong*

All our Hong Kong subsidiaries were subject to Hong Kong profits tax at 16.5% during the Track Record Period.

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### *PRC*

All our PRC subsidiaries were subject to PRC enterprise income tax at 25% during the Track Record Period.

### *Singapore*

Our activities in Singapore were subject to Singapore corporate tax at 17% during the Track Record Period.

### *Germany*

As advised by the Tax Adviser, our activities in Germany were not subject to German corporation tax during the Track Record Period.

### *The US*

Our activities in the US were subject to US federal income tax, depending on the amount of taxable profit, at rates ranged from 15% to 35%, and branch profits tax at 30%.

## PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

### **Year ended 30 June 2013 compared with year ended 30 June 2012**

#### *Revenue*

Our revenue increased by approximately HK\$53.8 million or 32.3% from approximately HK\$166.8 million for the year ended 30 June 2012 to approximately HK\$220.6 million for the year ended 30 June 2013. Such increase was mainly attributable to our expansion into the international market and the organisation of the Vegas Expo in August 2012. The income derived from Vegas Expo was approximately HK\$8.2 million for the year ended 30 June 2013. The increase was also due to the increase in income derived from Mega Shows of approximately HK\$49.0 million in October 2012 for taking up the new role as project manager of Mega Show Part I Old Wing and Mega Show Part II. It was offset by the decrease in participation income of approximately HK\$3.7 million from Singapore Asia Expo held in November 2012 due to the reduction in the scale of exhibition as a result of changing exhibitor mix to refocus on PRC exhibitors.

The decrease in average selling price of exhibition space for the Mega Shows by approximately 4.6% from approximately HK\$3,567 per sq.m for the year ended 30 June 2012 to approximately HK\$3,403 per sq.m for the year ended 30 June 2013 was mainly due to the inclusion of the lower average selling price of Mega Show Part II of approximately HK\$1,612 per sq.m for the year ended 30 June 2013. Without the effect of Mega Show Part II, the average selling price of exhibition space for the Mega Shows increased by approximately 4.8% to approximately HK\$3,737 per sq.m for the year ended 30 June 2013, which reflected the increase in the standard booth prices we charged to exhibitors in Mega Show Part I. The average selling price of exhibition space for Singapore Asia Expo increased by approximately 37.8%

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from approximately HK\$2,642 per sq.m for the year ended 30 June 2012 to approximately HK\$3,641 per sq.m for the year ended 30 June 2013 was primarily due to the higher booth prices sold by our organising partner to the exhibitors. The average selling price of exhibition space for Berlin Asia Expo remained stable at approximately HK\$2,591 per sq.m for the year ended 30 June 2013.

### *Other revenue and other income*

Other revenue and other income increased by approximately 329.0% from approximately HK\$155,000 for the year ended 30 June 2012 to approximately HK\$665,000 for the year ended 30 June 2013, was primarily due to the rebate of approximately HK\$99,000 received from Singapore Tourism Board in July 2012 for organising the Singapore Asia Expo in November 2011 and forfeited non-refundable payment of booth deposit of approximately HK\$382,000 for the year ended 30 June 2013.

### *Advertising and promotion expenses*

Advertising and promotion expenses decreased by approximately 12.1% from approximately HK\$11.6 million for the year ended 30 June 2012 to approximately HK\$10.2 million for the year ended 30 June 2013, as our Group allocated more resources to advertise and promote our new exhibitions, including Singapore Asia Expo in November 2011, Berlin Expo in February 2012 and Vegas Expo in August 2012 during the year ended 30 June 2012, while less promotional activities were conducted for our repeating exhibitions in the year ended 30 June 2013.

### *Agency commission*

Agency commission increased by approximately 152.0% from approximately HK\$2.5 million for the year ended 30 June 2012 to approximately HK\$6.3 million for the year ended 30 June 2013 due to our taking up the new role as project manager in Mega Show Part I Old Wing and Mega Show Part II, resulting in the increase in number of booths managed by our Group and sold by our sales agents in the Mega Shows.

### *Exhibition rentals*

Exhibition rentals decreased by approximately 23.1% from approximately HK\$3.9 million for the year ended 30 June 2012 to approximately HK\$3.0 million for the year ended 30 June 2013 due to the decrease in exhibition rentals expenses in Singapore Asia Expo as a result of decrease in exchange rate of Singapore dollar for the year ended 30 June 2012.

### *Staff costs*

Staff costs increased by approximately 59.6% from approximately HK\$21.8 million for the year ended 30 June 2012 to approximately HK\$34.8 million for the year ended 30 June 2013. Such increase was mainly due to the increase in number of staff as a result for the increase in number of our exhibitions and increase in sales commission paid to sales staff for our promoted role as project manager of the Mega Show Part I Old Wing and Mega Show Part II.

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### *Booth construction costs*

Booth construction costs increased by approximately 7.6% from approximately HK\$23.8 million for the year ended 30 June 2012 to approximately HK\$25.6 million for the year ended 30 June 2013. The increase was mainly due to the booth construction costs we incurred for our first Vegas Expo held in August 2012 of approximately HK\$5.7 million, offset by the decrease in booth construction costs of approximately HK\$1.7 million for Singapore Asia Expo and of approximately HK\$1.7 million for the Mega Shows due to the decrease in net exhibition space.

