

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(Incorporated in Bermuda with limited liability)

(Stock Code: 559)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

RESULTS

The board (the “Board”) of directors (the “Director(s)”) of DeTai New Energy Group Limited (the “Company”) hereby announces the audited annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2017, together with comparative figures from the previous corresponding year, summarised as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Turnover	3.1	44,179	16,434
Cost of sales		<u>(28,504)</u>	<u>(11,031)</u>
Gross profit		15,675	5,403
Interest income		4,787	7,360
Other income and gains		3,129	371
Selling and distribution expenses		(5,027)	(2,646)
General and administrative expenses		(130,268)	(165,124)
Finance costs	5	(17,670)	(17,546)
Reversal of impairment loss on loans receivable		–	8,550
Impairment loss on loans receivable	15	(5,199)	–
Impairment loss on deposits and prepayments		(46,885)	–
Impairment loss on intangible assets	9	–	(91,340)
Impairment loss on goodwill	11	–	(363,046)
Impairment loss on property, plant and equipment		–	(13,476)
Change in fair value of compensation from profit guarantee	16	–	100,000
Change in fair value of derivative financial instrument	14	(10,315)	49,836
Change in fair value of listed equity investments	16	(869)	(74,959)
Gain on derecognition of available-for-sale investments	14	<u>42,504</u>	<u>–</u>
Loss before income tax	4	(150,138)	(556,617)
Income tax credit	6	<u>3,872</u>	<u>25,020</u>
Loss for the year		<u>(146,266)</u>	<u>(531,597)</u>
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(17,826)	(44,139)
Changes in fair value of available-for-sale investments	13, 14	7,186	33,816
Release of available-for-sale investments revaluation reserve upon derecognition of the convertible bonds	14	<u>(42,504)</u>	<u>–</u>
Other comprehensive income for the year		<u>(53,144)</u>	<u>(10,323)</u>
Total comprehensive income for the year		<u>(199,410)</u>	<u>(541,920)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)*For the year ended 30 June 2017*

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(144,426)	(494,057)
Non-controlling interests		(1,840)	(37,540)
		<u>(146,266)</u>	<u>(531,597)</u>
Total comprehensive income			
for the year attributable to:			
Owners of the Company		(196,324)	(501,412)
Non-controlling interests		(3,086)	(40,508)
		<u>(199,410)</u>	<u>(541,920)</u>
Loss per share:			
— Basic	8	<u>HK(2.97) cents</u>	<u>HK(11.02) cents</u>
— Diluted		<u>HK(2.97) cents</u>	<u>HK(11.02) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	2017 HK\$'000	2016 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		489,426	19,787
Intangible assets	9	192,164	–
Prepaid lease payments for land	10	9,890	–
Goodwill	11	113,462	–
Prepayments	12	–	6,425
Available-for-sale investments	13	103,728	262,671
Derivative financial instrument	14	–	215,426
Total non-current assets		<u>908,670</u>	<u>504,309</u>
Current assets			
Inventories		79,766	84,360
Trade receivables, other receivables, deposits and prepayments	12	32,930	86,326
Prepaid lease payments for land	10	257	–
Loans receivable	15	107,323	70,133
Financial assets at fair value through profit or loss	16	80,000	204,526
Pledged bank balances		3,003	–
Bank balances and cash		92,919	63,846
Total current assets		<u>396,198</u>	<u>509,191</u>
Current liabilities			
Trade payables, other advances and accruals	17	35,114	16,711
Borrowings	18	9,140	1,558
Corporate bonds	19	112,749	71,963
Financial liabilities at fair value through profit or loss	20	127,431	–
Tax payable		9,572	9,768
Total current liabilities		<u>294,006</u>	<u>100,000</u>
Net current assets		<u>102,192</u>	<u>409,191</u>
Total assets less current liabilities		<u>1,010,862</u>	<u>913,500</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 30 June 2017*

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current liabilities			
Borrowings	<i>18</i>	141,729	–
Corporate bonds	<i>19</i>	–	110,858
Deferred tax liabilities		114,909	–
		<hr/>	<hr/>
Total non-current liabilities		256,638	110,858
		<hr/>	<hr/>
Net assets		754,224	802,642
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	<i>21</i>	261,592	224,156
Reserves		494,039	579,106
		<hr/>	<hr/>
Equity attributable to owners of the Company		755,631	803,262
		<hr/>	<hr/>
Non-controlling interests		(1,407)	(620)
		<hr/>	<hr/>
Total equity		754,224	802,642
		<hr/> <hr/>	<hr/> <hr/>

1. GENERAL INFORMATION

DeTai New Energy Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 12/F., Henley Building, 5 Queen’s Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Company’s subsidiaries are principally engaged in the business of (i) new energy business; (ii) hotel hospitality business; (iii) provision of money lending services; (iv) manufacturing and trading of electric cycles; (v) trading and distribution of liquor and wine; and (vi) investments in securities and funds.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 July 2016:

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 14	Regulatory Deferral Accounts

The adoption of these amendments has no significant impact on the Group’s consolidated financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2014–2016 Cycle ¹
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Asset for Unrealised Losses ²
Amendments to HKAS 40	Transfers of Investment Property ³
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ³
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ³
HKFRS 16	Leases ⁴
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ³
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ⁴

¹ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

² Effective for annual periods beginning on or after 1 January, 2017

³ Effective for annual periods beginning on or after 1 January, 2018

⁴ Effective for annual periods beginning on or after 1 January, 2019

⁵ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 — Recognition of Deferred Tax Asset for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKAS 40 — Transfers of Investment Property

HKAS 40 requires a property to be transferred to, or from, investment property only when there is a change in use. The amendment clarifies that a change in management’s intentions for the use of a property does not in isolation provide evidence of a change in use. This is because management’s intentions, alone, do not provide evidence of a change in use.

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

HKFRS 9 — Financial Instruments

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (“FVTOCI”) and those to be measured subsequently at fair value through profit or loss (“FVTPL”). Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (“SPPI”). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVTOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Only embedded derivatives in host contracts that are financial assets are no longer separated from the financial assets. The accounting for embedded derivatives in non-financial host contracts remains unchanged from HKAS 39.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 — Financial Instruments (Continued)

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in HKAS 39 for classification and measurement of financial liabilities were carried forward unchanged to HKFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (“ECL”) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements will be amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of HKFRS 9 or continuing to apply HKAS 39 to all hedges, because the standard currently does not address accounting for macro hedging.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

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

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 — Revenue from Contracts with customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of making an assessment of the potential impact of these new pronouncements upon application.

3. TURNOVER AND SEGMENT REPORTING

3.1 Turnover, which is also revenue, represents the amounts received and receivable for goods sold to outside customers, net of returns and discounts and sales related taxes, income from hotel operations, interest income from loans receivable and dividend income on securities and funds during the year.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
New energy business	3,492	–
Hotel hospitality business	25,234	–
Money lending services	12,320	13,179
Electric cycles	696	1,446
Liquor and wine	2,437	1,679
Investments in securities and funds	–	130
	<u>44,179</u>	<u>16,434</u>

3. TURNOVER AND SEGMENT REPORTING *(Continued)*

3.2 Segment reporting

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. During the year under review, the chief operating decision-maker has decided to rename the segment of “Investments in listed securities” to “Investments in securities and funds” to reflect the current situation of this segment operation. The chief operating decision-maker has been identified as the Company’s executive directors.

The Group currently has six reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies as follows:

- (i) new energy business;
- (ii) hotel hospitality business;
- (iii) provision of money lending services;
- (iv) manufacturing and trading of electric cycles;
- (v) trading and distribution of liquor and wine; and
- (vi) investments in securities and funds.

There were no inter-segment transactions between different operating segments for the year (2016: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments’ results that is used by the chief operating decision-maker for assessment of segment performance.

3. TURNOVER AND SEGMENT REPORTING (Continued)

3.2 Segment reporting (Continued)

(b) 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 2017

	New energy business HK\$'000	Hotel hospitality business HK\$'000	Money lending services HK\$'000	Electric cycles HK\$'000	Liquor and wine HK\$'000	Investments in securities and funds HK\$'000	Total HK\$'000
Segment revenue	<u>3,492</u>	<u>25,234</u>	<u>12,320</u>	<u>696</u>	<u>2,437</u>	<u>-</u>	<u>44,179</u>
Segment profit/(loss)	<u>(26,688)</u>	<u>(19,878)</u>	<u>5,480</u>	<u>(3,127)</u>	<u>(80,305)</u>	<u>(2,484)</u>	<u>(127,002)</u>
Unallocated corporate income							164
Unallocated corporate expenses (Note)							(39,113)
Finance costs							(17,670)
Gain on derecognition of available-for-sale investments							42,504
Convertible bonds interest income							4,772
Share-based payment expenses							(3,478)
Change in fair value of derivative financial instrument							<u>(10,315)</u>
Loss before income tax							<u>(150,138)</u>

For the year ended 30 June 2016

	Money lending services HK\$'000	Electric cycles HK\$'000	Liquor and wine HK\$'000	Investments in securities and funds HK\$'000	Total HK\$'000
Segment revenue	<u>13,179</u>	<u>1,446</u>	<u>1,679</u>	<u>130</u>	<u>16,434</u>
Segment profit/(loss)	<u>16,604</u>	<u>(393,073)</u>	<u>(61,508)</u>	<u>(75,016)</u>	<u>(512,993)</u>
Unallocated corporate income					219
Unallocated corporate expenses (Note)					(40,441)
Finance costs					(17,546)
Convertible bonds interest income					7,333
Share-based payment expenses					(43,025)
Change in fair value of derivative financial instruments					<u>49,836</u>
Loss before income tax					<u>(556,617)</u>

Note: Unallocated corporate expenses mainly included staff salaries, directors' remuneration, office rental expenses, consultancy fees and amortisation of issuance cost of corporate bonds for the year ended 30 June 2017 and 2016.

3. TURNOVER AND SEGMENT REPORTING (Continued)

3.2 Segment reporting (Continued)

(c) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Segment assets		
New energy business	296,378	–
Hotel hospitality business	539,544	–
Money lending services	110,684	134,739
Electric cycles	82,521	103,029
Liquor and wine	80,713	157,944
Investments in securities and funds	158,908	104,526
	<hr/>	<hr/>
Total segment assets	1,268,748	500,238
Available-for-sale investments	–	262,671
Derivative financial instrument	–	215,426
Unallocated bank balances and cash	882	23,884
Unallocated corporate assets (<i>Note</i>)	35,238	11,281
	<hr/>	<hr/>
Consolidated total assets	<u>1,304,868</u>	<u>1,013,500</u>
Segment liabilities		
New energy business	5,783	–
Hotel hospitality business	153,379	–
Money lending services	250	199
Electric cycles	7,550	7,831
Liquor and wine	15,990	5,069
Investments in securities and funds	200	1,691
	<hr/>	<hr/>
Total segment liabilities	183,152	14,790
Tax payable	9,572	9,768
Deferred tax liabilities	114,909	–
Corporate bonds	112,749	182,821
Financial liabilities at fair value through profit or loss	127,431	–
Unallocated corporate liabilities (<i>Note</i>)	2,831	3,479
	<hr/>	<hr/>
Consolidated total liabilities	<u>550,644</u>	<u>210,858</u>

Note: Unallocated corporate assets mainly comprised of prepaid lease payment for land.