### *Exhibition expenses*

Exhibition expenses decreased by approximately 38.3% from approximately HK\$13.3 million for the year ended 30 June 2012 to approximately HK\$8.2 million for the year ended 30 June 2013 due to our strategy to refocus the exhibitor mix to PRC exhibitors.

### *Exhibition co-operation expenses*

Exhibition co-operation expenses increased by approximately 57.4% from approximately HK\$37.1 million for the year ended 30 June 2012 to approximately HK\$58.4 million for the year ended 30 June 2013 as we took up the role as project manager of the Mega Show Part I Old Wing and Mega Show Part II held in October 2012 as well as an increase derived from the Singapore Asia Expo held in November 2012 with 福建蒼源國際展覽有限公司 (Fujian Huiyuan International Exhibition Co. Ltd.\*), an Independent Third Party, due to the higher booth prices sold by our organising partner, which resulted in their larger share in the net income generated from the exhibition.

### *Other operating expenses*

Other operating expenses increased by approximately 84.5% from approximately HK\$22.0 million for the year ended 30 June 2012 to approximately HK\$40.6 million for the year ended 30 June 2013 due to the increase in office space as a result of the increase in headcount in Hong Kong since August 2012 and the incurring of [••] expenses paid to professional parties in preparation for the [••].

### *Income tax expenses*

Income tax expenses increased by approximately 38.3% from approximately HK\$6.0 million for the year ended 30 June 2012 to approximately HK\$8.3 million for the year ended 30 June 2013. The increase was mainly attributed to the increase in taxable income due to our taking up of the role as project manager of the Mega Show Part I Old Wing and Mega Show Part II. Our effective tax rates were 19.3% and 24.4% respectively due to tax loss not recognised in our subsidiaries for the years ended 30 June 2012 and 2013.

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### *Profit for the year*

Profit for the year increased by approximately 4.0% from approximately HK\$24.9 million for the year ended 30 June 2012 to approximately HK\$25.9 million for the year ended 30 June 2013. The increases in profit were primarily due to the significant growth in revenue. Net profit margin decreased from 14.9% in the year ended 30 June 2012 to 11.7% in the year ended 30 June 2013 mainly due to the increase in exhibition cooperation expenses, staff costs and the incurring of [•••] expenses.

### **Year ended 30 June 2012 compared with year ended 30 June 2011**

#### *Revenue*

Our revenue increased by approximately HK\$19.0 million or 12.9% from approximately HK\$147.8 million for the year ended 30 June 2011 to approximately HK\$166.8 million for the year ended 30 June 2012. Such increase was mainly attributable to our expansion into the international market and organisation of the Singapore Asia Expo in November 2011 and the management of the Berlin Expo in February 2012. The incomes derived from Singapore Asia Expo and Berlin Expo were HK\$14.4 million and HK\$4.9 million, respectively for the year ended 30 June 2012. The increase was also due to the increase in management fee income from Mega Show Part I Old Wing and Mega Show Part II in October 2011 for the provision of sub-management services in these two exhibitions.

The average selling price of exhibition space of the Mega Shows increased by approximately 4.6% from approximately HK\$3,410 per sq.m for the year ended 30 June 2011 to approximately HK\$3,567 per sq.m for the year ended 30 June 2012, which reflected the increase in the standard booth prices we charged to exhibitors in Mega Show Part I.

#### *Other revenue and other income*

Other revenue and other income decreased by approximately 90.0% from approximately HK\$2.0 million for the year ended 30 June 2011 to approximately HK\$0.2 million for the year ended 30 June 2012, was primarily due to a one-off government subsidy received in August 2010 in respect of Ningbo Consumer Expo in March 2010 and no such government subsidy had been received during the year ended 30 June 2012 and forfeited non-refundable payment of booth deposits decreased from approximately HK\$382,000 for the year ended 30 June 2011 to approximately HK\$44,000 for the year ended 30 June 2012.

#### *Advertising and promotion expenses*

Advertising and promotion expenses increased by approximately 27.5% from approximately HK\$9.1 million for the year ended 30 June 2011 to approximately HK\$11.6 million for the year ended 30 June 2012 as our Group allocated more resources to advertise and promote our new exhibitions, including Singapore Asia Expo in November 2011, Berlin Expo in February 2012 and Vegas Expo in August 2012 during the year ended 30 June 2012.

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### *Agency commission*

Agency commission remained comparable from approximately HK\$2.4 million for the year ended 30 June 2011 to approximately HK\$2.5 million for the year ended 30 June 2012, which is in-line with the stable contribution of revenue from sale of booths to exhibitors procured by our sales agents.

### *Exhibition rentals*

Exhibition rentals increased by approximately 160.0% from approximately HK\$1.5 million for the year ended 30 June 2011 to approximately HK\$3.9 million for the year ended 30 June 2012. We entered into venue licence agreement with a rental of approximately HK\$1.7 million for Singapore Asia Expo held in November 2011, and the forfeitures of exhibition rental of approximately HK\$2.3 million for London Asia Expo which was originally scheduled to be held in January 2012 but subsequently cancelled in view of economic downturn in Europe. It was offset by the decrease of approximately HK\$1.5 million for the exhibition rental for Hong Kong International Buddhist Fair in May 2011 which was organised during the year ended 30 June 2011 only.