Unallocated corporate liabilities mainly comprised of corporate bonds interest payable.

3. TURNOVER AND SEGMENT REPORTING (Continued)

3.2 Segment reporting (Continued)

(d) Other segment information

For the year ended 30 June 2017

	New energy business HK\$'000	Hotel hospitality business HK\$'000	Money lending services HK\$'000	Electric cycles HK\$'000	Liquor and wine HK\$'000	Investments in securities and funds HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to non-current assets	187,145	511,184	336	9	-	25	-	698,699
Depreciation of property, plant and equipment	(29)	(4,745)	(4,377)	(273)	(516)	-	-	(9,940)
Amortisation of intangible assets	(11,592)	-	-	-	-	-	-	(11,592)
Write-down of inventories	(93)	-	-	-	(5,172)	-	-	(5,265)
Reversal of impairment loss on trade receivables	-	-	-	-	1,908	-	-	1,908
Impairment loss on trade receivables	(122)	-	-	-	-	-	-	(122)
Change in fair value of listed equity investments	-	-	-	-	-	(869)	-	(869)
Impairment loss on available-for-sale investments	-	-	-	-	-	(1,215)	-	(1,215)
Impairment loss on loans receivable	-	-	(5,199)	-	-	-	-	(5,199)
Impairment loss on deposits and prepayments	-	-	-	-	(46,885)	-	-	(46,885)
Interest income	4	1	-	1	6	3	4,772	4,787
Amortisation of issuance cost of corporate bonds	-	-	-	-	-	-	(2,928)	(2,928)
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:								
Income tax credit	3,133	739	-	-	-	-	-	3,872
Finance costs	(66)	(581)	-	(548)	-	(60)	(16,415)	(17,670)

3. TURNOVER AND SEGMENT REPORTING (Continued)

3.2 Segment reporting (Continued)

(d) Other segment information (Continued)

For the year ended 30 June 2016

	Money lending services HK\$'000	Electric cycles HK\$'000	Liquor and wine HK\$'000	Investments in securities and funds HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets	13,406	2,596	31	–	–	16,033
Depreciation of property, plant and equipment	(4,088)	(704)	(1,929)	–	–	(6,721)
Amortisation of intangible assets	–	(17,640)	–	–	–	(17,640)
Impairment loss on goodwill	–	(363,046)	–	–	–	(363,046)
Write-down of inventories	–	(3,017)	(4,722)	–	–	(7,739)
Impairment loss of property, plant and equipment	–	(11,414)	(2,062)	–	–	(13,476)
Impairment loss of intangible assets	–	(91,340)	–	–	–	(91,340)
Impairment loss on trade receivables	–	–	(42,959)	–	–	(42,959)
Reversal of impairment loss on loans receivable	8,550	–	–	–	–	8,550
Change in fair value of listed equity investments	–	–	–	(74,959)	–	(74,959)
Change in fair value of compensation from profit guarantee	–	100,000	–	–	–	100,000
Interest income	–	3	24	–	7,333	7,360
Amortisation of issuance cost of corporate bonds	–	–	–	–	(3,117)	(3,117)
Amounts regularly provided to the chief operating decision-maker but not included in the measure of segment profit or loss:						
Income tax credit	137	24,883	–	–	–	25,020
Finance costs	–	(473)	–	(59)	(17,014)	(17,546)

3. TURNOVER AND SEGMENT REPORTING (Continued)

3.2 Segment reporting (Continued)

(e) Geographic information

The Group's operations are mainly located in Hong Kong (place of domicile), the People's Republic of China (the "PRC"), Sweden and Japan.

The Group's revenue from external customers and information about its non-current assets (other than financial assets) by geographical markets are detailed as below:

	Revenue from external customers		Non-current assets	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	12,320	13,309	10,436	22,976
PRC	3,133	3,125	12,018	3,236
Sweden	3,492	–	251,038	–
Japan	25,234	–	531,450	–
	44,179	16,434	804,942	26,212

The geographical location of customers is based on the location at which the goods and services are delivered. For goodwill and intangible assets, the geographical location is based on the areas of operation. The geographical location of other non-current assets is based on the physical location of the assets.

(f) Major customers

Revenue from a customer of the corresponding years contributing over 10% of the total turnover of Group is as follow:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A	–	3,600
Customer B	–	2,917
Customer C	–	2,212
Customer D	–	1,927

There is no significant revenue that is more than 10% of the Group's revenue derived from specific external customers for the year ended 30 June 2017.

4. LOSS BEFORE INCOME TAX

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	2,100	1,380
Depreciation of property, plant and equipment	9,940	6,721
Amortisation of prepaid lease payment for land	148	–
Cost of inventories recognised as expense, including:	28,504	11,031
Write-down of inventories	5,265	7,739
Amortisation of issuance cost of corporate bonds	2,928	3,117
Amortisation of intangible assets	11,592	17,640
Impairment loss on prepayments and deposits	46,885	–
Impairment loss on loans receivable (<i>note 15</i>)	5,199	–
Impairment loss on trade receivables (<i>note 12</i>)	122	42,959
Impairment loss on available-for-sale investments (<i>note 13</i>)	1,215	2,864
Employee benefit expense (including directors' remuneration):		
Wages and salaries	15,661	11,690
Contributions to retirement benefit schemes	1,144	386
Share-based payment expenses to employees and directors	1,006	4,820
Share-based payment expenses to consultants	2,472	38,205
Operating lease rentals in respect of:		
Office premises	12,923	10,961
Factory premises	280	1,342
Exchange losses/(gains), net	13,478	(247)
Reversal of impairment loss on trade receivables (<i>note 12</i>)	(1,908)	–
Reversal of impairment loss on loans receivable	–	(8,550)
Penalties for profit guarantee receivables	(850)	–
Bank interest income	(15)	(27)
Loss on disposal of property, plant and equipment	546	694
	<u>546</u>	<u>694</u>

5. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on corporate bonds	16,414	17,014
Interest on bank loans	645	–
Interest on margin loan payable	60	59
Other interests	551	473
	<u>551</u>	<u>473</u>
	<u>17,670</u>	<u>17,546</u>

6. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profit tax was provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong for both years ended 30 June 2017 and 2016. No provision for Hong Kong profits tax has been made for the current and prior periods as the Group has no assessable profits arising in Hong Kong.

The subsidiaries established in the PRC are subject to enterprise income tax (“EIT”) at tax rates of 25% for both years ended 30 June 2017 and 2016. No provision for PRC EIT has been made for the current and prior periods as the Group has no assessable profits arising in the PRC.

Under the relevant Japan tax regulations, the profits of the business under tokumei kumiai arrangement which is distributed to a tokumei kumiai investor after deducting any accumulated losses in prior years is only subject to 20.42% withholding income tax in Japan. The withholding tax is final Japanese tax on such distributed tokumei kumiai profits and such profits are not subject to any other Japanese taxes. There is no withholding tax paid or payable for the both years ended 30 June 2017 and 2016 as there is no profit distribution.

The subsidiary established in Japan is subject to prefectural and municipal inhabitant taxes on a per capita basis in accordance with the relevant Japan tax regulations for the year ended 30 June 2017.

The subsidiary established in Sweden is subject to corporate income tax at tax rates of 22% for the year ended 30 June 2017. No provision for Sweden corporate income taxes have been made for the current period as the Group has no assessable profits arising in Sweden.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax for the year		
Japan	10	–
Over-provision for prior years		
Hong Kong	–	(137)
Deferred tax	<u>(3,882)</u>	<u>(24,883)</u>
Total income tax (credit)/expense	<u>(3,872)</u>	<u>(25,020)</u>

7. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2017 (2016: Nil).

8. LOSS PER SHARE

The calculation of basic and diluted loss per share amount is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of the basic loss per share based on the following data:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year attributable to owner of the Company for the purpose of calculating basic and diluted loss per share	<u>(144,426)</u>	<u>(494,057)</u>
	Number of shares	
	2017 <i>'000</i>	2016 <i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>4,858,864</u>	<u>4,482,720</u>

Diluted loss per share amount for both years were not presented because the impact of the exercise of the share options and convertible preference shares was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share attributable to owners of the Company.

9. INTANGIBLE ASSETS

	Distribution rights	Distribution network	Patent	Patent use right	Production formula (note a)	Non-competition agreements (note b)	Sales backlog agreements (note c)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST:								
At 1 July 2015	168,301	14,706	72,596	45,005	–	–	–	300,608
Exchange realignment	(11,134)	(973)	(4,803)	(2,977)	–	–	–	(19,887)
At 30 June 2016 and 1 July 2016	157,167	13,733	67,793	42,028	–	–	–	280,721
Acquired through acquisition of subsidiaries (note 23)	–	–	–	–	136,787	36,076	14,000	186,863
Exchange realignment	(2,236)	(195)	(964)	(598)	12,739	3,360	1,304	13,410
At 30 June 2017	154,931	13,538	66,829	41,430	149,526	39,436	15,304	480,994
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES:								
At 1 July 2015	168,301	14,706	919	570	–	–	–	184,496
Amortisation for the year	–	–	10,889	6,751	–	–	–	17,640
Impairment loss for the year	–	–	56,385	34,955	–	–	–	91,340
Exchange realignment	(11,134)	(973)	(400)	(248)	–	–	–	(12,755)
At 30 June 2016 and 1 July 2016	157,167	13,733	67,793	42,028	–	–	–	280,721
Amortisation for the year	–	–	–	–	7,161	2,661	1,770	11,592
Exchange realignment	(2,236)	(195)	(964)	(598)	315	117	78	(3,483)
At 30 June 2017	154,931	13,538	66,829	41,430	7,476	2,778	1,848	288,830
NET CARRYING AMOUNT:								
At 30 June 2017	–	–	–	–	142,050	36,658	13,456	192,164
At 30 June 2016	–	–	–	–	–	–	–	–

9. INTANGIBLE ASSETS (Continued)

Notes:

- (a) Production formula represented the production formulation of a fuel additive named EuroAd (the “Product”) and the full right of use to develop and sale the Product.

As at 30 June 2017, production formula with the net carrying amount of HK\$142,050,000 is attributable to the cash-generating unit of new energy business (“New Energy Business CGU”) with which the goodwill amount is recognised. Details of the impairment assessment of that cash-generating unit are set out in note 11 to the consolidated financial statements.

- (b) Non-competition agreements represented the agreements entered with the consultants in which the consultants will not carry on or be concerned with any business that is substantially similar to the fuel additive business.

As at 30 June 2017, non-competition agreements with the net carrying amount of HK\$36,658,000 is attributable to the New Energy Business CGU with which the goodwill amount is recognised. Details of the impairment assessment of that cash-generating unit are set out in note 11 to the consolidated financial statements.

- (c) Sales backlog agreements represented the agreements entered with customers in which the customers have committed monthly minimum purchase amount for 5 years.

As at 30 June 2017, sales backlog agreements with the net carrying amount of HK\$13,456,000 is attributable to the New Energy Business CGU with which the goodwill amount is recognised. Details of the impairment assessment of that cash-generating unit are set out in note 11 to the consolidated financial statements.

10. PREPAID LEASE PAYMENTS FOR LAND

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At beginning of the year	–	–
Acquisition	10,073	–
Amortisation during the year	(148)	–
Exchange realignment	222	–
	<u>10,147</u>	<u>–</u>
At end of the year	<u>10,147</u>	<u>–</u>
The Group’s net carrying amount of the prepaid lease payments for land is analysed as follows:		
Leasehold land under medium-term leases in the PRC	<u>10,147</u>	<u>–</u>
Analysed for reporting purposes as:		
Non-current	9,890	–
Current	257	–
	<u>10,147</u>	<u>–</u>

As at 30 June 2017, the Group did not pledge any prepaid lease payments for land to secure banking facilities of the Group (2016: Nil).

11. GOODWILL

	<i>HK\$'000</i>
COST:	
At 1 July 2015	814,386
Exchange realignment	<u>(53,878)</u>
At 30 June 2016 and 1 July 2016	760,508
Acquired through business combination (<i>note 23</i>)	111,864
Exchange realignment	<u>(9,222)</u>
At 30 June 2017	<u>863,150</u>
ACCUMULATED IMPAIRMENT LOSSES:	
At 1 July 2015	425,620
Impairment loss for the year	363,046
Exchange realignment	<u>(28,158)</u>
At 30 June 2015 and 1 July 2016	760,508
Exchange realignment	<u>(10,820)</u>
At 30 June 2017	<u>749,688</u>
NET CARRYING AMOUNT:	
At 30 June 2017	<u><u>113,462</u></u>
At 30 June 2016	<u><u>–</u></u>

For the purpose of impairment testing, goodwill is allocated to the cash generating units (“CGU”) identified as follows:

	<i>HK\$'000</i>
Year ended 30 June 2017	
New energy business	58,602
Hotel hospitality business	54,860
	<u>113,462</u>
	<i>HK\$'000</i>
Year ended 30 June 2016	
Electric cycles business	<u>363,046</u>

11. GOODWILL (Continued)

Note:

New energy business

The goodwill was arising from the acquisition of new energy business, with the net carrying amount of HK\$58,602,000 as at 30 June 2017 (2016: Nil) is allocated to the New Energy Business CGU.

For the year ended 30 June 2017, the recoverable amount of the New Energy Business CGU is determined by the Directors of the Company with reference to a valuation report issued by Royson. The recoverable amount of the New Energy Business CGU has been determined from value-in-use calculation. The calculation used cash flow projections based on latest financial budgets approved by the management covering a period of 5 years and at a pre-tax discount rate of 33% (2016: Nil). The cash flow projections beyond the 5 years periods are extrapolated using a growth rate at zero (2016: Nil). Cash flow projections during the budget period are based on the expected gross margins during the budget period. Budgeted gross margins and growth rate have been determined based on past performance and the Group management's expectations for the market development and future performance of the New Energy Business CGU. The discount rate is determined based on the cost of capital adjusted by the specific risk associated with the New Energy Business CGU. The Directors of the Company are in opinion that no impairment loss was considered for the year ended 30 June 2017 as the result of impairment assessment performed.

Hotel hospitality business

The goodwill was arising from the acquisition of hotel hospitality business, with the net carrying amount of HK\$54,860,000 as at 30 June 2017 (2016: Nil) is allocated to the cash generating unit of hotel hospitality business ("Hotel Hospitality Business CGU").

The recoverable amount of the Hotel Hospitality Business CGU is determined by the Directors of the Company with reference to a valuation report issued by Royson. The recoverable amount of the Hotel Hospitality Business CGU has been determined from fair value less cost of disposal, which is primarily making reference to the recent sales of similar transactions in the market.

The fair value less cost of disposal of Hotel Hospitality Business CGU is Level 3 recurring fair value measurement.

The key significant unobservable inputs to determine the fair value less cost of disposal are the discount on age and condition of the hotel property. The higher discount on these factors would result in a lower the fair value less cost of disposal of the Hotel Hospitality Business CGU, and vice versa.

12. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables		85,123	85,797
Less: Provision for impairment loss	<i>12.1</i>	(82,753)	(85,773)
Trade receivables, net		2,370	24
Other receivables		1,802	12,596
Trade deposits paid		145	17,564
Prepayments for purchase		3,371	33,876
Other deposits and prepayments	<i>12.2</i>	25,242	28,691
		32,930	92,751
Less: Current portion		(32,930)	(86,326)
Non-current portion		–	6,425

12. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

12.1 The Group allows an average credit period of 0 to 90 days to its trade receivables.

- (i) The ageing analysis of trade receivables, net of allowance for doubtful debts, based on invoice date, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	1,286	9
31 – 60 days	696	15
61 – 90 days	–	–
Over 90 days	388	–
	<u>2,370</u>	<u>24</u>

- (ii) The movements in the impairment for trade receivables during the year are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At the beginning of the year	85,773	47,279
Impairment loss for the year	122	42,959
Reverse of impairment loss	(1,908)	–
Exchange realignment	(1,234)	(4,465)
	<u>82,753</u>	<u>85,773</u>

Included in the provision for impairment loss is individually impaired trade receivable with balance of HK\$82,753,000 (2016: HK\$85,773,000) from trade debtors who have been in severe financial difficulties.

- (iii) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither past due nor impaired	1,295	–
Less than 1 month past due	687	9
1 to 3 months past due	14	15
More than 3 months past due	374	–
	<u>2,370</u>	<u>24</u>

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

12.2 The balances included interest expenses of HK\$3,091,000 (2016: HK\$11,055,000) paid in advance for the corporate bonds issued, in which no balance (2016: HK\$3,091,000) has been classified as non-current assets. The prepaid interests are amortised over the maturity term of the corporate bonds.

As at 30 June 2017 and 2016, the balances also included the deposit of HK\$5,260,000 to the vendor as the earnest money regarding on the proposed acquisition. The Group has terminated the proposed acquisition on 31 August 2016. Details of the termination are set out in the Company's announcement dated 31 August 2016. The Group is in the legal process of requesting repayment of the deposits and the management of the Group considered the balance was fully recoverable by the Group.

13. AVAILABLE-FOR-SALE INVESTMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Available-for-sale investments		
— Unlisted private funds (note)	103,728	6,445
— Debt component of the convertible bonds (note 14)	—	256,226
	<u>103,728</u>	<u>262,671</u>

Note:

The decline in fair value of the investment during the year was amounted to HK\$2,717,000 (2016: HK\$2,864,000), in which HK\$1,215,000 (2016: HK\$2,864,000) was considered as significant or prolonged. An impairment loss of HK\$1,215,000 (2016: HK\$2,864,000) has been recognised, which has been dealt with in profit or loss in the consolidated statement of comprehensive income for the year. The remaining balance of HK\$1,502,000 (2016: Nil) has been dealt with in other comprehensive income and available for-sale investments revaluation reserve for the year ended 30 June 2017.

14. DERIVATIVE FINANCIAL INSTRUMENT

On 4 September 2015, Noble Advantage Limited (“Noble Advantage”), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement (the “Subscription Agreement”) with Integrated Capital Investments Limited (“Integrated Capital”) which is an independent third party of the Group. Pursuant to the terms of the Subscription Agreement, Noble Advantage has agreed to subscribe for and Integrated Capital has agreed to issue, the 3-year 3.65% coupon convertible bonds at the subscription price which is equal to the principal amount of the convertible bonds of HK\$388,000,000 (the “Convertible Bonds”). All conditions precedent under the Subscription Agreement has been fulfilled and the completion of the subscription (the “Completion”) took place on 24 December 2015 in accordance with the terms and conditions of the Subscription Agreement. The Convertible Bonds have been issued to Noble Advantage by Integrated Capital.

The Convertible Bonds contain debt component and conversion option. The fair values of debt component and conversion option of the Convertible Bonds are determined by the Directors with reference to the valuation performed by Grant Sherman.

14. DERIVATIVE FINANCIAL INSTRUMENT (Continued)

The fair values of the debt component and the conversion option of the Convertible Bonds are determined by using the discounted cash flow method and the binominal model respectively, with the following key assumptions:

	At 30 June 2016	At the date of derecognition
Fair value of shares of Integrated Capital	HK\$828,339 per share	HK\$849,545 per share
Conversion price	HK\$680,702 per share	HK\$680,702 per share
Risk free interest rate	(0.148%)	(0.256%)
Time to maturity	2.48 years	2.15 years
Expected volatility	27.85%	29.1%
Expected dividend yield	0%	0%
Discount rate	24.85%	24.50%

The carrying amounts of the debt component and conversion option of the Convertible Bonds are as follows:

	Debt component <i>HK\$'000</i>	Conversion option <i>HK\$'000</i>	Total <i>HK\$'000</i>
At subscription date	222,410	165,590	388,000
Change in the fair value during the year	<u>33,816</u>	<u>49,836</u>	<u>83,652</u>
At 30 June 2016 and 1 July 2017	256,226	215,426	471,652
Change in the fair value during the year	8,688	(10,315)	(1,627)
Derecognition of the convertible bonds during the year	<u>(264,914)</u>	<u>(205,111)</u>	<u>(470,025)</u>
At 30 June 2017	<u> -</u>	<u> -</u>	<u> -</u>

The fair value of the debt component of the Convertible Bonds as at 30 June 2016 was estimated to be HK\$256,226,000 and is recorded under non-current assets as available-for-sale investments (note 13). The fair value of the conversion option of the Convertible Bonds as at 30 June 2016 was estimated to be HK\$215,426,000 and is recorded under non-current assets as derivative financial instrument.

During the year, the Group has exercised the right to convert the Convertible Bonds in full into 570 new shares of Integrated Capital, representing 95% of the equity interest in Integrated Capital. Details of the conversion are set out in the Company's announcement dated 1 November 2016 and 25 November 2016. The related cumulated gain previously recognised in other comprehensive income on the available-for-sale investments of HK\$42,504,000 was reclassified from available-for-sale investments revaluation reserve to profit or loss for the year ended 30 June 2017.

The fair value gain of the debt component of the Convertible Bonds during the year was HK\$8,688,000 (2016: HK\$33,816,000), which has been dealt with in other comprehensive income and available-for-sale investments revaluation reserve for the year ended 30 June 2017. The fair value loss of the conversion option of the Convertible Bonds was HK\$10,315,000 (2016: HK\$49,836,000), which has been recognised in the consolidated statement of comprehensive income for the year ended 30 June 2017. Interest income of the Convertible Bonds was amounted to HK\$4,772,000 (2016: HK\$7,333,000), which has been recognised in the consolidated statement of comprehensive income for the year ended 30 June 2017.