### *Staff costs*

Staff costs increased by approximately 14.1% from approximately HK\$19.1 million for the year ended 30 June 2011 to approximately HK\$21.8 million for the year ended 30 June 2012. Such increase was mainly due to the increase in staff cost for our publication of new trade magazines and organisation of new exhibitions and the increase in the number of staff, particularly in our Shenzhen office due to expansion of our services to PRC exhibitors.

### *Booth construction costs*

Booth construction costs increased by approximately 9.2% from approximately HK\$21.8 million for the year ended 30 June 2011 to approximately HK\$23.8 million for the year ended 30 June 2012. The increase was mainly due to the booth construction costs we incurred for our first Singapore Asia Expo of approximately HK\$2.6 million held in November 2011 and Berlin Expo of approximately HK\$1.4 million February 2012 and offset by the decrease in booth construction costs of approximately HK\$1.1 million we incurred in the Hong Kong International Buddhist Fair in May 2011, respectively.

### *Exhibition expenses*

Exhibition expenses increased by approximately 38.5% from approximately HK\$9.6 million for the year ended 30 June 2011 to approximately HK\$13.3 million for the year ended 30 June 2012. Such increase was mainly due to expenses of approximately HK\$4.6 million arising from our first Singapore Asia Expo in November 2011 offset by the decrease in exhibition expenses of approximately HK\$1.0 million we incurred in the Hong Kong International Buddhist Fair in May 2011.

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### *Exhibition co-operation expenses*

Exhibition co-operation expenses increased by approximately 5.7% from approximately HK\$35.1 million for the year ended 30 June 2011 to approximately HK\$37.1 million for the year ended 30 June 2012. Such increase was mainly attributable to the exhibition co-operation expenses paid for our Berlin Expo and Singapore Asia Expo firstly held during the year ended 30 June 2012 to GILL and 福建蒼源國際展覽有限公司 (Fujian Huiyuan International Exhibition Co. Ltd.\*) respectively.

### *Other operating expenses*

Other operating expenses increased by approximately 10.6% from approximately HK\$19.9 million for the year ended 30 June 2011 to approximately HK\$22.0 million for the year ended 30 June 2012. Such increase was due to (i) the increase in legal and professional fees of HK\$0.5 million in relation to tax advisory and audit on visitors' attendance, exhibition area and exhibitors' participation in our exhibitions; (ii) the increase in operating lease rentals of HK\$0.4 million for offices in the PRC; and (iii) the increase in staff welfare of HK\$0.4 million in line with expansion of our Group's business.

### *Income tax expenses*

Income tax expenses increased by approximately 13.2% from approximately HK\$5.3 million for the year ended 30 June 2011 to approximately HK\$6.0 million for the year ended 30 June 2012. The increase was mainly attributed to increase in taxable income in Mega Expo (HK) partially offset by the decrease in taxable income in Mega Expo Operations. Our effective tax rates were 16.9% for the year ended 30 June 2011 and 19.3% for the year ended 30 June 2012. The increase in effective tax rate was mainly due to tax loss not recognised in our subsidiaries including i-MegAsia, Mega Expo (Berlin) and Mega Expo (USA) as a result of our commencement of publication of fair catalogue, the operation of Berlin Expo and the preparation of Vegas Expo, respectively during the year ended 30 June 2012.

### *Profit for the year*

Profit for the year decreased by approximately 3.9% from approximately HK\$25.9 million for the year ended 30 June 2011 to approximately HK\$24.9 million for the year ended 30 June 2012. Net profit margin also decreased from approximately 17.4% for the year ended 30 June 2011 to approximately 14.9% for year ended 30 June 2012. The decreases in profit and net profit margin were primarily due to the higher percentage increase in our expenses in aggregate than that in our revenue. The reasons on the increase in various expenses were mentioned above.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We historically have financed our liquidity and capital requirements primarily through cash flows from our operations. Going forward, we intend to finance our future operations and capital expenditures with cash flows from our operations. Our principal uses of cash have been, and are expected to continue to be, operating costs and capital expenditures.

## FINANCIAL INFORMATION

### Cash Flow

The following table sets forth a summary of our Group's net cash flow for the Track Record Period indicated:

	Year ended 30 June		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Net cash generated from operating activities	24,014	5,080	45,720
Net cash used in investing activities	(2,364)	(194)	(1,697)
Net cash used in financing activities	(23,400)	(7,750)	–
Net (decrease)/increase in cash and cash equivalents	(1,750)	(2,864)	44,023
Cash and cash equivalents at beginning of the year	34,343	32,690	29,858
Effect of foreign currency exchange rate changes	97	32	(46)
Cash and cash equivalent at the end of the year	<u>32,690</u>	<u>29,858</u>	<u>73,835</u>

### *Net cash generated from operating activities*

For the year ended 30 June 2011, our Group experienced a net cash generated from operating activities of approximately HK\$24.0 million. The net cash generated was mainly attributable to operating profit before movement in working capital of approximately HK\$31.6 million and an increase in other payables and accruals of approximately HK\$7.1 million. The net cash generated was partly offset by an increase in amounts due from directors of approximately HK\$5.1 million, an increase in prepayments, deposits and other receivables of approximately HK\$7.9 million and a decrease in receipt in advance of approximately HK\$1.7 million.