15. LOANS RECEIVABLE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Gross loans and interest receivables	112,522	70,133
Less: Provision for impairment loss	<u>(5,199)</u>	<u>–</u>
	<u>107,323</u>	<u>70,133</u>

As at 30 June 2017, the loans receivable with gross principal amount of HK\$106,096,000 (2016: HK\$65,775,000) in aggregate and related gross interest receivables of HK\$6,426,000 (2016: HK\$4,358,000) were due from ten (2016: four) independent third parties. These loans are interest-bearing at rates ranging from 7% to 20% (2016: 10% to 20%) per annum. All the loans were repayable within twelve months from the end of the reporting period and therefore were classified as current assets at the reporting date. Subsequent to the reporting date, the Group has agreed to sell certain loans receivable and the related interests receivable to an independent third party at a discount and without recourse. Impairment loss of HK\$5,199,000 (2016: Nil) has been provided against those loans receivable accordingly.

The ageing analysis of loans receivable that are neither individually nor collectively considered to be impaired is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither past due nor impaired	60,178	8,005
1 to 3 months past due	18,694	–
Over 3 months past due	<u>28,451</u>	<u>62,128</u>
	<u>107,323</u>	<u>70,133</u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong listed equity investments, at fair value (<i>note a</i>)	–	104,526
Compensation from profit guarantee (<i>note b</i>)	<u>80,000</u>	<u>100,000</u>
	<u>80,000</u>	<u>204,526</u>

Notes:

(a) Hong Kong listed equity investments

The fair values of listed securities are based on quoted market prices.

For the year ended 30 June 2017, a loss on change in fair value of financial asset at fair value through profit or loss of HK\$869,000 (2016: HK\$74,959,000) was recognised in the consolidated statement of comprehensive income.

As at 30 June 2017, no listed securities (2016: HK\$98,868,000) has been pledged to secure the margin loan payable (note 18).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes: (Continued)

(b) Compensation from profit guarantee

The compensation from profit guarantee was arising from a profit guarantee undertaken by the vendor in relation to the financial performance of Delta Prestige Holdings Limited and its subsidiaries for the year ended 30 June 2016.

For the year ended 30 June 2017, no fair value change of compensation from profit guarantee (2016: HK\$100,000,000) was recognised in the consolidated statement of comprehensive income.

During the year, the Group had received HK\$20,000,000 settlement from the vendor and subsequent to the reporting date, the Group further received HK\$50,000,000 settlements from the vendor. The remaining HK\$30,000,000 would be settled in March 2018.

17. TRADE PAYABLES, OTHER ADVANCES AND ACCRUALS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables (<i>note a</i>)	3,323	2,124
Receipts in advance	616	141
Other payables and accruals (<i>note b</i>)	31,175	14,446
	<u>35,114</u>	<u>16,711</u>

Notes:

- a. The ageing analysis of trade payables, based on invoice date, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	1,248	110
31 – 60 days	176	195
61 – 90 days	6	–
Over 90 days	1,893	1,819
	<u>3,323</u>	<u>2,124</u>

- b. As at 30 June 2017, other payables and accruals consist of other payables of HK\$2,302,000 (2016: HK\$2,336,000), which was subject to the interest at 2% per month (2016: 2% per month), accrued audit fee of HK\$1,900,000 (2016: HK\$1,380,000) and accrued bond interests of HK\$1,658,000 (2016: HK\$1,659,000).

18. BORROWINGS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank loans, secured (<i>note a</i>)	150,869	–
Margin loan payable, secured (<i>note b</i>)	–	1,558
	<u>150,869</u>	<u>1,558</u>
Carrying amount as at the end of year	150,869	1,558
Less: Current portion	(9,140)	(1,558)
	<u>141,729</u>	<u>–</u>
Non-current portion	<u>141,729</u>	<u>–</u>

Based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause, borrowings are repayable as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	9,140	–
More than one year, but not exceeding two years	9,140	–
More than two years, but exceeding five years	132,589	–
	<u>150,869</u>	<u>–</u>

Notes:

- (a) Bank loans were secured by (i) corporate guarantees provided by subsidiaries within the Group as at 30 June 2017; (ii) the pledge of Group's assets as set out in note 22; and (iii) the entire equity interest of Cambridge Venture Partners Kabushiki Kaisha ("CVP KK") (2016: Nil).

The abovementioned bank loans are charged at floating rates ranging from 0.75% to 5.14% per annum (2016: Nil).

- (b) The interest rate of the margin loan payable is Hong Kong prime rate of 5% plus 3% per annum and repayable on demand. At 30 June 2016, margin loan payable was secured by the Group's listed equity investments with the carrying amount of HK\$98,868,000 (note 16).

19. CORPORATE BONDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Corporate bonds	112,749	182,821
Less: Current portion	(112,749)	(71,963)
	<u>–</u>	<u>110,858</u>
Non-current portion	<u>–</u>	<u>110,858</u>

19. CORPORATE BONDS (Continued)

As at 30 June 2017, the Group has issued two fixed-rate corporate bonds. A corporate bond at principal amount of HK\$86,500,000 (2016: HK\$102,000,000) (“Bond A”) bears interest at 8% per annum, and another corporate bond at principal amount of HK\$27,000,000 (2016: HK\$84,500,000) (“Bond B”) bears interest at 10% per annum. The interests of Bond A are paid in advance while the interest of Bond B are paid in arrears. Both bonds are guaranteed by the Company and will mature on the date falling on the third anniversary of the date of first issue.

The Company may, at any time falling on the first and the second anniversary of the issue dates of the corporate bonds, redeem the whole corporate bonds at 100% of the total principal amounts together with payments of interest accrued up to the dates of such early redemption by serving at least thirty days written notice.

During the year ended 30 June 2017, the Group has redeemed certain corporate bonds of principal amount of HK\$73,000,000 due to maturity (2016: Nil).

20. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss represented contingent consideration payable in relation to the acquisition of Emission Particle Solution Sweden AB (“EPS”).

For the year ended 30 June 2017, the Directors of the Company were of the opinion that EPS can achieve the profit target by reference to the net profit after tax of EPS forecasted for the period from 1 January 2017 to 31 December 2017. In this regard, the fair value of contingent consideration payable was measured at SEK137,800,000 (equivalent to HK\$127,431,000) as at 30 June 2017.

21. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.05 each at 30 June 2016 and 2017		
Authorised:		
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017	<u>30,000,000</u>	<u>1,500,000</u>
	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 July 2015	4,477,114	223,856
Exercise of share options	<u>6,000</u>	<u>300</u>
At 30 June 2016 and 1 July 2016	4,483,114	224,156
Issue of ordinary shares on conversion of convertible preference shares	746,430	37,321
Issue of ordinary shares on exercise of share options	<u>2,300</u>	<u>115</u>
At 30 June 2017	<u>5,231,844</u>	<u>261,592</u>

22. PLEDGE OF ASSETS

Save as disclosed elsewhere in these consolidated financial statement, the Group had pledged the following assets to secure general banking facilities granted (note 18) to the Group. The carrying amounts of these assets are analysed as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Property, plant and equipment	474,963	–
Bank balances	3,003	–
	<u>477,966</u>	<u>–</u>

23. ACQUISITION OF SUBSIDIARIES

(a) EPS

On 22 December 2016, the Group acquired the entire issued share capital of EPS at cash consideration of SEK239,000,000 (equivalent to approximately HK\$202,186,000), in which (i) SEK101,200,000 (equivalent to approximately HK\$85,612,000) was settled on 22 December 2016, and (ii) remaining maximum balance of SEK137,800,000 (equivalent to approximately HK\$116,574,000) is subject to post completion adjustment mechanism. EPS is principally engaged in the development, manufacturing and distribution of a fuel additive product namely EuroAd which can reduce fuel consumption and environment impact. The primary reason for the acquisition was to further expand and diversify the business portfolio within the new energy sector.

The fair values of identifiable assets and liabilities arising from the acquisition of EPS as at the date of were as follows:

	<i>Notes</i>	Fair value <i>HK\$'000</i>
Property, plant and equipment		242
Intangible assets	9	186,863
Inventories		9,937
Trade receivables, other receivables, deposits and prepayments		245
Bank balances and cash		995
Trade payables, other advances and accruals		(3,292)
Borrowings		(3,325)
Deferred tax liabilities		(43,088)
Fair value of net assets acquired		<u>148,577</u>
Net cash outflow from acquisition of a subsidiary:		
Cash consideration paid		(85,612)
Cash and cash equivalents in a subsidiary acquired		995
Net cash outflow		<u>(84,617)</u>
Cash consideration		85,612
Contingent consideration payable		116,574
Total consideration		202,186
Less: Fair value of net assets acquired		(148,577)
Goodwill	11	<u>53,609</u>

23. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) EPS *(Continued)*

Pursuant to the supplemental agreement dated 22 December 2016, the remaining balance of SEK137,800,000 shall be adjusted according to the net profit after tax of EPS forecasted for the period from 1 January 2017 to 31 December 2017 (“NPAT”). The adjusted balance is calculated in accordance with the following formula:

The adjusted balance = SEK137,800,000 x NPAT/SEK30,000,000

If EPS records a net loss after tax in aggregate in its financial statements for the period from 1 January 2017 to 30 June 2017, the adjusted balance shall be deemed as zero. In the event that the value of the adjusted balance exceeds the value of the remaining balance of SEK137,800,000, the Group shall only be obliged to pay the maximum of SEK137,800,000.

At the completion date, the Directors are of the opinion that EPS would achieve a NPAT equal to or larger than SEK30,000,000. As such, remaining balance is considered to be maximum of SEK137,800,000 (equivalent to approximately HK\$127,431,000). The contingent consideration payable is stated at fair value and presented as financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

The goodwill of HK\$53,609,000, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of new energy business to diversify the revenue stream of the existing business of the Group.

(b) Integrated Capital

On 1 November 2016, the Group entered into a supplemental letter with Integrated Capital, in which the Group shall have the right to convert the whole outstanding principal of the Convertible Bonds into 570 new shares of Integrated Capital, representing 95% of the equity interest in Integrated Capital at any time from the date of the supplemental letter. Details of the supplemental letter are set out in the Company’s announcement dated 1 November 2016.

With reference to HKFRS 10 consolidated financial statements, the Directors are in the opinion that the control on Integrated Capital become substantive and Integrated Capital would become the subsidiary of the Group since 1 November 2016. On 25 November 2016, the Group has exercised the right to convert all outstanding principal of the Convertible Bonds. Details of the conversion are set out in the Company’s announcement dated 25 November 2016.

23. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Integrated Capital (Continued)

Integrated Capital and its subsidiary, namely CVP KK, are principally engaged in the hotel hospitality business in Japan. The primary reason for the acquisition was to further expand and diversify the business portfolio.

The fair values of identifiable assets and liabilities arising from the acquisition of Integrated Capital Group as at the date of were as follows:

	<i>Notes</i>	Fair value <i>HK\$'000</i>
Property, plant and equipment		510,960
Inventories		158
Trade receivables, other receivables, deposits and prepayments		11,893
Pledged bank balances		830
Bank balances and cash		898
Trade payables, other advances and accruals		(15,012)
Deferred tax liabilities		(76,285)
		<hr/>
		433,442
Non-controlling interest		(21,672)
		<hr/>
Fair value of net assets acquired		411,770
		<hr/> <hr/>
Net cash inflow from acquisition of subsidiaries		898
		<hr/> <hr/>
Fair value of the convertible bonds	<i>14</i>	470,025
Less: Fair value of net assets acquired		(411,770)
		<hr/>
Goodwill	<i>11</i>	58,255
		<hr/> <hr/>

The goodwill of HK\$58,255,000, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of hotel ownership and management business in Japan to diversify the revenue stream of the existing business of the Group.

24. EVENTS AFTER REPORTING PERIOD

(a) Formation of a joint venture company

On 5 June 2017, Rich Express Investment Group Limited (“Rich Express”), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Zhongke International Capital Limited (“Zhongke International Capital”) for the formation of the joint venture. Rich Express and Zhongke International Capital shall subscribe for 4,900 and 5,100 shares in the joint venture company at the subscription price of HK\$1.00 each and upon incorporation, the joint venture company shall have a total share capital of HK\$10,000. The joint venture company will be owned as to 49% by Rich Express and 51% by Zhongke International Capital.

On 14 July 2017, Rich Express and Zhongke International Capital entered into the amended and restated joint venture agreement to amend certain terms under the joint venture agreement and to provide a facility in an aggregate amount of HK\$400,000,000 to the joint venture company.

On 11 August 2017, Rich Express and Zhongke International Capital has subscribed for 4,900 and 5,100 shares in the joint venture Company respectively at the subscription price of HK\$1.00 each. The total share capital of the joint venture Company is HK\$10,000.

Details of the transaction are set out in the Company’s announcements dated 5 June 2017, 14 July 2017 and 18 August 2017.

(b) Disposal of Miracle True Investment Limited

On 7 September 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose the entire equity interest of Miracle True Investment Limited, a wholly-owned subsidiary of the Company, at a cash consideration of HK\$11,000,000.

(c) Transaction in relation to sale of loans receivable

On 26 September 2017, DeTai Finance Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to sell the overdue loans of approximately HK\$29 million (including accrued interests) in aggregate at a consideration of HK\$23 million.

(d) Transaction in relation to disposal of 國藏酒莊有限公司 (Guocang Liquor & Wine Merchant Limited)

On 27 September 2017, a subsidiary of the Group entered into a share transfer agreement with two independent third parties to sell the entire equity interest of 國藏酒莊有限公司 (Guocang Liquor & Wine Merchant Limited), which was a dormant company, at a consideration of RMB100.

The above events are considered as non-adjusting events under HKAS 10 “Event After the Reporting Period” and therefore do not have any impact to the consolidated financial statements.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The Company’s independent auditor has expressed a qualified opinion in its auditor’s report on the Group’s consolidated financial statements for the year ended 30 June 2017, an extract of which is as follows:

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the “Basis for Qualified Opinion” section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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

Acquisition of Emission Particle Solution Sweden AB

As disclosed in Note 35 to the consolidated financial statements, during the year, the Group acquired the entire equity interest in Emission Particle Solution Sweden AB (“EPS”) at consideration of SEK239,000,000 (equivalent to approximately HK\$202,186,000), in which (i) SEK101,200,000 (equivalent to approximately HK\$85,612,000) has been settled by cash on 22 December 2016, and (ii) SEK137,800,000 (equivalent to approximately HK\$116,574,000) which was the acquisition date fair value of contingent consideration payable by the Group. The amount of contingent consideration payable is subject to post acquisition adjustment mechanism and will be payable by cash.

EPS is principally engaged in the manufacturing and distribution of a vegetable additive product.

(i) Fair value of intangible assets acquired at the date of acquisition of EPS

As detailed in Note 15 to the consolidated financial statements, the management of the Group determined the fair value of the intangible assets of EPS, being production formula, non-competition agreements and sales backlog agreements, at approximately totalling HK\$186,863,000 at the date of acquisition by using respective valuation bases and inputs for each of these intangible assets. Deferred tax liabilities of approximately HK\$41,110,000 were recognised at the date of acquisition as a result of the recognition of these intangible assets.

We have performed audit procedures set out in Hong Kong Standard on Auditing (“HKSA”) 540 “Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures” including to understand how the estimation of the fair value of these assets was prepared, and test/consider the data based on which the fair value of these intangible assets was estimated. However, we were not provided with sufficient appropriate evidence relating to the completeness and accuracy of the data used in the estimating the fair value of the intangible assets. Due to the limitations on our scope of work, we were unable to evaluate whether the fair value of these intangible assets of EPS were appropriately estimated and whether the related deferred tax liabilities were properly stated at the date of acquisition.

Any adjustments to the fair value of these intangible assets found to be necessary would have consequential effect on the amount of goodwill, if any, and deferred tax liabilities recognised at the date of acquisition and at 30 June 2017, the amortisation charge of the intangible assets and the correspondence deferred tax charge for the year ended 30 June 2017, the net assets of the Group as at 30 June 2017 and the net loss of the Group for the year ended 30 June 2017, and the related disclosure.

(ii) *Fair value of financial liabilities at fair value through profit or loss at the date of acquisition*

At the date of acquisition, the Group had recognised the fair value of the contingent consideration payable for the acquisition of EPS of approximately HK\$116,574,000 as the financial liabilities at fair value through profit or loss. The actual amount of contingent consideration payable is calculated with reference to the net profit after tax of EPS for the period from 1 January 2017 to 31 December 2017 and the profit target agreed in the acquisition of EPS. SEK137,800,000 (equivalent to approximately HK\$116,574,000 at acquisition date) represented the maximum amount payable (i.e. the profit target is met) and without taking account of the time value effect.

The fair value of the financial liabilities at fair value through profit or loss at the date of acquisition was determined by the management of the Group by reference to a valuation report prepared by an independent professional qualified valuer based on the forecast of EPS performance for the period from 1 January 2017 to 31 December 2017 prepared by the Group's management (the "Forecast"). We have performed audit procedures set out in HKSA 540 "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures" including to understand how the Forecast was prepared, and test/consider the data based on which the Forecast was prepared and the fair value of the financial liability was estimated. However, we were not provided with sufficient appropriate evidence relating to the accuracy and relevance of the data used in estimating the fair value of the financial liabilities. Due to the limitations on our scope of work, we were unable to determine whether the fair value of financial liabilities at fair value through profit or loss was appropriately stated at the date of acquisition.

Any adjustments to the fair value of the contingent consideration payable at acquisition date found to be necessary would have an effect on the fair value of the purchase consideration for EPS and the amount of goodwill, if any, at the date of acquisition, and the related disclosure.

(iii) Impairment assessment of goodwill as at 30 June 2017

As at 30 June 2017, the carrying amount of goodwill and intangibles assets acquired arising from the acquisition of EPS amounted to approximately HK\$58,602,000 and HK\$192,164,000 respectively. In the preparation of the consolidated financial statements, the management of the Group has performed an impairment assessment on the cash generating unit (“CGU”) to which the goodwill and intangible assets belong. According to the Group’s accounting policies, the impairment assessment is by comparing the CGU’s carrying amount to the CGU’s recoverable amount. The recoverable amount of the CGU as at 30 June 2017 was determined by the management of the Group by reference to a valuation report prepared by an independent professional qualified valuer based on a cash flows forecast developed by the Group’s management (“the Forecast”). With reference to the result of the impairment assessment, the management of the Group considered that there is no impairment on the CGU as at 30 June 2017.

We have performed audit procedures set out in HKSA 540 “Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures” including to understand how the Forecast was prepared, and test/consider the data based on which the Forecast was prepared and the CGU’s recoverable was estimated. However, we were not provided with sufficient appropriate evidence relating to the accuracy and relevance of the data used in estimating the recoverable amount of the CGU. Due to the limitations on our scope of work, we were unable to determine whether the recoverable amount of the CGU was appropriately estimated and whether recognition of impairment losses on the assets included in the CGU including the goodwill was necessary as at 30 June 2017.

Any impairment loss recognition found to be necessary would reduce the carrying amount of goodwill, and may also reduce the carrying amounts of other assets in the CGU including the intangible assets and the corresponding deferred tax liabilities as at 30 June 2017. The net assets of the Group as at 30 June 2017 and the net loss of the Group for the year ended 30 June 2017 would also be adversely affected.

(iv) Fair value of financial liabilities at fair value through profit or loss as at 30 June 2017

As at 30 June 2017, the Group’s financial liabilities at fair value through profit or loss (see (ii) above) amounted to approximately HK\$127,431,000, the fair value which was determined by the management of the Group by reference to a valuation report prepared by an independent professional qualified valuer. The valuation report was based on the forecast of EPS performance for the period from 1 July 2017 to 31 December 2017 prepared by the management of the Group (the “Forecast”). We have performed audit procedures set out in HKSA 540 “Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures” including to understand how the Forecast was prepared, and test/consider the data based on which the Forecast was prepared and the fair value of the financial liability was estimated. However, we were not provided with sufficient appropriate evidence relating to the accuracy and relevance of the data used in estimating the fair value of the financial liabilities. Due to the limitations on our scope of work, we were unable to determine whether the fair value of the financial liabilities at fair value through profit or loss as at 30 June 2017 was appropriately stated.

Any adjustments to the fair value of the financial liabilities as at 30 June 2017 found to be necessary would have an effect on the net assets of the Group as at 30 June 2017 and net loss of the Group for the year ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group was engaged in six business segments, (i) new energy business; (ii) hotel hospitality business; (iii) provision of money lending services; (iv) manufacturing and trading of electric cycles; (v) trading and distribution of liquor and wine; and (vi) investments in securities and funds. As at 30 June 2017, the Group recorded a turnover of approximately HK\$44.2 million (2016: approximately HK\$16.4 million). Loss for the year attributable to owners of the Company was approximately HK\$144.4 million (2016: approximately HK\$494.1 million). Basic loss per share was approximately 2.97 HK cents (2016: approximately 11.02 HK cents). The decrease in the net loss was mainly attributable to (i) the decrease in impairment loss on goodwill and intangible assets of approximately HK\$363.0 million and HK\$91.3 million respectively and (ii) the decrease in share-based payment expenses of approximately HK\$39.5 million as compared to that for the corresponding year of 2016.