For the year ended 30 June 2012, our Group experienced a net cash generated from operating activities of approximately HK\$5.1 million. The net cash generated was mainly attributable to operating profit before movement in working capital of approximately HK\$31.4 million and an increase in receipt in advance of approximately HK\$39.6 million. The net cash generated was partly offset by an increase in prepayments, deposits and other receivables of approximately HK\$18.1 million, an increase in amounts due from directors of approximately HK\$29.9 million, decrease in accruals and other payables of approximately HK\$11.2 million and income tax of approximately HK\$6.7 million paid.

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For the year ended 30 June 2013, our Group experienced a net cash generated from operating activities of approximately HK\$45.7 million. The net cash generated was mainly attributable to operating profit before movement in working capital of approximately HK\$35.5 million and a decrease in prepayments, deposits and other receivables of approximately HK\$26.1 million and a decrease in amounts due from directors of approximately HK\$3.0 million. The net cash generated was partly offset by a decrease in receipt in advance of approximately HK\$13.2 million and income tax of approximately HK\$7.8 million paid.

### *Net cash used in investing activities*

For the year ended 30 June 2011, our Group experienced net cash used of approximately HK\$2.4 million. The net cash used was mainly attributable to the purchase of property, plant and equipment of approximately HK\$1.8 million and the acquisition of a subsidiary of approximately HK\$0.6 million.

For the year ended 30 June 2012, our Group experienced net cash used of approximately HK\$0.2 million. The net cash used was mainly attributable to the purchase of property, plant and equipment of approximately HK\$0.2 million.

For the year ended 30 June 2013, our Group experienced net cash used of approximately HK\$1.7 million. The net cash used was mainly attributable to the purchase of property, plant and equipment of approximately HK\$1.7 million.

### *Net cash used in financing activities*

For the three years ended 30 June 2013, our net cash used in financing activities of approximately HK\$23.4 million, HK\$7.8 million and nil primarily reflected the dividend paid.

## FINANCIAL INFORMATION

### NET CURRENT ASSETS

Details of our Group's assets and current liabilities as at 30 June 2011, 2012 and 2013 and 31 August 2013 (being the latest practicable date for the purpose of indebtedness statement) are as follows:

	<b>2011</b>	<b>As at 30 June 2012</b>	<b>2013</b>	<b>As at 31 August 2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>(Unaudited) HK\$'000</i>
<b>Current assets</b>				
Prepayments, deposits and other receivables	42,278	60,384	34,298	49,252
Amount due from ultimate holding company	–	12	13	13
Amounts due from directors	46,248	56,893	21,824	21,824
Cash and cash equivalents	32,690	29,858	73,835	67,845
	<u>121,216</u>	<u>147,147</u>	<u>129,970</u>	<u>138,934</u>
<b>Current liabilities</b>				
Receipt in advance	97,250	136,817	123,590	147,725
Accruals and other payables	12,975	1,773	3,908	1,422
Income tax payable	8,640	7,909	8,447	8,447
	<u>118,865</u>	<u>146,499</u>	<u>135,945</u>	<u>157,594</u>
<b>Net current assets/(liabilities)</b>	<u><u>2,351</u></u>	<u><u>648</u></u>	<u><u>(5,975)</u></u>	<u><u>(18,660)</u></u>

We had net current assets of approximately HK\$2.4 million, HK\$0.6 million as at 30 June 2011 and 2012, respectively. The decrease in our net current asset as at 30 June 2011 and 2012 was primarily attributable to the contribution of profit attributable to owners of our Group offset by the distribution of dividends of approximately HK\$36.0 million and HK\$27.0 million during the years ended 30 June 2011 and 2012, respectively.

As at 30 June 2013, we recorded a net current liability of approximately HK\$6.0 million primarily attributable to the dividend payment and the increase in legal and professional fees incurred for the year ended 30 June 2013 in preparation for the [•••].

Our unaudited net current liabilities as at 31 August 2013 amounted to approximately HK\$18.7 million as we continued to incur relevant advertising, operational and administrative expenses for organising upcoming trade exhibitions, while the receipt in advance from our customers would only be recognised as our Group's revenue upon completion of the relevant exhibitions.

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### ANALYSIS OF CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

#### Prepayments, deposits and other receivables

	As at 30 June		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	39,766	54,776	29,735
Deposits	352	347	3,028
Other receivables	2,160	5,261	1,535
	42,278	60,384	34,298
	42,278	60,384	34,298

#### *Prepayments*

The following table sets forth a breakdown of our Group's prepayments as at 30 June 2011, 2012 and 2013:

	As at 30 June		
	2011	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising and promotion expenses	1,355	1,670	1,336
Exhibition rentals	638	262	10,678
Staff costs	2,833	6,466	5,718
Booth construction costs	2,626	3,280	26
Exhibition expenses	2,029	1,724	317
Exhibition co-operation expenses	28,346	37,610	–
Other operating expenses	1,939	3,764	11,660
	39,766	54,776	29,735
	39,766	54,776	29,735

As at 30 June 2011, prepayments mainly represented prepaid exhibition co-operation expenses of approximately HK\$28.3 million to the GIIL for Mega Show Part I New Wing, prepaid staff commission of approximately HK\$2.8 million and prepaid booth constructing fee of approximately HK\$2.6 million for Mega Show Part I.