New energy business

On 22 December 2016, Perfect Essential Holdings Limited (“Perfect Essential”), a wholly-owned subsidiary of the Company, acquired the entire issued share capital of EPS, which was engaged in the distribution of EuroAd, a totally biodegradable vegetable additive which catalyses the combustion process in both fossil and bio fuels to achieve fuller fuel efficiency and cost savings without compromising fuel performance. Furthermore, EuroAd has been tested by national level reputable institutes that can reduce fuel consumption and emission of Carbon Monoxide, Carbon Dioxide and particulate matter (PM) significantly.

The turnover for the year ended 30 June 2017 of the new energy business was approximately HK\$3.5 million (2016: Nil) and the segment loss was approximately HK\$26.7 million (2016: Nil). The segment loss was mainly attributable to amortisation of intangible assets.

During the year, the Group had strived to enhance the worldwide recognition of EuroAd and expand the distribution network in different regions, namely Europe, Middle East, South Africa, North America and Asia.

The Group has spent many resources in conducting product testing which is a prerequisite for entering the energy markets in these countries with potential customers. However, the time taken to carry out product testing on the customers’ plants and premises were much longer than the management of new energy business expected due to the constraints presented in the customers’ own facilities in these countries. Furthermore, we were faced by politically influences in certain countries that product testing has to be started all over again with a new team of government and decision makers.

Our staff with extensive experience in the fuel industry, nevertheless, provided valuable support to our potential customers and have so far received positive feedback and results in product testing. The prolonged product testing resulted in delay in placing of sales orders from our targeted potential customers.

Our management and staff have strategised and revamped EuroAd marketing concept placing more emphasis on promoting EuroAd multilevel applications. Besides its application in fuel, we aimed at expanding into market segments such as shipping and pulp and paper globally ensuring new and potential customers are aware of EuroAd multilevel applications. The potential growth in these new segments are high and will let us achieve a product diversification strategy meanwhile managing risk being too concentrated on one segment. In the coming quarters, our staff will strive to capture more sales to meet up the previous shortage.

In the PRC, the Group formed a joint venture with 北京中聯光采科技有限公司 (Beijing ZhongLian GuangCai Technology Co. Ltd), who operates the largest online trading platform, 光采網 (Guang Cai Net), for petroleum and petrochemical products in the PRC. 光采網 (Guang Cai Net) has been recognised and acknowledged by leading petroleum and chemical enterprises, material and equipment manufacturing enterprises and relevant industrial associations and accredited as the “Alibaba” of the petrochemical industry which enables the Group to reach more effective marketing promotion and broader sales channels. Given the satisfaction of product testing results and the collaboration with the high profile of joint venture partner, 北京中聯光采科技有限公司 (Beijing ZhongLian GuangCai Technology Co. Ltd), the Group believes that the future sales of new energy business would increase significantly and will generate stable source of income to the Group.

Pursuant to the terms of the sale and purchase agreement dated 29 July 2016 (as amended by supplemental agreement dated 22 December 2016) entered into between Perfect Essential (the “Purchaser”) and the eight vendors, the maximum consideration for the acquisition is SEK239 million, in which SEK101.2 million was paid on the completion date i.e. 22 December 2016 and the remaining maximum balance of SEK137.8 million will be subject to post completion adjustment mechanism. The remaining balance will be adjusted in accordance with the ratio of the net profit after tax of EPS forecasted for the period from 1 January 2017 to 31 December 2017 by way of agreements and/or orders as determined by the Purchaser to the guaranteed profit of SEK30.0 million.

The vendors undertake that notwithstanding the amount of the remaining consideration and other terms in the sale and purchase agreement, the vendors will deliver to the Purchaser (or its nominee) on or before 31 December 2017 (i) the original intelligence property transfer confirmation agreement and the deed of modification to modify the terms of the intelligence property transfer confirmation agreement in such form and substance satisfactory to the Purchaser; (ii) the list of ingredients for production of EuroAd, the list of suppliers of the ingredients, the technical production specification of EuroAd; (iii) the original assets transfer agreement; and (iv) any other manuals lodged with the Stockholm Chamber of Commerce by the inventor of EuroAd.

In the course of preparing the financial statements, the management has duly engaged independent qualified valuers to determine the fair value of intangible assets acquired at the date of acquisition, the recoverable amount of the cash generating unit as at 30 June 2017 and the fair value of the contingent consideration payable at the date of acquisition and as at 30 June 2017 of the new energy business. The management has sufficiently provided all the relevant information, including but not limited to, internal reports and analysis, such as business development plans, contracts signed with distributors, revenue and costing analyses and budgets, sales contracts to the valuers and auditor in assessing the fair value of intangible assets acquired at the date of acquisition, the recoverable amount of the cash generating unit as at 30 June 2017 and the fair value of the contingent consideration payable at the date of acquisition and as at 30 June 2017 of the new energy business.

Hotel hospitality business

On 1 November 2016, Noble Advantage entered into a supplemental letter (the “Supplemental Letter”) with Integrated Capital. Pursuant to the Supplemental Letter, Integrated Capital agreed that Noble Advantage has the right to convert the whole outstanding principal of the convertible bonds into new shares of Integrated Capital at any time from the date of the Supplemental Letter.

On 25 November 2016, the Group exercised the right to convert the outstanding principal of the convertible bonds in full into 570 new shares of Integrated Capital, representing 95% equity interest in Integrated Capital. Integrated Capital together with its subsidiary are principally engaged in hotel hospitality business in Japan. The resort towers located in Niseko, Hokkaido, Japan, named One Niseko Resort Towers, comprising two reinforced-concrete towers of 11 floors & 10 floors with one basement and 110 guest rooms in total. The hotel is particularly welcomed by family groups and long-stay guests for its spacious condominium rooms.

On 25 January 2017, the Group acquired the remaining 5% equity interest in Integrated Capital. Hence, the results of Integrated Capital and its subsidiary are wholly reflected in the results of the Group.

The hotel hospitality business recorded a turnover of approximately HK\$25.2 million (2016: Nil) and a segment loss of approximately HK\$19.9 million (2016: Nil). The segment loss was mainly attributed to the exchange loss. The Directors are optimistic about the prospects and the potential momentum of the hotel and resort industry in Japan which will generate satisfactory income to the Group in the future.

Electric cycles business

The turnover for the year ended 30 June 2017 of the electric cycles business was approximately HK\$0.7 million (2016: approximately HK\$1.4 million) and a segment loss of approximately HK\$3.1 million was recorded for the year ended 30 June 2017 (2016: approximately HK\$393.1 million). The segment loss was mainly attributed to the decrease in turnover. Although the Group has strived to market the products, the results still fell short of expectation. In the coming year, the Group targets to formulate an operating plan to breakeven.

Pursuant to the terms of the settlement deed dated 26 September 2016 entered into between the Company and the then vendor that the then vendor shall compensate to the Company in an amount of HK\$100.9 million due to the profit shortfall. The compensation amount shall be paid by the then vendor in 4 installments: (i) as of HK\$20.0 million shall be paid to the Company on or before 30 September 2016; (ii) as of HK\$20.4 million shall be paid to the Company on or before 31 March 2017; (iii) as of HK\$30.3 million shall be paid to the Company on or before 30 September 2017; and (iv) as of HK\$30.15 million shall be paid to the Company on or before 31 March 2018. The first three installments of HK\$70.7 million in aggregate was received by the Company on 27 September 2016 and 21 September 2017.

Liquor and wine business

The turnover for the year ended 30 June 2017 of the liquor and wine business was approximately HK\$2.4 million (2016: approximately HK\$1.7 million) and a segment loss of approximately HK\$80.3 million was recorded as at the year ended 30 June 2017 (2016: approximately HK\$61.5 million). The sale of the liquor and wine still fell short of expectation. The Group will continuously explore different sales channel to enhance the revenue stream of liquor and wine business.

Listed securities investments

As at 30 June 2017, the Group did not have any portfolio of listed securities investments. Details of the listed securities investments as at 30 June 2016 and significant gains/(losses) for the year ended 30 June 2017 and 2016 are as below:

Significant gains/(losses) for the year ended 30 June 2017

Name of listed securities	Stock code	For the year ended 30 June 2017		
		Realised	Unrealised	Dividend
		gains/(losses)	gains/(losses)	received
		HK\$'000	HK\$'000	HK\$'000
China New Economy Fund Limited	80	(687)	–	–
Huarong International Financial Holdings Limited	993	196	–	–
Zhong An Real Estate Limited	672	(316)	–	–
Telecom Digital Holdings Limited	6033	(62)	–	–

Significant listed securities investments as at 30 June 2016

Name of listed securities	Stock code	Brief description of the business	Number of shares held	As at 30 June 2016			Approximate Percentage to total assets value of the Group
				Proportion of shares held	Investment cost HK\$'000	Market value HK\$'000	
China New Economy Fund Limited	80	Investing globally in both private and publicly listed enterprises that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of mainland China, Hong Kong, Macau and Taiwan	7,800,000	0.70%	1,833	1,256	0.12%
Huarong International Financial Holdings Limited	993	Broking and dealing of securities, futures and options contracts and provision of margin financing services; provides securities underwriting and sponsoring and financial advisory services, asset management services and direct investments	35,625,000	1.07%	110,394	97,613	9.63%
Zhong An Real Estate Limited	672	Property development, leasing and hotel operation	8,200,000	0.35%	11,697	5,657	0.56%

Significant gains/(losses) for the year ended 30 June 2016

Name of stock listed on the Stock Exchange	Stock code	For the year ended 30 June 2016		
		Realised gains/(losses) HK\$'000	Unrealised gains/(losses) HK\$'000	Dividend received HK\$'000
China New Economy Fund Limited	80	(12,206)	(577)	–
Hong Kong Exchanges and Clearing Limited	388	(397)	–	18
Hsin Chong Group Holdings Limited	404	(750)	–	50
Huarong International Financial Holdings Limited	993	–	(59,638)	–
Metallurgical Corporation of China Limited	1618	(1,163)	–	62
OP Financial Investments Limited	1140	(1,000)	–	–
Zhong An Real Estate Limited	672	–	(2,706)	–
Jujiang Construction Group Co., Ltd.	1459	3,478	–	–

In view of the fluctuations in the global and local financial markets, the Board is always cautious of the prospects of the trading performance of the Group's portfolio of listed securities investments. The Group disposed all the listed securities during the year ended 30 June 2017 (30 June 2016: fair value of financial assets at fair value through profit or loss of approximately HK\$104.5 million). The Group reallocated financial resources to other business segments.

Money lending services

As at 30 June 2017, the Group has loans receivable with gross principal amount of approximately HK\$106.1 million (30 June 2016: approximately HK\$65.8 million). The Group recorded interest income from loans receivable of approximately HK\$12.3 million for the year ended 30 June 2017 (2016: approximately HK\$13.2 million).

PROSPECTS

Since June 2016, the Group has been strategically focused on completing the acquisition of EPS. At completion in December 2016, EPS became a wholly-owned subsidiary of the Group. EPS, based in Sweden, is engaged in the development and worldwide distribution of a biofuel product namely EuroAd, a biodegradable vegetable additive which catalyzes the combustion process in both fossil and bio fuels to achieve fuller fuel efficiency and cost savings with increased fuel performance. Meanwhile, EuroAd functions to reduce environment impacts by separating the molecular chains in fuels as well as facilitating the oxidation of fuels during combustion process. It also serves as a detergent which cleans combustion chambers, intakes channels, spreaders and injectors from soot, bacteria and algae. EuroAd is examined in different institutions over 40 countries and it is proven to be effective in reducing particulate matter (PM) by 50% on average.

Given China is facing pressing issue of environmental protection and energy saving problem, it represents an economic opportunity for the Group to emerge our new energy sector in China.

In April 2017, the Group entered into a strategic and high profile joint venture agreement with Beijing ZhongLian GuangCai Technology Co. Ltd (北京中聯光采科技有限公司) to collaborate with its online platform, 光采網 (GuangCai Net), widely known as the "Alibaba" in the petrochemical industry. With the reputation, business network and deep local knowledge of our Chinese joint venture partner, synergy effects of combing resources and management talent will be produced propelling our business development in the new energy sector in China. Besides, the Group believes the demand for high-quality, innovative environmental production and solutions in world-wide markets will continue to expand. The Group set to devote its top talent and resources in developing the new energy segment.

In November 2016, the Group completed acquisition of One Niseko Resort Towers in the famous Japanese skiing destination of Niseko, Hokkaido, Japan. In view of the large potential growth in tourism in Japan driven by the Tokyo Olympics 2020, the recent enactment of the Integrated Resort Laws in Japan and that the resort towers have continued to generate satisfactory income to the Group, the Directors are confident that the acquisition will allow the Group to achieve further diversification in our business portfolio and manage a steady income stream.

Apart from the development of new energy business and hotel hospitality business, the Group will continue to be cautious in its investment approach on listed securities investments, closely monitor the electric cycles, liquor and wine business and money lending services and seize other growth opportunities to enhance competitiveness to strive for the best return to the shareholders of the Company.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 30 June 2017 (2016: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 30 June 2017, the Group recorded cash and bank balances (including pledged bank balances) amounting to approximately HK\$95.9 million (2016: approximately HK\$63.8 million) and the net current assets value was approximately HK\$102.2 million (2016: approximately HK\$409.2 million).

The Group's gearing ratio as at 30 June 2017 was approximately 0.35 (2016: approximately 0.23), being a ratio of total debts, including corporate bonds and borrowings of approximately HK\$263.6 million (2016: approximately HK\$184.4 million) to the total equity of approximately HK\$754.2 million (2016: approximately HK\$802.6 million).

On 13 September, 7 October, 28 October 2016, the Company entered into several convertible preference shares transfer agreements (the "CPS Transfer Agreements") with certain purchasers respectively. Pursuant to the CPS Transfer Agreements, the purchasers agreed to purchase and the Company agreed to procure the transfer of 1,238,095,238 convertible preference shares (the "CPS") in aggregate. For the year ended 30 June 2017, 746,430,000 CPS in aggregate had been transferred and fully converted into shares of the Company. The net proceeds from the CPS Transfer Agreements received by the Company was approximately HK\$160.8 million, of which approximately HK\$85.6 million was used, in accordance with the intended use as approved by the shareholder of the Company, for the settlement of the consideration for the acquisition of the new energy business which completed on 22 December 2016. The remaining balance of approximately HK\$74.6 million is intended to be used for the settlement of the remaining consideration for the acquisition of new energy business and for the general working capital of the Group.

On 6 October 2016, the Company entered into a bond placing agreement with a placing agent in relation to the placing of bonds in an aggregate principal amount of up to HK\$100 million. For the year ended 30 June 2017, no such bonds had been placed and no proceeds had been received by the Company. The bond placing agreement lapsed on 5 April 2017.

As at 30 June 2017, the Group had 3-year 8% and 10% coupon unlisted corporate bonds with the aggregate principal amount of approximately HK\$86.5 million and HK\$27.0 million (2016: approximately HK\$102.0 million and HK\$84.5 million) respectively. The bonds are guaranteed by the Company. During the year ended 30 June 2017, the Group has redeemed certain corporate bonds of principal amount of HK\$73.0 million due to maturity (2016: Nil).

PLEDGE OF ASSETS

As at 30 June 2017, no margin loan payable was secured by the Group's listed equity investments (2016: approximately HK\$98.9 million).

As at 30 June 2017, the Group pledged hotel land and building in Japan with an aggregated carrying value of approximately HK\$475.0 million (2016: Nil), bank deposit of approximately HK\$3.0 million (2016: Nil) and the entire equity interest of CVP KK, a non-wholly owned subsidiary of the Company, to secure banking facilities of the Group (2016: Nil).

CAPITAL STRUCTURE

During the year ended 30 June 2017, 2,300,000 share options were exercised, 1,600,000 share options lapsed and 746,430,000 convertible preference shares were converted into shares of the Company.

On 24 January 2017, the Board granted 163,550,000 share options to the eligible participants as defined in the share option scheme adopted by the Company on 13 December 2013 at the exercise price of HK\$0.235 per share.

Save as disclosed above, the Company had no other changes in capital structure during the year ended 30 June 2017.

INVESTMENT POSITION AND PLANNING

Acquisition of EPS

On 29 July 2016, Perfect Essential, a direct wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement (as amended by supplemental agreement dated 22 December 2016) with eight vendors in relation to an acquisition of the entire issued share capital of EPS in cash at a total consideration of SEK239 million. The vendors are independent third parties of the Group. EPS is currently engaged in the distribution of EuroAd, a totally biodegradable vegetable additive which catalyzes the combustion process in both fossil and bio fuels to achieve fuller fuel efficiency and cost savings without compromising fuel performance. Furthermore, EuroAd has been tested by national level reputable institutes that can reduce fuel consumption and emission of Carbon Monoxide, Carbon Dioxide and particulate matter (PM) significantly. The completion of the acquisition took place on 22 December 2016. EPS became a wholly-owned subsidiary of the Company and its results, assets and liabilities were consolidated into the consolidated financial statements of the Company. Details of the transaction are set out in the Company's announcements dated 29 July 2016 and 22 December 2016.

Conversion of convertible bonds in relation to hotel hospitality business

On 4 September 2015, Noble Advantage entered into the Subscription Agreement with Integrated Capital. Pursuant to the terms of the Subscription Agreement, Noble Advantage has agreed to subscribe for and Integrated Capital has agreed to issue, the 3-year 3.65% coupon convertible bonds at the principal amount of HK\$388 million. On 1 November 2016, Noble Advantage entered into the Supplemental Letter with Integrated Capital. Pursuant to the Supplemental Letter, Integrated Capital agreed that Noble Advantage has the right to convert the whole outstanding principal amount of the Convertible Bonds into new shares of Integrated Capital at any time from the date of the Supplemental Letter. On 25 November 2016, the Convertible Bonds were converted in full into 570 new shares of Integrated Capital, representing 95% equity interest in Integrated Capital. Integrated Capital together with its subsidiary are principally engaged in hotel hospitality business in Japan. The resort towers located in Niseko, Hokkaido, Japan, named One Niseko Resort Towers, comprising two reinforced-concrete towers of 11 floors & 10 floors with one basement and 110 guest rooms in total. The hotel is particularly welcomed by family groups and long-stay guests for its spacious condominium rooms.

On 25 January 2017, Noble Advantage as purchaser entered into a sale and purchase agreement (the “ICI SPA”) with Key Vision Holdings Limited as vendor. Pursuant to the terms of the ICI SPA, Noble Advantage agreed to purchase and the vendor agreed to sell 5% equity interest of Integrated Capital in cash at a consideration of HK\$35.6 million. The completion took place on 25 January 2017 and Integrated Capital together with its subsidiary became wholly-owned subsidiaries of the Company. Details of the transaction are set out in the Company’s announcements dated 4 September 2015, 24 December 2015, 1 November 2016, 25 November 2016 and 25 January 2017.

Convertible preference shares transfer agreements

On 13 September 2016, the Company entered into an agreement (the “1st CPS Transfer Agreement”) with Mr. Zhu Yongjun and Jumbo Grand Enterprise Development Limited (collectively the “1st Purchasers”). Both of the 1st Purchasers are independent third parties of the Group. Pursuant to the terms of the 1st CPS Transfer Agreement, the Company conditionally agreed to procure the sale of and the 1st Purchasers conditionally agreed to purchase 651,430,000 CPS in aggregate at the transfer price of HK\$0.21 per CPS. Details of the transaction are set out in the Company’s announcement dated 13 September 2016.

On 7 October 2016, the Company entered into an agreement (the “2nd CPS Transfer Agreement”) with Capital Farm Limited and Jovial Sky Investments Limited (collectively the “2nd Purchasers”). Both of the 2nd Purchasers are independent third parties of the Group. Pursuant to the terms of the 2nd CPS Transfer Agreement, the Company conditionally agreed to procure the sale of and the 2nd Purchasers conditionally agreed to purchase 100,000,000 CPS in aggregate at the transfer price of HK\$0.24 per CPS. Details of the transaction are set out in the Company’s announcement dated 7 October 2016.

On 28 October 2016, the Company entered into an agreement (the “3rd CPS Transfer Agreement”) with New Hyde Investments Limited and Wolfview Limited (collectively the “3rd Purchasers”) and another agreement with the 2nd Purchasers (the “2nd Additional CPS Transfer Agreement”). Both of the 3rd Purchasers are independent third parties of the Group. Pursuant to the terms of the 3rd CPS Transfer Agreement and the 2nd Additional CPS Transfer Agreement, the Company conditionally agreed to procure the sale of and the 2nd Purchasers and 3rd Purchasers conditionally agreed to purchase 486,665,238 CPS in aggregate at the transfer price of HK\$0.233 per CPS. Details of the transaction are set out in the Company’s announcement dated 28 October 2016.

For the year ended 30 June 2017, 746,430,000 CPS in aggregate had been transferred and fully converted into shares of the Company. The net proceeds from the CPS Transfer Agreements received by the Company was approximately HK\$160.8 million.

On 22 March 2017, the Company notified the other purchasers who agreed to purchase the remaining 491,665,238 CPS in writing that their failure to complete the relevant transfers of CPS constitutes repudiatory breach of the relevant agreements for the transfers of the CPS and thereby they have repudiated such agreements. On the same date, the Company and Mr. Zhu Yongjun, who agreed to purchase 80,000,000 CPS under the 1st CPS Transfer Agreement, entered into a deed of settlement for the repudiatory breach of the 1st CPS Transfer Agreement by Mr. Zhu Yongjun, in which Mr. Zhu Yongjun shall pay the Company of HK\$125,000 as settlement sum. The settlement sum has been received by the Company. The deed of settlement was classified as fully exempted connected transaction under Chapter 14 of the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange.