As at 30 June 2012, prepayments mainly represented prepaid exhibition co-operation expenses of approximately HK\$37.6 million to the GIIL for Mega Shows and prepaid staff commission of approximately HK\$6.5 million.

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As at 30 June 2013, prepayments mainly represented prepaid staff commission of approximately HK\$5.7 million, prepaid exhibition rentals representing deposits and instalments of rentals paid to venue providers of approximately HK\$10.7 million and prepaid [•••] expenses of approximately HK\$10.6 million paid to professional parties in preparation for the [•••].

### *Deposits*

As at 30 June 2011, 2012 and 2013, deposits was approximately HK\$352,000, HK\$347,000 and HK\$3,028,000, respectively, mainly represented rental deposit of offices and staff quarters.

As at 30 June 2013, deposits include rental deposits of approximately HK\$2.3 million for the lease of our office in Hong Kong.

### *Other receivables*

As at 30 June 2011, 2012 and 2013, other receivables mainly represented gratuity of approximately HK\$1.7 million, HK\$1.6 million and HK\$0.8 million advanced to staff, respectively and was further detailed in Note 16 to the Accountants' report set out in Appendix I to this document. The staff was entitled an interest-free loan equivalent to the amount of the gratuity in advance provided that they do not terminate by their own resignation for 24 consecutive calendar months from 21 December 2009 to 20 December 2011 (the "Qualifying Period"). The loan shall become immediately due and repayable to us upon the termination of employment by staff and shall carry interest at the rate of 2% per calendar month from the date of termination of employment until the date of full repayment of the loan and interest. Such loan shall be applied towards payment of the gratuity to the staff upon expiration of the Qualifying Period. On 10 December 2011, we had extended the Qualifying Period of the gratuity payment to 20 December 2013 with the same terms applied.

### **Amounts due from Directors**

The following table set forth the amounts due from Directors during the Track Record Period:

<b>Name of Directors</b>	<b>As at 30 June</b>		
	<b>2011</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Mr. Lee	45,868	55,902	21,824
Mr. Si Tze Fung	380	991	—
	<u>46,248</u>	<u>56,893</u>	<u>21,824</u>

It is confirmed by Mr. Lee that the amounts due from him were used for his own private investments. The amount due from Mr. Si Tze Fung represented the gratuity advanced to staff, details of which are set out in the paragraph headed "Prepayments, deposits and other receivables – Other receivables" in this section above, as well as the prepayment for arranging various potential developments and promotion seminars.

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Save as the aforesaid gratuity advanced to Mr. Si Tze Fung, the amounts due from Directors are non-trade in nature, unsecured, interest free and recoverable on demand. Our Directors consider that the carrying amounts of the balances approximate to their fair values. Our Directors have confirmed that, the amounts due from Directors had been fully settled as at 30 September 2013.

### Receipt in advance

Receipt in advance mainly represented non-refundable participation fee for booth reservation from exhibitors or exhibition service agents. The following table sets forth receipt in advance for the respective exhibitions during the Track Record Period:

	As at 30 June		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Mega Shows	96,052	133,075	122,484
Vegas Expo	–	2,996	595
Singapore Asia Expo	638	510	54
Berlin Expo	–	11	26
Others	560	225	431
	<u>97,250</u>	<u>136,817</u>	<u>123,590</u>

Such receipt in advance would be subsequently recognised as our revenue upon completion of the respective exhibitions.

The rules and regulations as set out in the application forms of our Group stipulate that the participation fee paid by the applicants shall be non-refundable. When our Group has cancelled or materially reduced or shortened the period of exhibition, our Group may in its sole and absolute discretion refund without interest any part of the participation fee already paid by the exhibitors and the exhibition service agents, less the related administrative expenses, marketing, promotional and advertising expenses incurred by our Group.

Our receipt in advance increased from approximately HK\$97.3 million as at 30 June 2011 to approximately HK\$136.8 million as at 30 June 2012. The increase was mainly attributable to the increase in participation fee received for booth reservation for Mega Shows held in October 2012 due to our taking up of the role as project manager of the Mega Show Part I Old Wing and Mega Show Part II, and the participation fee received for booth reservation for Vegas Expo, which was first organised by our Group in August 2012.

Our receipt in advance decreased from approximately HK\$136.8 million as at 30 June 2012 to approximately HK\$123.6 million as at 30 June 2013 due to the decrease in participation fee received for booth reservation for Mega Shows to be held in October 2013, Vegas Expo originally planned to be held in August 2013 and Singapore Asia Expo to be held in November 2013 as a result of decrease in number of exhibitors in the exhibitions. The Directors were of the view that the decrease in number of exhibitors was largely due to the exhibitors' expectation of weak export demand in the overseas market as a result of the current weak European market. The receipt in advance amounted to approximately HK\$122.5 million, mainly represented the non-refundable participation fee for booth reservation in the Mega Shows to be held in October 2013, will be recognised as our revenue upon completion of the Mega Shows.

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### Accruals and other payables

	As at 30 June		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Other payables	12,765	986	445
Accruals	210	787	3,463
	<u>12,975</u>	<u>1,773</u>	<u>3,908</u>

### Other payables

As at 30 June 2011, our Group recorded a payable amounted to HK\$10.9 million to Pro-Capital Group in respect of receipt of participation fee for Mega Show Part I Old Wing and Mega Show Part II. Our Group was designated to receive all participation fees for the Mega Shows in 2010. As for participation fee received in respect of Mega Show Part I Old Wing and Mega Show Part II of which Pro-Capital Group was the project manager, our Group would record such receipt as payable to Pro-Capital Group, while for participation fee received for Mega Show Part I New Wing, our Group will record such receipt as receipt in advance. Included in other payable was also payable to GIIL Group in respect of operation and administrative expense payable of approximately HK\$1.8 million. As at 31 March 2012, all the aforementioned payable to Pro-Capital Group was settled.

As at 30 June 2012, other payables mainly represented operation and administrative expense payable to GIIL Group of approximately HK\$875,000. As our Group was appointed as project manager for Mega Shows held in October 2012, all receipt of participation fee from the Mega Shows in 2012 will be recorded as receipt in advance, and no payable was recorded to Pro-Capital Group as at 30 June 2012.

As at 30 June 2013, other payables mainly represented exhibition co-operation expenses of approximately HK\$38,000 payable to 福建蒼源國際展覽有限公司 (Fujian Huiyuan International Exhibition Co. Ltd.\*), an Independent Third Party, with whom we organised Singapore Asia Expo in November 2012. The amount was subsequently settled as at the Latest Practicable Date.

### Accruals

During the Track Record Period, accruals mainly represented accrued audit fees of approximately HK\$210,000, HK\$503,000 and HK\$1,033,000 respectively. In addition to accrued audit fee, as at 30 June 2012, accruals of our Group include accrued of tax service fees of approximately HK\$244,000 and as at 30 June 2013, accruals of our Group include accrued of salary and commission of approximately HK\$2.1 million which was subsequently settled in July 2013.

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## FINANCIAL INFORMATION

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### *Trade payables*

Contract sums paid to our major suppliers are generally due and payable by instalments based on the terms of the contracts. During the Track Record Period, we were not granted specific credit terms beyond the payment terms under the relevant contracts with our major suppliers. Our Group had no trade payables balance as at 30 June 2011, 2012 and 2013 as payment to our suppliers were made promptly and as soon as practicable.

### **Goodwill**

Goodwill of approximately HK\$322,000 was a result of our acquisition of 70% equity interest of Ningbo Tianyi that principally engaged in organisation of exhibitions on 16 November 2010. An impairment loss on goodwill of approximately HK\$322,000 was recognised during the year ended 30 June 2013 due to the deregistration of Ningbo Tianyi. Please refer to the section headed "History and development – Our corporate history – Ningbo Tianyi" for details. Further information with respect to the goodwill are set forth in Notes 14 and 23 to the Accountants' report in Appendix I to this document.

### **Property, plant and equipment**

Property, plant and equipment represented leasehold improvements and office equipment. As at 30 June 2011, our property, plant and equipment of approximately HK\$1.5 million mainly represented leasehold improvements of approximately HK\$0.8 million of the office renovation in Shenzhen. Our property, plant and equipment decreased by approximately HK\$0.4 million or approximately 26.7% to approximately HK\$1.1 million as of 30 June 2012. The decrease was mainly attributable to the depreciation charge of HK\$0.6 million partially offset by the additions of computer equipment of approximately HK\$0.2 million for our Shenzhen office. Our property, plant and equipment then increased by approximately HK\$0.8 million or approximately 72.7% to approximately HK\$1.9 million as of 30 June 2013. The increase was mainly attributable to addition of computer equipment and furniture, fixtures and equipment of approximately HK\$1.2 million and HK\$0.5 million, respectively for our Hong Kong office due to the termination of operation and administrative support service arrangements with GIIL Group in August 2012.

### **INDEBTEDNESS**

We have financed our operations primarily through cash flows from our operations. We did not had any bank borrowing during the Track Record Period and up to the close of business on 31 August 2013, being the latest practicable date for the purpose of the indebtedness statement. Our Group did not have any outstanding bank borrowings, bank overdrafts, mortgages, charges, debentures, loan capital, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities (other than normal trade bills) or acceptance credits, any guarantees or other material contingent liabilities as at 31 August 2013. The Directors confirm that there has been no material change in our Group's indebtedness and contingent liabilities since 31 August 2013, being the latest practicable date for the purpose of the indebtedness statement up to the date of this document.

## FINANCIAL INFORMATION

### CAPITAL EXPENDITURES

#### Historical Capital Expenditures

We have historically funded our capital expenditures with cash generated from our operations. The following table sets forth our capital expenditures for the Track Record Period indicated:

	<b>2011</b>	<b>As at 30 June</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>2012</i>	<i>2013</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvement	1,060	24	–
Computer equipment	207	133	1,162
Furniture, fixtures and equipment	530	50	543
	<u>1,797</u>	<u>207</u>	<u>1,705</u>

### OTHER KEY FINANCIAL RATIOS

The table below sets forth our Group's current ratios, return on equity and return on total assets as of the dates indicated.