Settlement deed in relation to the profit guarantee compensation

With reference to the Company’s announcements dated 26 April 2015 and 29 May 2015 in relation to the acquisition of the electric cycles business, Mr. Lee Man Bun (“Mr. Lee”) as the vendor irrevocably warranted and guaranteed to the Company that the after-tax audited consolidated net profit of the electric cycles business for the year ended 30 June 2016 shall not be less than HK\$100,000,000 (the “Guaranteed Net Profit”).

In the event that the electric cycles business cannot achieve the Guaranteed Net Profit, Mr. Lee has irrevocably undertaken to the Company to pay to the Company in cash within 10 business days from the date of receipt of the certificate from the auditors of the Company an amount equal to the shortfall (the “Profit Guarantee Compensation”).

In view of the loss recorded for the year ended 30 June 2016 of the electric cycles business, Mr. Lee had been requested to settle the Profit Guarantee Compensation of HK\$100,000,000. After arm’s length negotiations, on 26 September 2016, Mr. Lee and the Company entered into a settlement deed regarding the settlement of the Profit Guarantee Compensation of HK\$100,000,000 and the additional amount of compensation of HK\$850,000, in which HK\$70,700,000 was settled by Mr. Lee on 27 September 2016 and 21 September 2017. Details of the transaction are set out in the Company’s announcement dated 26 September 2016.

Transaction in relation to the acquisition of a land in the PRC

On 16 November 2016, Advanced System Group Limited, an indirectly wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement (the “PRC Land Agreement”) with Beautiking Investments Limited as vendor. Pursuant to the PRC Land Agreement, the purchaser agreed to acquire and the vendor agreed to sell the entire issued share capital of Miracle True Investment Limited and its subsidiary in the PRC and the shareholder’s loan in cash at a consideration of HK\$10 million. The acquisition was completed on 16 November 2016. The PRC subsidiary of Miracle True Investment Limited holds a PRC land in Huizhou City, Guangdong Province, the PRC.

On 7 September 2017, Advanced System Group Limited as vendor entered into a sales and purchase agreement (the “PRC Land Disposal Agreement”) with an independent third party as purchaser. Pursuant to the PRC Land Disposal Agreement, the purchaser agreed to acquire and the vendor agreed to sell the entire issued share capital of Miracle True Investment Limited and its subsidiary in the PRC and the shareholder’s loan in cash at a consideration of HK\$11 million, in which HK\$550,000 had been received on 7 September 2017 and the remaining balance of HK\$10.5 million will be payable by the purchaser within six months from the date of the PRC Land Disposal Agreement. The disposal had not yet been completed as at the date of this announcement.

The acquisition and disposal were classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

Termination of memorandum in relation to the possible acquisition of internet education business

On 5 July 2016, the Company as purchaser entered into a non-legally binding memorandum (the “Bei Dou Memorandum”) with Mr. Ng Victor and Mr. Zheng Gang as vendors, who are independent third parties of the Group, in relation to the intention of acquisition of not less than 90% of the issued share capital of a company, of which together with its subsidiaries are engaged in operating a system platform for the development of “Bei Dou + Internet + Education” in the PRC.

Pursuant to the Bei Dou Memorandum, the parties to the Bei Dou Memorandum shall negotiate in good faith towards one another in ensuring that a formal agreement be entered on or before 30 September 2016. After several rounds of negotiations and discussions, the parties to the Bei Dou Memorandum had not reached consensus on certain commercial terms in relation to the acquisition. On 27 September 2016, the parties to the Bei Dou Memorandum entered into a termination letter whereby the parties have mutually agreed to terminate the Bei Dou Memorandum with immediate effect. Details of the transaction are set out in the Company’s announcements dated 5 July 2016 and 27 September 2016.

Lapse of Investment Agreement with Hubei Qinlong

On 1 March 2016, Able Zone International Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser entered into an investment agreement (the “Investment Agreement”) with 湖北秦龍投資集團有限公司 (in English, for identification purpose only, Hubei Qinlong Investment Group Co., Limited) (“Hubei Qinlong”) as vendor. The vendor is an independent third party of the Group. Pursuant to the terms of the Investment Agreement, the purchaser has conditionally agreed to purchase and the vendor has conditionally agreed to sell 60% equity interest in 孝感中石油昆仑燃氣有限公司 (in English, for identification only, Xiaogan Petrochina Kunlun Gas Co., Limited) (“Xiaogan Petrochina Kunlun”). Xiaogan Petrochina Kunlun operates 2 compressed natural gas stations in Xiaogan City, Hubei Province, the PRC.

Pursuant to the Investment Agreement, completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent to the Investment Agreement by 31 August 2016. Due to the change of the capital restructuring of Xiaogan Petrochina Kunlun which is contrary to the purchaser’s initial intention of the acquisition and the fact that certain conditions have not been fulfilled and/or waived in accordance with the Investment Agreement on or before 31 August 2016, the purchaser decided not to proceed with the acquisition. On 31 August 2016, the purchaser issued a written notice to the vendor for the termination of the acquisition and demanded the vendor to refund the earnest money of RMB4,387,300 to the purchaser without interest in accordance with the terms of the Investment Agreement. The earnest money has yet to be received by the Group and the Group has submitted to the intermediate people’s court of Hubei Xiaogan for claiming the refund of the earnest money, interest incurred due to late refund and legal costs.

Formation of Tianjin joint venture for new energy business

On 21 April 2017, EPS entered into a joint venture agreement (the “New Energy JV Agreement”) with 北京中聯光采科技有限公司 (Beijing ZhongLian GuangCai Technology Co. Ltd) (“ZhongLian GuangCai”), an independent third party to the Group, in relation to the formation of joint venture company with registered capital of RMB20 million. Details of the transaction are set out in the Company’s announcement dated 24 April 2017.

Subsequent to the New Energy JV Agreement and for the acceleration of the establishment procedures, the Group decided to use Start Trend Limited, a wholly-owned subsidiary of the Group, to form the joint venture company with ZhongLian GuangCai. On 4 July 2017, the joint venture company was incorporated in the PRC and owned as to 80% by Start Trend Limited and 20% by ZhongLian GuangCai.

Termination of memorandum in relation to the possible acquisition of biofuel business

On 26 May 2017, Rich Shine Development Limited, a wholly-owned subsidiary of the Company, as purchaser entered into a non-legally binding memorandum (the “Biofuel Memorandum”) with China Century Bio Energy International Investment Company Limited as vendor, an independent third party of the Group, in relation to the intention of acquisition of 100% of issued share capital of a company, of which together with its subsidiaries, are engaged in developing environmental friendly energy and biofuel business in the PRC comprising the production of renewable energy source and biofuel with its self-developed biological butanol technology.

Pursuant to the Biofuel Memorandum, the parties to the Biofuel Memorandum shall negotiate in good faith towards one another in ensuring that a formal agreement be entered on or before 31 August 2017. As the parties to the Biofuel Memorandum were unable to reach an agreement on the terms of the formal agreement, the parties to the Biofuel Memorandum had agreed to end the possible acquisition. Details of the transaction are set out in the Company's announcements dated 26 May 2017 and 8 September 2017.

Formation of joint venture with Zhongke International Capital Limited

On 5 June 2017, Rich Express entered into a joint venture agreement (the "JV Agreement") with Zhongke International Capital Limited, an independent third party to the Group, in relation to the formation of a joint venture. On 14 July 2017, the parties to the JV Agreement entered into the amended and restated JV Agreement to provide a facility in an aggregate amount of HK\$400 million to the joint venture company. On 11 August 2017, the joint venture company was incorporated in Hong Kong and owned as to 49% by Rich Express and 51% by Zhongke International Capital. The total share capital of the joint venture company is HK\$10,000. The board of the joint venture company consists of 3 directors, of which 2 directors were appointed by Rich Express and 1 director was appointed by Zhongke International Capital pursuant to the JV Agreement. Since Rich Express has control of the board of the joint venture company, the joint venture company is recognised as a subsidiary of the Company. Details of the transaction are set out in the Company's announcements dated 5 June 2017, 14 July 2017 and 18 August 2017.

Transaction in relation to sale of loans receivable

On 26 September 2017, DeTai Finance Limited, a wholly-owned subsidiary of the Company, as vendor entered into the Sale Loans Agreement with an independent third party as purchaser. Pursuant to the Sale Loans Agreement, the vendor agreed to sell and the purchaser agreed to purchase the overdue loans of approximately HK\$29.0 million (including accrued interests) in aggregate at a consideration of HK\$23 million. The sale of loans receivable was classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

Transaction in relation to disposal of 國藏酒莊有限公司 (Guocang Liquor & Wine Merchant Limited)

On 27 September 2017, a subsidiary of the Group as vendor entered into a share transfer agreement (the "Share Transfer Agreement") with two independent third parties as purchasers. Pursuant to the Share Transfer Agreement, the vendor agreed to sell and the purchasers agreed to acquire the entire equity interest of 國藏酒莊有限公司 (Guocang Liquor & Wine Merchant Limited), which was a dormant company, at a consideration of RMB100. The disposal was classified as a non-disclosable transaction under Chapter 14 of the Listing Rules.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no significant contingent liabilities (2016: Nil).

CAPITAL COMMITMENTS

As at 30 June 2017, the Group had no significant capital commitments (2016: Nil).

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, Swedish Krona and Japanese Yen which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had approximately 67 (2016: 46) employees in Hong Kong, the PRC, Japan, Canada and Sweden. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, medical schemes and share option scheme.

CONNECTED TRANSACTIONS

For the year ended 30 June 2017, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 30 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "2017 AGM") is scheduled to be held on 30 November 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from 27 November 2017 to 30 November 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order for a shareholder of the Company to be eligible to attend and vote at 2017 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24 November 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 30 June 2017, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the deviation from the code provision A.4.1 which is explained below.

Code provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The existing independent non-executive Directors were not appointed for a specific term as required under the code provision A.4.1 but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the full set of Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of the conduct for securities transactions by directors. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group’s senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry of all Directors, the Board confirmed that all Directors had complied with the Model Code regarding directors’ securities transactions during the year and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors, Mr. Chiu Wai On (the chairman of the Audit Committee), Mr. Man Kwok Leung and Dr. Wong Yun Kuen. The primary duties of the Audit Committee are to (i) review the Group’s financial reporting system, the nature and scope of audit review; (ii) review the effectiveness of the system of internal control procedures and risk management; and (iii) review and monitor the external auditor’s independence and objectivity. In addition, the Audit Committee discusses matters raised by the external auditor and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee shall meet at least twice a year.

The Audit Committee has reviewed with the management of the Company and the external auditor the Group’s annual results for the year ended 30 June 2016, and was of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED ON THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 June 2017 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.detai-group.com). The annual report will be despatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

By order of the Board
DeTai New Energy Group Limited
Wong Hin Shek
Chairman and Executive Director

Hong Kong, 29 September 2017

As at the date of this announcement, the executive Directors are Mr. Wong Hin Shek and Mr. Chi Chi Hung, Kenneth; the non-executive Director is Mr. Chui Kwong Kau; and the independent non-executive Directors are Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.