	<b>2011</b>	<b>As at 30 June</b>	<b>2013</b>
		<b>2012</b>	
<b>Financial Ratios</b>			
Current ratio <sup>(1)</sup>	1.0	1.0	1.0
Return on equity <sup>(2)</sup>	710.2%	1,431.8%	N/A
Return on total assets <sup>(3)</sup>	21.2%	16.9%	19.8%

*Notes:*

- (1) Current ratio equals current assets divided by current liabilities as at the end of the period.
- (2) Return on equity equals profit attributable to owners of the Company divided by equity attributable to owners of the Company at the end of the period.
- (3) Return on total assets equals profit attributable to owners of the Company divided by total assets as at the end of the period.

#### *Current ratio*

Our current ratio remained stable at approximately 1.0 through 30 June 2011 to 30 June 2013 as the Group has no material capital expenditure throughout the Track Record Period.

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## FINANCIAL INFORMATION

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### *Return on equity ratio*

Our return on equity ratio was approximately 710.2% as of 30 June 2011. Our return on equity ratio further increased to approximately 1,431.8% as of 30 June 2012 primarily as a result of the distribution of dividend of approximately HK\$27.0 million, and thus a further reduction in our Group’s equity attributable to owners of the Company during the year ended 30 June 2012. No return on equity ratio was available as of 30 June 2013 because our Group was under negative equity position as at 30 June 2013 mainly due to the payment of dividends and legal and professional fee incurred for the year ended 30 June 2013 in preparation for the [•••]. Please refer to the subsection headed “Dividend and dividend policy” in this section for details of the payment of the dividends.

### *Return on total assets ratio*

Our return on total assets ratio decreased from approximately 21.2% as of 30 June 2011 to approximately 16.9% as of 30 June 2012 mainly due to the decrease in net profit attributable to owners of the Company and increase in total asset resulted from the increase in prepayments, deposits and other receivables by approximately HK\$18.0 million during the year ended 30 June 2012. Our return on total assets ratio increased to approximately 19.8% as of 30 June 2013 mainly due to the recognition of our revenue derived from the Mega Shows in October 2012 and the decrease in prepayments, deposits and other receivables and amounts due from directors of approximately HK\$26.1 million and HK\$35.1 million, respectively when compared to the year ended 30 June 2012.

## WORKING CAPITAL

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through payment of dividends and [•••]. We seek to effectively manage our cash flow and capital commitments. We centrally manage our capital to ensure proper and efficient collection and deployment of our funds. All application and disbursement of funds require the approval of the appropriate executive Directors.

Taking into account the financial resources available to our Group, including internally generated funds and [•••], our Directors confirm that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

## CONTINGENT LIABILITIES

As at 30 June 2013, our Group had no material contingent liabilities.

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## FINANCIAL INFORMATION

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### COMMITMENTS

#### *Operating lease commitments*

As at 30 June 2011, 2012 and 2013, our Group had outstanding commitments payable under non-cancellable operating leases in respect of properties rented with lease terms of between one to two years which fall due as follows:

	As at 30 June		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Within one year	3,406	9,491	21,430
After one year but within five years	383	14,916	2,653
<b>Total</b>	<b>3,789</b>	<b>24,407</b>	<b>24,083</b>

### OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2013, we did not have any off-balance sheet arrangements.

### QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISK

We are exposed to various types of market risks, including foreign currency risks, interest rate risk, credit risk and liquidity risk, in the ordinary course of our business.

#### **Foreign currency risk**

Our Group operates in Hong Kong, the PRC, Germany, Singapore and the US and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars, Renminbi and Hong Kong dollars. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities. Our 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 our Group.

#### **Interest rate risk**

Our Group has no interest-bearing assets and liabilities, and is therefore not exposed to significant interest rate risk. Our Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The management considered our Group's exposure to cash flow interest rate risk is not material. Hence, no sensitivity analysis is presented. Our Group does not have significant exposure to fair value interest rate risk.

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## FINANCIAL INFORMATION

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### Credit risk

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of our Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regards, the directors of the Company consider that our Group's credit risk is significantly reduced.

Our Group's credit risk is primarily attributable to amounts due from directors. Our Group has no other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis. The credit risk on liquid funds is limited because the counterparties are banks which are reputable in the opinion of management.

### DIVIDEND AND DIVIDEND POLICY

Our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. The payment and the amount of any dividends declared will be subject to the Articles and the Companies Law, and also depend upon the amount of distributions, if any, received by us from our operating subsidiaries. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

During each of the years ended 30 June 2011, 2012 and 2013, we declared dividends of approximately HK\$36.0 million, HK\$27.0 million and 32.0 million, respectively. Such dividends were declared and paid out of distributable profits of our subsidiaries in accordance with the rules on dividends declaration of the jurisdiction in which the relevant subsidiaries were incorporated, taking into consideration various factors including the accumulated distributable earnings, cash flow requirements and financial conditions of the subsidiaries, and does not solely depend on the equity position of our Group. As advised by Conyers Dill & Pearman, our legal advisers as to BVI law, since the directors of Expand Trade and Mega Expo Operations were satisfied that immediately after the respective payment of dividend, (i) the value of the assets of the two companies would exceed their liabilities and (ii) the companies would be able to pay their debts as they would fall due, the declaration and payment of the relevant dividends by these two companies during the financial year ended 30 June 2013 was valid under the relevant laws and regulations in the BVI regarding dividend payment. As advised by our Hong Kong Legal Counsel, the declaration and payment of dividends by Mega Expo (HK) during the financial year ended 30 June 2013 complied with the relevant laws and regulations in Hong Kong regarding dividend payment, as it was made out of its profits available for the purpose, which included its accumulated, realised profits less its accumulated, realised losses. All dividends payable for each year/period during the Track Record Period had been settled as at the Latest Practicable Date.

The determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow requirements, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future.

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## FINANCIAL INFORMATION

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### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 24 to the Accountants' report set out in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms that were no less favourable to us than terms available from Independent Third Parties which are fair and reasonable and in the interest of the Shareholders as a whole.

### SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this document, our Group's subsequent events included the followings:

- (a) The companies now comprising our Group underwent and completed the Reorganisation on 3 October 2013 in preparation for the [•••]. Further details of the Reorganisation are set out in the section headed "Reorganisation" in this document. As a result of the Reorganisation, our Company became the holding company of the subsidiaries now comprising our Group.
- (b) [•••]
- (c) The authorised share capital of our Company was increased from HK\$100,000 to HK\$10,000,000 by the creation of a further 990,000,000 new Shares that was approved by ordinary resolutions passed by the sole Shareholder on 18 October 2013.
- (d) [•••]
- (e) Our independent non-executive directors were all appointed on 18 October 2013.
- (f) Regarding the Vegas Expo originally scheduled to be held in August 2013, our Group decided to postpone the Vegas Expo 2013 to 2014. Subsequent to 30 June 2013, our Group intend to refund the full amount of the participation fee received in advance for approximately HK\$0.6 million.
- (g) [•••]

### RECENT DEVELOPMENT AND FINANCIAL PERFORMANCE

Subsequent to the Track Record Period, our Group continued with the preparation work for the upcoming Mega Shows 2013 to be held in October 2013 and the Singapore Asia Expo 2013 to be held in November 2013. Receipt in advance for the Mega Shows 2013 also increased steadily to approximately HK\$122.4 million as at 30 June 2013. Instalment payments of respective venues have also been paid according to the payment schedule. For the Berlin Expo 2014 and the Mega Shows 2014, our Group has also entered into the licence agreement with the venue provider of the respective trade exhibitions.

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## FINANCIAL INFORMATION

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Regarding the Vegas Expo originally scheduled to be held in August 2013, due to the Boston Marathon explosion which occurred on 15 April 2013, a number of enrolled exhibitors had expressed concerns about travelling to the US and enquired about the possibility of withdrawal of application and refund. Our PRC exhibitors had also expressed concerns that the recent incident occurred in May 2013 in Guangzhou, PRC, of which inexplicable powder were found in the US Consulate General in Guangzhou may affect the progress of their visa applications for entry into the US for the participation of the Vegas Expo in August 2013. In this regard, our Group decided to postpone the Vegas Expo 2013 to 2014. As at the Latest Practicable Date, our Group was in the course of negotiating with the venue provider on carrying forward the prepaid venue deposits of an aggregate amount of approximately HK\$0.3 million to the following next edition of the Vegas Expo. The rules and regulations set out in the application forms of Vegas Expo for 2013 stipulated that the participation fee paid by the applicants shall be non-refundable. However, due to our Group's intention to maintain a long term relationship with our exhibitors and exhibition service agents, we intend to offer to refund the full amount of the participation fee in the sum of approximately HK\$0.6 million. Our Group confirmed that such refund will not significantly impact our liquidity position.

In respect of the financial performance, as no trade exhibitions participated by our Group (saved as Vegas Expo 2013 which was postponed due to the abovementioned factors) will be held between March to September 2013, as such save as disclosed above and the incurring of advertising, operational and administrative expenses, our Group did not have other major development up to the Latest Practicable Date. Due to the above mentioned reasons, our Directors anticipated that there will be a possibility that the participation of the upcoming exhibitions will also be impacted. As no exhibition was held subsequent to February 2013 up to October 2013 and our Group continued to incur relevant advertising, operational and administrative expenses along the way to organise the upcoming trade exhibitions, our Group recorded a net current liabilities and net liabilities as at 31 August 2013. Our Directors are of the view that since, at the same date, our Group recorded a receipt in advance as non-refundable deposit for booth reservation of the trade exhibitions to be organised by our Group in the coming months of approximately HK\$147.7 million, immediately upon completion of the relevant trade exhibition, the receipt in advance from customers will be recognised as our Group's revenue and as a result our Group's net liability position will be restored to net asset position.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 21 August 2012 and has not carried out any business since the date of its incorporation save for investment holdings and the transactions related to the Reorganisation. Accordingly, save for the other reserve of approximately HK\$1,000 arising from the Reorganisation, our Company has no reserve available for distribution to the Shareholders as at 30 June 2013.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position since 30 June 2013, being the date to which the latest audited combined financial statements of our Group were made up.